



HIE Innovation Programme Evaluation

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Executive Summary



433 businesses were supported to innovate through a mix of innovation advice, grant funding, specialist support and knowledge exchange activity



The Programme's integrated model combined advice, funding, specialist expertise and knowledge exchange, providing a coordinated innovation support offer tailored to business needs



The relationship-led delivery model was consistently identified as a key strength, enabling trusted, tailored and place-based support across a dispersed regional economy



Grant funding acted as a key enabler of innovation, helping businesses de-risk projects, increase ambition and accelerate delivery



Knowledge exchange participation exceeded the target (113%), while new products and services developed reached 137% of the target and entrepreneurial activity reached 163% of the target



62% of beneficiaries progressed to the next stage of innovation activity, with many businesses moving from early-stage ideas towards testing, development and commercial readiness



Businesses reported strengthened innovation capability, improved confidence, greater collaboration and more structured approaches to innovation



Many commercial impacts are still emerging, with 59% of beneficiaries expecting increased turnover in the future, compared to 19% reporting this had already been achieved



The Programme generated an estimated £5.7 million GVA, 132.9 FTE jobs created and 1,684.8 FTE jobs retained, representing an indicative benefit-cost ratio of 2.84:1



The evaluation highlights a strong case for continued innovation support, while identifying opportunities to strengthen accessibility, partnership working, impact measurement and alignment with emerging innovation priorities

Introduction

This evaluation assesses the effectiveness, impacts and value for money of the HIE Innovation Programme 2022-2025. It assesses activity delivered and performance of the Programme between November 2022 and December 2025, and its role within the wider innovation ecosystem in the Highlands and Islands and beyond.

The Programme represents a key mechanism for supporting business innovation across a dispersed and rural economy, where structural challenges can constrain productivity, access to expertise and the ability to undertake Research and Development (R&D). It combines advisory support, grant funding, specialist expertise and knowledge exchange to support businesses at different stages of the innovation journey.

The evaluation draws on a mixed-method approach, including quantitative analysis of a beneficiary survey conducted by HIE, qualitative interviews with beneficiary businesses supported by the Programme and stakeholders from within HIE and across the wider innovation ecosystem, and analysis of monitoring and financial data. It assesses how effectively the Programme was delivered, the extent to which it achieved its objectives and its impacts on businesses, innovation activity, and how it operates within the wider ecosystem.

HIE Innovation Programme provision

The HIE Innovation Programme provides a coordinated package of support designed to enable businesses to develop and implement innovation. This includes innovation advice, research and innovation grants, specialist advice funding and knowledge exchange activities such as workshops and learning journeys.

The Programme adopts a broad understanding of innovation, recognising that in the Highlands and Islands context, innovation is often practical and problem-driven, rather than formal R&D-led activity. It aims to support businesses to develop new products, services and processes, improve productivity and build longer-term innovation capability.

Support is delivered through a relationship-led and place-based model, with Innovation Managers embedded within HIE area teams. This enables early engagement with businesses, and allows support to be tailored to individual business needs and stages of development.

Programme Delivery and Outputs

The Programme has engaged a broad range of businesses across key sectors, with the strongest participation in Manufacturing, Technology, and Food and Drink, where innovation is more readily aligned to the Programme's offer. Engagement is largely driven through existing relationships, with area teams and account managers playing a central role in identifying and engaging businesses.

Delivery is characterised by a flexible, integrated approach, combining different forms of support to provide a “wraparound” offer. Programme beneficiaries consistently report that this coordinated package, rather than a series of discrete and stand-alone interventions, is a key strength of the Programme.

The Programme has performed strongly in developing entrepreneurial activity, new product and service development, and knowledge exchange participation.

However, performance has been weaker in achieving targets related to more resource-intensive activities, including the number of businesses supported to undertake innovation activity, as well as levels of R&D

engagement and productivity improvement. This reflects the longer lead-in times and greater complexity associated with these forms of support, meaning that outcomes in these areas were still developing during the evaluation period and may have been expected to increase over time as projects progressed.

It should also be noted that the Programme had a further three months of delivery remaining at the point of evaluation. As such, a number of these longer-term interventions were still maturing, and performance against these measures would be expected to continue improving as projects progressed towards completion and final programme outputs were realised.

Outcomes and Impacts

The Programme has been effective in accelerating innovation progression in supported businesses. Around 62% of beneficiaries progressed to a more advanced stage of innovation activity, with many moving from early-stage ideas to prototyping, testing and development.

A significant outcome of the Programme is capability building. Businesses reported enhanced innovation skills, improved understanding of funding, and the adoption of more structured and strategic approaches to innovation. While these impacts can often be concentrated in leadership teams, in some cases, they have become embedded across organisations more widely.

Behavioural change is also widespread, with businesses demonstrating increased confidence and greater willingness to innovate, and a stronger focus on engaging with external partners, markets and opportunities beyond their immediate operations.

The Programme has supported the adoption of new technologies, improved processes and stronger collaboration, with many businesses shifting from informal, ad hoc innovation to more planned and iterative approaches.

Commercial impacts are emerging rather than being immediately realised. Many businesses report improved commercial readiness, clearer routes to market and stronger market positioning, with 19% of respondents reporting that they have already increased turnover, compared to 59% expecting to do so in the future. This reflects the longer-term nature of innovation activity, where outcomes are realised over time.

Grant funding is identified as a critical enabler of innovation. It reduces financial risk and enables businesses to undertake more ambitious and complex projects. Evidence of additionality is strong, with most businesses reporting that activity would have been delayed, reduced in scale or not undertaken without Programme support, particularly the availability of grant funding alongside advisory input. The Programme has also enabled businesses to leverage further private sector investment.

Economic Impacts

The Programme generated estimated economic impacts of £5.7 million in gross value added (GVA), alongside 132.9 full-time equivalent (FTE) jobs created, and 1,684.8 FTE jobs retained. When considering GVA generated by public money spent on the programme, this equates to an indicative benefit–cost ratio of 2.84:1.

It should be noted that this economic impact assessment is based on a relatively small sample and many impacts will only be realised in the longer term. As such, the economic analysis provides an indication of early and future-facing impacts, rather than a complete assessment of longer-term Programme outcomes.

Strengths and Challenges

The HIE Innovation Programme demonstrates several clear strengths in how it is designed and delivered. It plays a distinct and complementary role within the regional innovation ecosystem, combining funding, tailored advice and facilitating connections to support businesses at different stages of the innovation journey. This integrated approach enables businesses to move from early-stage ideas through to development, testing and commercial readiness, while also providing access to expertise, partners and networks that are often difficult to reach in a dispersed, rural context.

A key strength lies in the relationship-led and embedded delivery model, with Innovation Managers working alongside area teams to enable early and proactive engagement with businesses. This approach supports tailored interventions aligned to business needs and is particularly effective in engaging SMEs and microbusinesses that may not otherwise identify with or actively seek innovation support. The trusted advisor model, whereby Innovation Managers develop ongoing relationships with businesses and provide impartial guidance, challenge, brokerage and support throughout the innovation journey, further strengthens engagement. This helps businesses build confidence, define innovation activity and progress ideas that might otherwise not be taken forward.

The Programme's flexible and integrated "wraparound" offer is also central to its effectiveness. Combining funding, advisory support, specialist expertise and knowledge exchange enables support to be adapted over time as projects evolve. This flexibility allows businesses to access the right support at the right stage, helping to de-risk innovation activity, accelerate progression and build longer-term capability. Knowledge exchange opportunities further reinforce this, supporting peer learning, collaboration and more outward-looking approaches to innovation.

However, the evaluation also highlights some challenges that affect the reach, consistency and overall effectiveness of the Programme. Business capacity constraints remain a significant barrier to engagement, particularly for smaller firms where innovation activity competes with day-to-day operations. This is compounded by the time required and the perceived or actual administrative burden of accessing support, which can limit participation and slow progress.

Awareness and understanding of the Programme offer are also variable. Mixed interpretations of what 'innovation' means, combined with uncertainty around eligibility and support options, can reduce self-identification among businesses and limit engagement, particularly in sectors where innovation is more incremental or less formalised. As a result, participation tends to be stronger among businesses already aligned to more traditional or R&D-led definitions of innovation, and those who are already engaging with other forms of support from HIE.

There is also evidence that the relationship-led nature of delivery can create variability in experience. Individual relationships and local networks shape engagement, and changes in relationships between HIE staff and partner organisations can affect continuity of support. While this approach enables flexibility and responsiveness, it can result in differences in how support is accessed and experienced across businesses, highlighting the need for more consistent structures alongside existing relationship-based delivery.

Finally, the wider innovation ecosystem remains complex and difficult to navigate. Although HIE plays an important role as a trusted connector, businesses continue to face challenges in understanding how different support offers fit together and in identifying the most appropriate entry points. Partnership working is largely informal and relationship-driven, which supports flexibility but can limit system-wide coordination and consistency. This creates a risk of fragmentation, duplication and missed opportunities, reinforcing the importance of clearer roles, structured collaboration and improved communication of the overall support landscape.

The Programme's strengths lie in its flexibility, integration and relationship-led delivery, which are well-suited to the regional context. However, its effectiveness is influenced by structural constraints, capacity pressures and ecosystem complexity, which continue to shape engagement and limit consistent access across the business base.

Conclusions

The evaluation demonstrates that the HIE Innovation Programme has delivered meaningful and positive outcomes, particularly in supporting early-stage innovation, building capability and enabling business progression. Its delivery model and integrated support offer are well aligned to the regional context and represent key strengths.

The Programme's primary contribution is in establishing the conditions for future growth, including improved commercial readiness, stronger innovation capability and enhanced access to networks and expertise.

However, the evaluation also highlights that the Programme's reach and impact are influenced by structural barriers within the regional economy and the complexity of the wider ecosystem. While performance is strong among engaged businesses, there is a risk that those most in need of support are less likely to access it, due to a combination of these structural constraints, limited awareness of the Programme offer and varying interpretations of what 'innovation' means.

Overall, there remains a strong case for continued innovation support in the Highlands and Islands, with future delivery focused on enhancing accessibility, improving consistency, strengthening ecosystem coordination and improving impact measurement to maximise long-term effectiveness.

Recommendations

The following recommendations are made to inform the future development of innovation support.

Recommendation 1: Maintain and strengthen the relationship-led delivery model

The relationship-led approach is a core strength and differentiator of the Innovation Service, enabling trusted, place-based engagement and tailored support that helps identify and develop innovation opportunities over time. Innovation Managers and account management should remain central to delivery, alongside clearer engagement pathways and more structured partnership working to improve consistency and continuity

Recommendation 2: Align the place-based approach and target-sector engagement

The place-based model supports early engagement with businesses and should remain a central feature of future delivery. Support should continue to work across all HIEs' key sectors but with an increasing need to align with the needs of the RTO supply chains and strengthen engagement with mid-sized businesses where there appears to be significant untapped innovation potential.

Recommendation 3: Enhance clarity and communication of the Programme offer

Improving awareness and understanding of the Programme should be a priority. Clearer communication of eligibility, support available, timescales and business expectations, alongside more consistent follow-up engagement, would help improve accessibility, progression and the overall user experience.

Recommendation 4: Increase awareness, knowledge and understanding with local partners

Local partners, such as the Federation of Small Businesses and Chambers of Commerce, can support engagement with businesses that are not currently connected to HIE. This requires targeted awareness raising and clear messaging on eligibility and the Programme offer to ensure referrals are appropriate and aligned with HIE priorities.

Recommendation 5: Explore how HIE processes can be streamlined

Application and claims processes can be a barrier, particularly for smaller businesses. While there may be limited scope to amend core corporate systems and compliance requirements, HIE should work with relevant teams to improve the guidance, proportionality, support and clarity surrounding existing processes. Ensuring requirements are clearly communicated, and businesses are appropriately supported would help reduce administrative burden and improve uptake, while maintaining appropriate monitoring and compliance standards.

Recommendation 6: Strengthen coordination within the innovation ecosystem

HIE is well positioned to build on its role as a systems connector by strengthening referral pathways, encouraging more structured collaboration and facilitating regular engagement between innovation stakeholders. This would support greater knowledge sharing, partnership working and consistency across the regional innovation ecosystem.

Recommendation 7: Maintain and enhance a flexible, integrated support offer

The Programme's wraparound approach is a key strength; it is highly valued and should be retained. Future delivery should continue to provide businesses with a tailored mix of advice, funding and knowledge exchange, while strengthening progression routes that help businesses move from early engagement through to commercialisation.

Recommendation 8: Strengthen impact measurement and data collection

Stronger and more consistent data collection would improve understanding of Programme impacts and support future evaluation activity. This should include improving survey response rates, ensuring consistent measures are used and capturing longer-term outcomes that may emerge after support has been delivered.

Recommendation 9: Support businesses with capacity constraints

Capacity constraints remain a significant barrier to engagement and progression for many businesses. Greater integration between innovation support and wider business support activity, alongside flexible entry points and tailored guidance, could help reduce time pressures and make support easier to access.

Recommendation 10: Consult businesses to shape future innovation support

Beneficiary feedback, business intelligence and ongoing stakeholder engagement should continue to inform the design of future innovation support. Maintaining a clear understanding of changing business needs will help ensure support remains relevant, accessible and aligned with HIE's strategic priorities.

1 Introduction and Background

Introduction

Highlands and Islands Enterprise (HIE) have commissioned GC Insight to produce an evaluation of the Innovation Programme delivered between November 2022 and December 2025, to assess its effectiveness, impact and value for money, and inform the future direction of innovation support in the region. Innovation plays an important role in supporting economic growth and resilience, particularly in regions facing structural and geographic challenges. In the Highlands and Islands, businesses operate within a dispersed and predominantly rural economy, where distance from major markets, smaller clusters and limited access to specialist skills can constrain productivity and competitiveness. At the same time, key sectors within the region face different innovation drivers and opportunities. In sectors such as Energy and Advanced Manufacturing, innovation is often associated with technology development and R&D-led growth. In contrast, sectors such as Tourism, Food and Drink and the Creative Industries are more likely to innovate through the adoption of new technologies, productivity improvements, process innovation and adaptation to changing market conditions.

Within this context, innovation is central to enabling businesses to respond to these challenges. It supports the development of new products, processes and business models that help to improve efficiency, open new markets and drive long-term resilience. However, small and medium-sized enterprises (SMEs), which make up a significant proportion of the regional business base, often face barriers to innovation. These include limited Research and Development (R&D) capacity, restricted access to finance, difficulty navigating support systems and a lack of specialist expertise. Without targeted intervention, many promising ideas may not progress.

Given the high proportion of SMEs and micro-businesses in the region, external guidance and funding are often critical in enabling investment in new technologies and processes. Public sector innovation programmes play an important role in addressing these barriers by helping to de-risk early-stage activity, strengthen capability and accelerate the development and commercialisation of innovation that would otherwise not occur.

Defining innovation

In this context, innovation within the HIE Innovation Programme is defined as the development and application of new or significantly improved products, services, processes or business models that enhance business productivity, competitiveness and long-term resilience. This reflects a broad understanding of innovation, recognising that it is not limited to formal R&D activity, but also includes incremental improvements, technology adoption and changes to business practices that improve performance.

Many HIE-supported businesses do not self-identify as “innovative”, particularly in sectors such as Tourism, Construction and the rural economy, including Agriculture, land-based and environmental businesses. In these sectors, innovation is often practical and problem-driven, focused on improving processes, adapting to challenges and responding to market opportunities, rather than formal or technology-led R&D activity.

Overview of Programme support

The HIE Innovation Programme provides a structured and varied offer to support businesses in developing and implementing innovation. The Programme combines bespoke innovation advice, R&D grant funding, specialist advice grants, knowledge exchange activities and a New Product Development Programme.

Innovation advice is delivered by specialist staff, who support businesses in several areas, including innovation strategy, project development, intellectual property and access to funding.

Financial support, particularly through R&D grants, was designed to enable businesses to undertake more complex and higher-value innovation activities than previous innovation programmes. Meanwhile, specialist advice grants allow companies to access external expertise when it is not available within the existing ecosystem.

Knowledge exchange activities, including workshops, learning journeys and masterclasses, complement this by building awareness, sharing best practice and strengthening networks.

The Programme supports route-to-market development and commercial readiness, helping businesses translate ideas into viable products, services or improved operations. In doing so, it places emphasis on both immediate business improvements and longer-term capability building, enabling firms to embed more structured and strategic approaches to innovation.

Advisory support, funding and knowledge exchange activities are designed to work together, supporting businesses at different stages of the innovation journey, from initial awareness and idea generation through to development, testing and commercialisation. This integrated approach enables businesses to access the right type of support at the right time, strengthens progression between activities and helps to overcome barriers that might otherwise limit innovation.

Aims of the research

This evaluation assesses the outputs, impacts, effectiveness, efficiency and value for money of the HIE Innovation Programme over the period from November 2022 to December 2025. The research will inform the future development of innovation support in the Highlands and Islands. While the evaluation assesses activity delivered up to December 2025, it should be noted that the Innovation Programme continued to operate until March 2026.

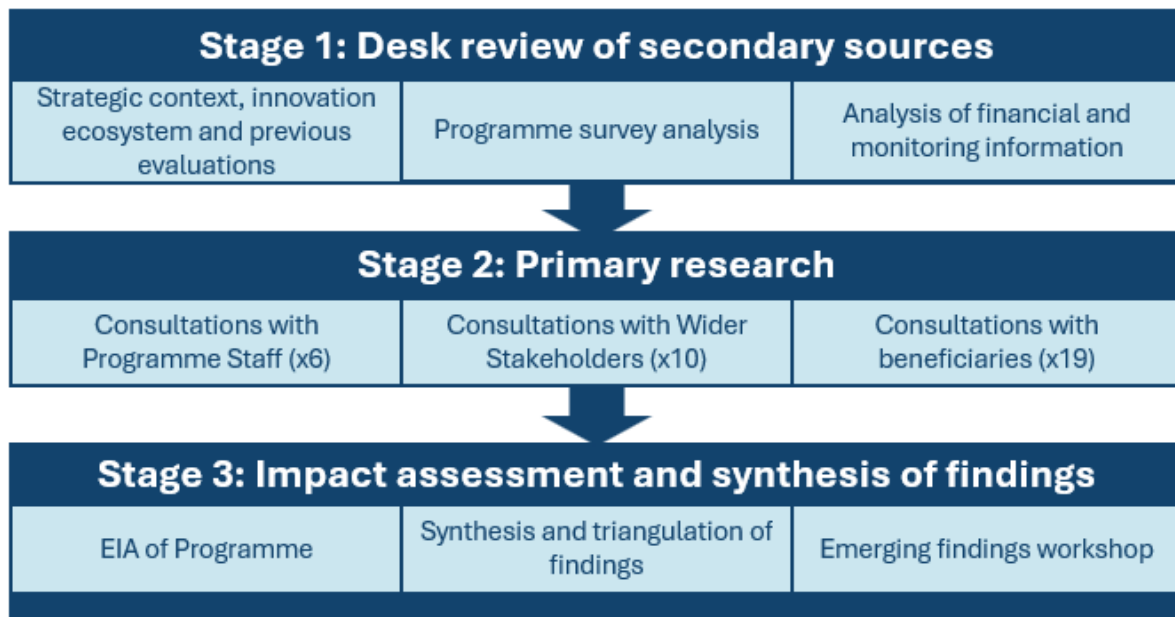
The evaluation considers the wider operational, policy and economic context within which the Innovation Programme is delivered, examines delivery and take-up across all elements of the Innovation Programme and assesses both financial and non-financial impacts on supported businesses, and overall Programme outcomes. It identifies which aspects of the service work well and assesses the relevance of its content, format and delivery model within the wider innovation ecosystem.

Methods

A mixed-method approach to the evaluation was adopted, combining desk-based analysis of strategic, policy and Programme documentation with analysis of monitoring and financial data, a beneficiary survey and in-depth consultations with stakeholders and supported businesses. This approach reflects the need to capture both quantifiable outcomes and wider impacts, including behavioural change, capability building and progression along the innovation journey.

The approach taken is detailed in Figure 1.1 overleaf:

Figure 1.1: Evaluation Methodology



A further detailed methodology is set out in Appendix 1.

2 Strategic and Policy Context

Introduction

This chapter summarises the key policy areas and sets out the wider innovation ecosystem in which the HIE Innovation Programme operates. It gives an overview of the strategic and policy context at the regional, Scotland and UK levels.

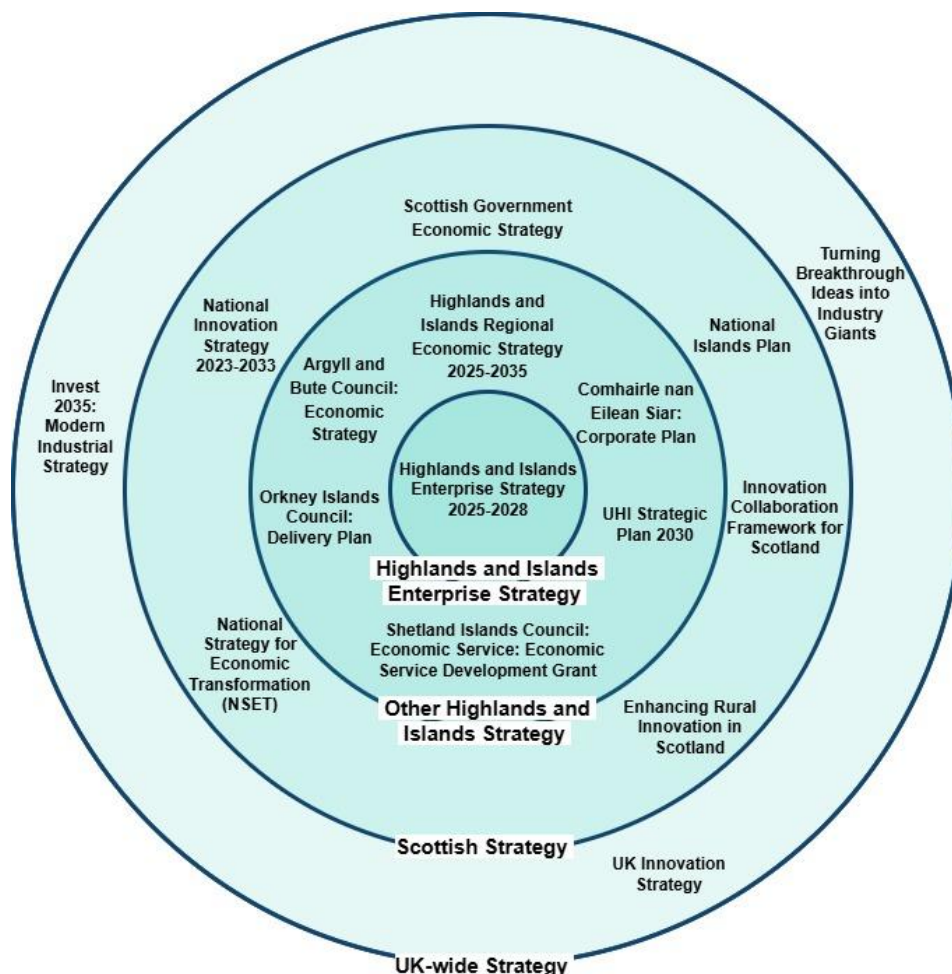
Appendix 2 includes a more detailed strategic review, which is drawn from key strategies in the policy landscape.

Strategy and policy landscape

Figure 2.1 illustrates the wider innovation policy landscape within which the HIE Innovation Programme operates, showing how regional strategies sit within, and are influenced by, Scottish and UK policy frameworks.

The Scottish policy context is the most directly relevant to this study, given the role of HIE within the innovation and economic development landscape of Scotland. However, UK-wide policy and funding frameworks continue to influence the wider environment in which the Programme operates.

Figure 2.1: Innovation Policy Landscape Within the Highlands and Islands, Scotland and the UK



An overview of the key strategies and their implications for the 2022/23-2025/26 innovation Programme is included in Table 2.1 below. These provide the strategic context for the Programme, highlighting how national, regional and local priorities shape its design, delivery and focus.

Table 2.1: Key Strategy Points and Implications for the Innovation Programme

Organisation	Strategy	Key strategy points and implications
Scotland		
Scottish Government	National Innovation Strategy 2023-2033	• Positions innovation as central to productivity, economic transformation and global competitiveness • Focuses on the commercialisation of research and the diffusion of innovation across all sectors • Emphasis on priority sectors (e.g., Energy Transition, Life Sciences, Digital Technologies) and regional innovation assets
	National Strategy for Economic Transformation (NSET)	• Identifies innovation as a cross-cutting driver of economic growth and productivity • Focuses on entrepreneurial culture, business innovation and stronger links between industry, academia and government • Highlights the need to improve productivity and scale-up capability across Scotland
	National Islands Plan	• Focuses on inclusive growth, community resilience and sustainable economic development in island areas • Emphasises digital connectivity, innovation and low-carbon transition as key enablers of inclusive growth • Recognises the specific challenges of geography, access and scale in island economies
Highlands and Islands		
Highlands and Islands Enterprise	Highlands and Islands Enterprise Strategy 2022-2025	• Places innovation at the centre of regional economic development • Focuses on building a greener, fairer and more resilient regional economy • Emphasises business growth, entrepreneurship, productivity and place-based development
University of the Highlands and Islands	Strategic Plan 2030	• Positions innovation and knowledge exchange as central to regional prosperity • Focuses on skills development, research collaboration and enterprise support • Aims to strengthen links between academia, business and communities

Organisation	Strategy	Key strategy points and implications
Highlands and Islands Regional Economic Partnership	Highlands and Islands Regional Economic Strategy 2025-2035	- Identifies innovation as critical to unlocking regional transformation opportunities - Focuses on key growth sectors (e.g., Energy, Life Sciences, Advanced Manufacturing, Digital) - Emphasises place-based, collaborative approaches and investment in innovation capability
UK		
UK Government	<i>UK Innovation Strategy: Leading the Future by Creating It (2021)</i>	- Positions innovation as a driver of productivity and economic growth. - Focuses on business innovation, technology adoption and commercialisation. - Strengthens links between research, business and place-based innovation.
UK Government	<i>Invest 2035: Modern Industrial Strategy</i>	- Prioritises innovation-led growth in eight key sectors (IS-8). - Signals a more targeted approach to future innovation investment. - Influences future UKRI and Innovate UK funding priorities.
UK Research and Innovation	<i>UKRI Strategy 2026-2031</i>	- Prioritises investment in high-growth sectors and businesses with the greatest potential for economic impact. - Emphasises place-based innovation, regional strengths and support for innovation-led growth across the UK.
Innovate UK	<i>Turning Breakthrough Ideas into Industry Giants (2026)</i>	- Aligns support with Industrial Strategy priorities. - Focuses on opportunities with the greatest growth and scaling potential. - Reinforces a more targeted and selective approach to innovation support.

At both a Scottish, and a regional level, innovation is consistently positioned as a central driver of economic growth, productivity and resilience. At the Scottish level, strategies emphasise the need to strengthen innovation capability, commercialise research and encourage wider diffusion of innovation across all sectors and not only those traditionally associated with R&D. There is also a clear focus on improving productivity, scaling businesses and aligning innovation activity with priority sectors such as Energy Transition, Life Sciences and Digital Technologies.

At the regional level, the Highlands and Islands strategies reflect these priorities while adapting them to the specific context of a dispersed, rural economy. There is greater emphasis on place-based approaches, addressing structural challenges such as geography, access to markets and skills and ensuring that innovation supports inclusive and sustainable growth. The role of organisations such as HIE and the University of the Highlands and Islands is particularly important in connecting businesses to expertise, building capability and facilitating collaboration across the region.

The Regional Economic Strategy further reinforces the importance of innovation in supporting transformational opportunities across the Highlands and Islands, particularly in high-growth sectors. It highlights the need for coordinated support, investment and collaboration to enable businesses to participate in these opportunities and maximise regional economic impact.

The strategic environment for innovation is evolving, with increasing emphasis on targeting support towards sectors and opportunities with the greatest potential for economic transformation. National strategies are increasingly prioritising a smaller number of key sectors and opportunities where Scotland and the UK have strong competitive advantages, while also emphasising the importance of tailoring support to regional strengths and local contexts. Consistent with the evolving strategic focus of HIE, there is increasing emphasis on strengthening connections across the innovation ecosystem, improving coordination between organisations and ensuring that businesses can more easily navigate support.

For the Highlands and Islands, this creates both opportunities and challenges. There is a strong pipeline of transformational opportunities, particularly in areas such as Renewable Energy, Life Sciences and Advanced Manufacturing, but realising these will require sustained investment in innovation capability, skills and infrastructure. The evolving landscape highlights the importance of ensuring that support remains accessible to a wide range of businesses, including those in more traditional, rural or community-based sectors where innovation may be less formalised. Future innovation support will need to balance targeted, sector-focused investment with flexible, place-based approaches that reflect the diversity of the regional economy and ensure that businesses can engage at different stages of the innovation journey.

While the Innovation Programme was primarily aligned with Scottish Government and HIE priorities during the evaluation period, the UK policy landscape is likely to become increasingly influential. The UK *Innovation Strategy*, *Industrial Strategy*, *Innovate UK Strategy* and *UKRI Strategy 2026-2031* all point towards a more targeted approach to innovation support, focused on sectors, technologies and businesses with the greatest growth potential and economic impact. At the same time, the UKRI Strategy reinforces the importance of place-based innovation, regional strengths and innovation clusters in driving regional growth. This is likely to have increasing implications for the design and strategic alignment of future innovation support in the Highlands and Islands, particularly in relation to access to UKRI and Innovate UK funding and support programmes.

Scotland's innovation ecosystem

Several frameworks, partnerships and infrastructure underpin regional innovation activity. These are summarised below, with a more detailed discussion included in Appendix 2.

Innovation support in the Highlands and Islands region

This HIE Innovation Programme is complemented by a network of research and innovation infrastructure across the region. This includes **Inverness Campus**, which provides facilities and a collaborative environment for businesses in sectors such as Life Sciences, Technology and Renewables; the **European Marine Science Park**, which supports a cluster of marine science and blue economy activity; and the **Orkney Research and Innovation Campus**, focused on low-carbon and renewable energy research. The **Manufacturing Innovation Centre for Moray** provides diagnostics, advice and access to national innovation networks for rural manufacturers, while research organisations such as the **Environmental Research Institute** and the **Scottish Association for Marine Science** contribute applied research and sectoral expertise.

The **University of the Highlands and Islands (UHI)** play a central role in supporting innovation through its Knowledge Exchange activity with a dedicated Knowledge Exchange team. UHI connects businesses with

academic expertise, facilities and collaborative research opportunities. This includes consultancy, testing services, placements and commercialisation support, helping businesses access capabilities that may not be available locally.

Opportunities and enablers of innovation in the Highlands and Islands

A range of investment programmes, partnerships and strategic initiatives act as key enablers of innovation across the region. The **Inverness and Highland City Region Deal** has been an important component of the regional innovation landscape during the period covered by this evaluation, supporting innovation-led projects across sectors including low-carbon technologies, advanced manufacturing, digital innovation and health. The Deal brings together public, private and academic partners to deliver coordinated programmes of activity that strengthen regional capacity for innovation and economic diversification.

Other major initiatives, including the **Islands Growth Deal**, **Moray Growth Deal** and **Inverness and Cromarty Firth Green Freeport**, are at an earlier stage of development and have therefore had limited influence on the Innovation Programme during the evaluation period. However, these initiatives are expected to play an increasingly important role in supporting innovation, investment and business growth in the years ahead. This highlights the evolving nature of the regional innovation ecosystem and the need for HIE's Innovation Service to remain responsive, aligning with and complementing emerging programmes, investments and partnerships.

Innovation support in Scotland

The Highlands and Islands form part of a wider cross-Scotland innovation ecosystem, involving multiple national agencies, funding mechanisms and intermediaries. Scottish Enterprise (SE) and South of Scotland Enterprise (SOSE) deliver complementary support to businesses across Scotland, particularly in relation to scaling innovation, providing R&D funding and supporting leadership and capability development. The **Innovation Collaboration Framework** establishes a more coordinated, place-based approach to innovation support across Scotland. Delivered through a partnership between Innovate UK, HIE, SE and SOSE, the framework focuses on strengthening the innovation journey from idea to commercialisation, building local innovation capacity and aligning support with sectoral and regional priorities.

Innovation Centres are a key component of the wider innovation infrastructure, facilitating collaboration between academia and industry in priority sectors. These centres support businesses to access research expertise, undertake collaborative projects and develop new products and processes.

Interface plays a central role in connecting businesses with universities and research institutions, supporting collaborative innovation through programmes such as Innovation Vouchers.

In addition, the **National Manufacturing Institute Scotland (NMIS)** and the **Medicines Manufacturing Innovation Centre (MMIC)** provide advanced facilities and expertise to businesses across Scotland. Alongside support from **Innovate UK** and the **Catapult Network**, they help businesses access funding, specialist knowledge and collaborative opportunities to support technology development, adoption and commercialisation, contributing to productivity growth and innovation across the Scottish economy.

Regional Economic Partnerships provide an overarching framework for aligning activity across sectors and geographies. The **Highlands and Islands Regional Economic Partnership** bring together public, private and third sector stakeholders to coordinate investment, align priorities and support inclusive and sustainable economic growth.

Position of Innovation Programme within the wider landscape

Overall, the Highlands and Islands operate within a broad and increasingly interconnected innovation ecosystem comprising regional research infrastructure, universities, innovation assets, national agencies, funding programmes and collaborative partnerships. Collectively, these organisations provide businesses with access to expertise, facilities, research collaboration, funding and innovation support across different stages of the innovation journey.

Within this landscape, HIE's Innovation Programme occupies a distinct role as a regional, place-based intervention that helps businesses identify opportunities, build innovation capability and access wider sources of expertise, support and funding. The Programme therefore acts as both a direct source of support and a mechanism for connecting businesses into the wider innovation ecosystem.

While the innovation landscape appears well developed and supported by a strong network of organisations and partnerships, it is also complex and continues to evolve through new initiatives, investments and collaborations. Fieldwork undertaken for this evaluation highlighted that the wider support landscape can appear fragmented from a business perspective, with multiple organisations, funding routes and eligibility requirements that are difficult to navigate, particularly for smaller and early-stage businesses with limited time and capacity. This reinforces the importance of HIE's role as a place-based connector, helping businesses identify appropriate support, access specialist expertise and navigate clear routes through the wider innovation ecosystem.

3 Programme Delivery

Key findings

- Engagement is strong in key regional sectors where innovation is embedded, with lower take-up in smaller or less visible sectors.
- Delivery has shifted from reactive to more proactive identification of opportunities.
- Area teams and account managers are central to engagement through ongoing relationships.
- Businesses typically sustain involvement once engaged, reflecting positive experiences.
- Capacity and time constraints are the primary barriers to participation, particularly for smaller firms.
- Engagement is most effective when support is flexible, tailored and focused on practical business challenges.
- HIE is recognised as a key system connector, although some collaboration remains largely informal and relationship-led.



Introduction

This chapter examines how businesses accessed and engaged with the Programme, including relationship-led entry routes, variation in reach across sectors and business types and key barriers shaping uptake. It examines the role of HIE as a system connector, how it facilitates collaboration in practice and the strengths and limitations of relationship-led partnership working across the innovation ecosystem. It also gives an overview of how resources were used within the Programme.

Targeting and engagement

The discussion below considers Programme targeting and how relationships and delivery influences participation.

Identification and engagement with Programme beneficiary businesses

Businesses primarily access the Programme through existing relationships, including HIE account management, referrals from local partners, enquiries into HIE as a result of marketing, and word of mouth. A significant proportion of participants are already engaged with HIE support (with estimates ranging from 60% to 80% of participating businesses already receiving HIE support in other ways), reflecting the importance of established relationships in driving uptake. To illustrate this, a stakeholder reported:

It tends to come through existing relationships and local networks rather than businesses actively seeking it out.

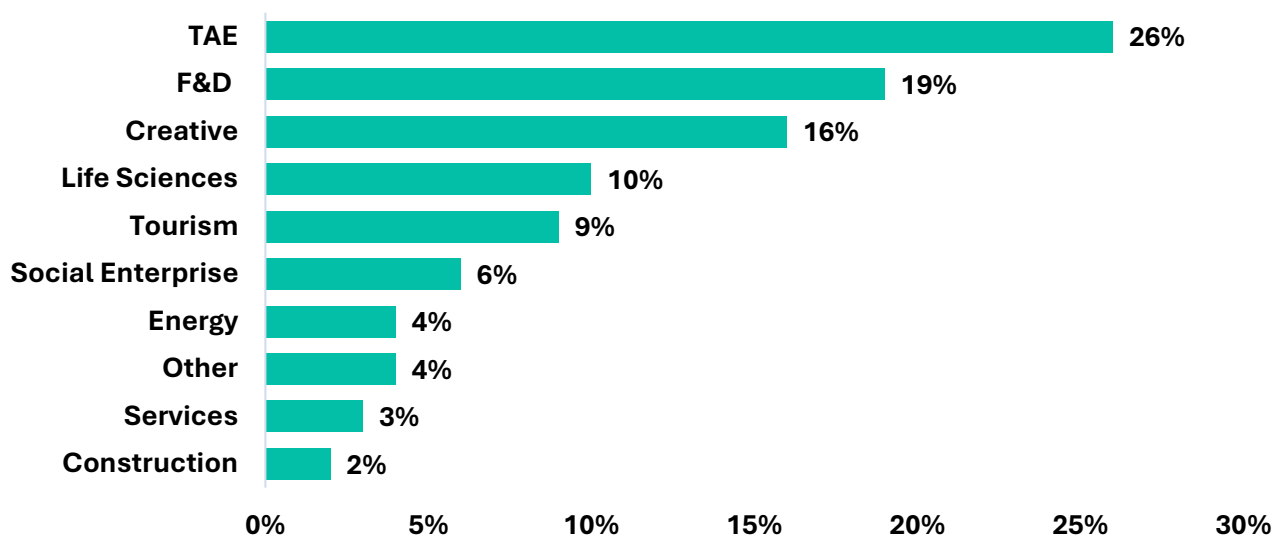
This was also reflected by beneficiary businesses, for example, one said:

We were already in touch with HIE through our account contact; that's how the innovation support came onto our radar.

Area teams and account managers play a central role in identifying potential beneficiary businesses and making them aware of available support. Early exploratory conversations help businesses define what innovation means in their context and clarify their needs.

Beneficiary engagement with the HIE Innovation Programme is concentrated in a small number of sectors. Figure 3.1 below shows that TAE accounts for the largest share of supported businesses at 26%. This is followed by Food and Drink at 19%, Creative Industries at 16% and Life Sciences at 10%. Tourism represents a further 9% of beneficiaries, while social enterprise accounts for 6%. Engagement is lower across the remaining sectors, with energy and “other” each at 4%, finance and business services at 3% and construction at 2%.

Figure 3.1: Beneficiaries Engaged with the HIE Innovation Programme, by Sector



Source: HIE.

This was also reflected in interviews with Programme staff, who reported differences in engagement across sectors and sizes of business, with relatively strong participation from manufacturing, engineering and technology-based companies. As one beneficiary from a manufacturing business noted:

In our sector, it's clearly R&D and product development, so it aligns easily with the support.

However, stakeholders noted that differences in sector engagement should be viewed in the context of the wider regional economy and the characteristics of individual sectors. For example, lower participation from tourism businesses may partly reflect the high proportion of microbusinesses and accommodation providers (e.g. B&Bs/ self-catering) within the sector, many of whom fall outside HIE's core target client base. In contrast, lower engagement from some Energy and Life Sciences businesses was often attributed to the longer-term, more capital-intensive and specialist nature of innovation activity within these sectors.

Stakeholders suggested that, for some businesses, support needs may be more closely aligned to advisory support, knowledge exchange activity and access to wider innovation networks and funding sources than to direct grant support.

The evidence also indicates that some mid-sized firms (typically those employing between 50 and 100 staff) may be underrepresented in the Programme despite their potential to generate significant innovation and growth impacts. As one Programme staff member observed:

There's a gap around those mid-sized firms. They've got the potential to do more, but don't always come through the pipeline.

While the reasons for this are not clear from the available evidence, it suggests there may be merit in further exploring whether awareness, engagement approaches or support offers could be strengthened for this cohort as part of future Programme development.

Drivers of engagement

Common drivers for engagement, as noted in beneficiary consultations and the Programme survey, included the need to overcome resource and finance constraints by accessing grant funding, responding to operational or regulatory pressures such as cost pressures or supply chain instability, accessing specialist expertise and reducing the risk associated with progressing innovation ideas. Many businesses engaged with support because they identified that the HIE Innovation Programme could de-risk financial investment and provide reassurance and validation, along with access to specialist expertise.

For several businesses, engagement with innovation support was prompted by a critical challenge or opportunity, such as supply-chain failure, compliance pressures, the need to improve productivity and resilience, the identification of an opportunity that could represent a new route to market or structural growth constraints. Other beneficiary businesses cited a need to make confident strategic decisions as a key driver for engaging with support. While these factors drive engagement, businesses also face barriers, which are explored below.

Barriers to engaging with the Programme

Principal barriers to engagement with the Innovation Programme reported included a perceived administrative or compliance burden, eligibility rules and inflexibility, a mismatch with the business stage or needs and internal business capacity. Some businesses were reluctant to engage due to a lack of perceived “innovation” identity, along with some reporting a lower awareness of available support.

Time and capacity were particular challenges for smaller businesses. This is driven by a combination of structural limitations and the demands of Programme processes. Many smaller beneficiary businesses lack dedicated staff or internal resources for innovation activity, with owners or senior staff balancing innovation with day-to-day operations. In these settings, this can mean that innovation activity competes directly with core business pressures, including managing costs, staffing shortages and maintaining existing operations. In several cases, businesses describe having the ideas and ambition but not the “headspace” or staffing capacity to progress projects at the right time, meaning businesses are less able to commit time to scoping projects, preparing applications, or managing innovation activity, even where support is available. For example, beneficiary businesses stated:

Time is the biggest constraint; you're focused on running the business.

The biggest challenge is time - you're trying to run the business day-to-day and it's hard to step back and focus on innovation.

We just don't have the resource internally to take this forward as quickly as we'd like.

Some businesses reported that the perceived administrative burden of innovation programmes is a barrier to engagement. Consultation with beneficiary businesses showed that this is particularly acute for small and micro businesses, where owners and senior staff have limited time and must prioritise day-to-day operations. Programme application requirements, reporting processes and claims administration were often described by beneficiary businesses as time-intensive, even where they are understood to be necessary. As a result of this, some businesses delay engagement, require significant support to participate or experience cash flow and operational strain where processes such as retrospective payments are used. For example, beneficiary businesses stated that:

The process can feel quite heavy for smaller teams.

The timescales can be quite tight, especially for more complex or longer-term projects.

Perceptions of innovation also act as a barrier to accessing support. A stakeholder highlighted in consultation that:

Some businesses don't see themselves as 'innovative', so they don't engage.

This is despite some businesses undertaking continuous but informal innovation in their day-to-day operations. This reflects the wider issue raised in consultations of innovation being frequently understood by businesses in narrow terms, typically associated with formal R&D or product development activity, rather than incremental process improvement or adaptation. For example, a stakeholder said:

Some businesses are innovating all the time, but don't recognise it as innovation or see this type of support as relevant.

As a result, some businesses perceive the Programme as being more relevant to technically focused or research-intensive firms, which can discourage engagement. Evidence suggests that SMEs are often innovating in practical ways, such as adapting processes, responding to cost pressures or improving efficiency, but do not label this activity as innovation or recognise it as eligible for support. This misalignment between self-perception of businesses and the framing of innovation, therefore, represents a key barrier, limiting uptake among firms that could otherwise benefit from the Programme.

Eligibility criteria were identified as a barrier to engagement, where they were perceived to be too rigid or narrowly defined for the nature of innovation activity being undertaken. Consultation with beneficiary businesses highlighted that some businesses, particularly those undertaking cross-sector or demonstration-stage innovation, found that existing eligibility criteria did not align well with their needs, limiting access to appropriate funding. In addition, short application windows, defined requirements and constraints around eligible costs were reported to restrict feasibility for some firms. This was particularly challenging for SMEs with less capacity to adapt projects to fit funding parameters or to assemble compliant applications within tight timescales. For example, businesses that engaged in the support stated:

[There was] limited feasibility [to deliver the project] within funding timescales.

Some of the criteria didn't quite fit what we were trying to do.

Some businesses noted that eligibility criteria and Programme design do not always align with the stage or nature of their innovation activities. Several beneficiaries reported that support was either unavailable or less relevant where innovation sat at specific points in the journey, particularly at demonstration, validation or commercialisation stages, or where projects cut across multiple sectors.

This resulted in cases where businesses were unable to access support that matched their immediate needs, despite having active innovation projects. For example, one business reported that funding requirements and eligibility criteria were not well suited to demonstration-stage activity, saying:

We were at a demonstration stage, but the support didn't quite fit; it felt like it was more suited to earlier-stage projects.

Others noted gaps between early diagnostic support (e.g., IP audits) and the availability of follow-on funding to implement actions. A beneficiary business noted that there was a:

... lack of follow-through funding after diagnostics like IP audits.

For these businesses, join-up with the wider innovation ecosystem was not realised. There were also some examples discussed with beneficiary businesses that evidenced issues around clarity of offer, a misunderstanding of expectations and issues with alignment after initial support. For example, businesses reported:

... a lack of early clarity on maximum funding available, eligible cost types, [and] funding rate.

We weren't entirely clear what was available or how it would apply to us at the start.

Business innovation experience

It is clear from the research that beneficiary businesses started from widely different points in their innovation journey. Participants ranged from R&D-intensive firms to microbusinesses with no formal innovation structures, who were often innovating informally. This reflected a wide spectrum of innovation maturity, with some firms already operating with defined strategies and routes to market, while others were at an early, exploratory stage without clearly articulated innovation goals. For example, some beneficiary businesses engaged with the Programme to refine and commercialise an existing R&D pipeline, whilst others used the support to identify and structure innovation activity for the first time.

As a result, businesses entered the Programme with differing needs, from highly specialised technical input or support to scale existing innovations, to more foundational support to formalise ideas, develop structured approaches and build confidence in innovation.

Evidence suggests that the relationship between innovation activity and wider business objectives is shaped by the scale, maturity and capacity of participating businesses. Smaller and earlier-stage firms were less likely to have formal innovation processes in place, but were often innovating in an informal, problem-driven way as part of day-to-day operations. For example, one beneficiary noted that

... we don't have a formal innovation process; it's just part of day-to-day problem-solving.

This illustrates how innovation is frequently embedded in operational activity rather than structured frameworks. In contrast, more mature or R&D-active businesses were better able to align innovation with strategic objectives, using the Programme to accelerate existing plans, formalise innovation activity and integrate it more closely into business growth strategies. Across both groups, the Programme supported businesses to strengthen this alignment, helping less mature firms to articulate and structure innovation activity, while enabling more advanced businesses to scale and accelerate innovation in line with their wider commercial objectives.

Delivery approach and model

This section outlines the key approaches and models used in the delivery of the Programme.

Relationship-led and embedded delivery

The Programme was delivered through a relationship-led model, with innovation support embedded within wider HIE business support structures. Programme staff reported a shift over time from mainly reactive engagement to a more balanced model combining reactive and proactive identification of innovation opportunities. They attributed this to being more closely embedded within area teams, which strengthened relationships with other HIE staff who support businesses. For example, Innovation Managers attended regular area team meetings, which they said improved links between HIE staff, enabled faster and smoother connections between Innovation Programme staff and businesses and increased awareness of innovation challenges, opportunities and available support.

This approach supported earlier, more exploratory conversations with businesses, including those that did not initially present with a defined innovation project. In some cases, these conversations helped to identify viable innovation projects. For example, a Programme staff member said:

Being embedded in area teams means we can start those conversations earlier, before a project is defined.

We're having earlier conversations with businesses ... opportunities often emerge that wouldn't have surfaced otherwise.

The value of having these early exploratory conversations around innovation and business need was also praised by beneficiary businesses who noted that:

We didn't come with a fully formed project; the conversations helped us shape what the 'innovation' actually was.

Having someone who understands both the business and the innovation side made a big difference - it meant we could have those conversations [about innovation activity] earlier on.

The move towards a more relationship-based model of delivery has supported businesses to define innovation challenges and develop projects that are aligned with their needs, with one Programme staff member stating:

The survey results indicate there was a preference from businesses for one-to-one engagement (with 38% of respondents reporting this is “very important”), highlighting the value of this relationship-led delivery. Survey respondents were also asked to note which aspects of the support they derived the most value from, with several highlighting the advice, support and guidance provided by HIE advisors as a key area of value.

Flexibility and tailoring of support

The Programme adopted a flexible approach to delivery, enabling support to be adapted to different business needs, stages of development and project requirements. Beneficiaries reported examples where HIE adapted their approach due to constraints within micro businesses, which allowed for deeper engagement with beneficiary businesses. For example, beneficiary businesses stated that:

They adapted how the support was delivered to suit our situation.

The formats became more accessible over time, which made it easier for us to engage.

It is also clear from the research that businesses engage more when the Programme is tailored specifically to solving practical challenges rather than “innovation” as a concept. For example, a beneficiary business said:

We weren't looking for innovation support; we were trying to solve a specific issue.

Stakeholders in the Programme note that this tailoring of support means it becomes more accessible to businesses less familiar with innovation and R&D, as it can be adapted to business readiness. For example, a Programme staff member said:

It works better when it's framed around business challenges rather than innovation as a concept.

Survey results further support this, with 77% of survey respondents rating ease of access as “very important” and 60% of survey respondents saying tailored support was “very important”. This tailoring of support was regularly discussed by beneficiary businesses during consultations and was discussed as a key strength of the Programme. For example, one beneficiary business noted that:

The support adapted as we went - it wasn't fixed from the start, which really helped as the project evolved.

Delivery model

Respondents rated the mix of innovation support provided through the Programme particularly highly, indicating businesses value a coordinated package of support, rather than single interventions in isolation. Programme staff describe the Programme as helping businesses navigate multiple forms of support, including grants, specialist advice, knowledge exchange and external provision, depending on business need, with an emphasis on the provision of the “right support at the right time”. Businesses praised this method of support, for example stating that:

We were able to use different elements at different stages, advice early, then funding later

Beneficiary businesses frequently drew on both financial and non-financial support in parallel, including workshops, networking and access to external specialists. For example, beneficiary businesses stated that:

It wasn't just the funding; it was the guidance and being pointed to the right people that made the difference.

The combination of support helped us move things forward much more effectively than just funding alone

Stakeholders similarly describe the offer as a holistic one, where businesses enter through one route and are then linked to further support, expertise or funding as needs develop. This wraparound support offer was positively viewed by beneficiaries who reported, for example:

The support felt joined up; we weren't being passed around. It was coordinated from the start.

The “honest broker” model used by the Programme is recognised and valued by stakeholders. For example, a stakeholder said:

They're not trying to keep businesses within their own programmes; they're focused on getting them to the right support.

And a Programme staff member said:

If something is better suited elsewhere, we'll direct them on - that's part of the approach.

This model helps to ensure a focus on directing businesses to the most appropriate support for their needs. Programme staff and stakeholders note that the delivery model ensures there is no incentive to retain beneficiaries within HIE support where other routes are more appropriate and tailored to their business needs.

Partnerships and collaboration

This section examines how partnerships and collaboration support Programme delivery and connect businesses to the wider innovation ecosystem.

HIE as a systems connector

Stakeholders and Programme staff perceive HIE to act as a system connector, facilitating access to Scottish Enterprise, Innovate UK, Interface, academia and other partners. Stakeholders report valuing HIE for its breadth of relationships, knowledge of businesses and ability to refer or broker access to other support organisations. Programme staff reference specific programmes delivered by Scottish Enterprise, for example, SMART: SCOTLAND Grants and state that they help businesses navigate this external support and other funding sources. Additionally, Programme staff also note collaboration across the ecosystem to support businesses to access Innovate UK funding. For example, Programme staff members said:

A big part of the role is connecting businesses to the right support across the system - whether that's Innovate UK, Interface or universities.

[We] work closely with Scottish Enterprise.

Programme staff consistently describe strong connections between HIE and the wider innovation ecosystem. Interviews demonstrated that referrals, signposting and cross-agency collaboration are core features of the delivery of the Programme, which is supported by staff knowledge of sector-specific and national funding landscapes. A stakeholder said:

HIE plays a key role in linking businesses into the wider ecosystem - they know who to go to and how to make those introductions.

Specifically, these external innovation partners add value, bringing expertise, capability-building and commercialisation support, along with access to facilities not otherwise available within business premises such as specialist testing and analysis facilities, academic research infrastructure and advanced manufacturing or digital innovation environments (e.g., robotics centres and laboratories). They support collaboration, knowledge exchange and market development by providing specialist technical knowledge, research capability and external challenge. External innovation partners can also play a key role in enabling commercialisation through market insight and additional legal/IP support and in helping businesses access wider funding opportunities. For example, a beneficiary business said:

We've collaborated with universities in Scotland and Ireland, mainly for specialist analysis and testing. HIE funding helped enable these relationships.

This blended ecosystem strengthens innovation capability, builds confidence within businesses and helps them to overcome internal resource constraints, enabling businesses to progress innovation more effectively.

Partnership activity is typically informal, relationship-led and opportunity-driven, allowing flexibility and responsiveness to individual business needs. However, this also results in variability in the depth and consistency of partnership working and can limit the extent to which more structured delivery takes place across organisations.

Co-delivery with external partners

There is limited evidence of formal co-delivery between innovation organisations, with collaboration more commonly taking place through referral, signposting and informal coordination rather than jointly funded or jointly delivered interventions. Programme staff report that current collaboration is largely non-financial and coordination-based, with some noting that previously jointly funded initiatives are no longer active.

Integration with the wider innovation ecosystem operates as a core delivery approach. Programme staff and stakeholders describe a model centred on actively directing businesses to the most appropriate support, drawing on detailed knowledge of available provision, partner capabilities and sector-specific opportunities. This is described by Programme staff who noted that:

Most collaboration is about linking businesses to the right support rather than delivering things jointly.

[Activity is] more about coordination and referral than formal joint programmes.

Peer learning and knowledge exchange

Collaborations across businesses and other organisations were often enabled indirectly through introductions, events and learning journeys. Peer-to-peer learning was rated “very important” by 19% of beneficiary business survey respondents, suggesting it is valued for some businesses, though less strongly than one-to-one support. Evidence from stakeholder consultations highlights the importance of knowledge exchange and peer networking as a mechanism for exposing businesses to new ideas, sharing learning and encouraging innovation uptake, with peer interaction described as a key component of the support offer.

Delivery challenges

This section outlines the key challenges encountered in Programme delivery and their implications for effectiveness and reach.

Maintaining relationships and partnership working

Partnerships were described in interviews as largely relationship-led, shaped by networks and individual contacts. This relies heavily on Programme staff expertise, networks and relationships to identify and broker relevant connections. Programme staff and stakeholders noted that these relationships require ongoing maintenance to remain effective, which has resource implications. As Programme staff and stakeholders observed:

A lot of it depends on individual relationships. It's about who knows who and maintaining those links over time.

These partnerships don't just run themselves - they need ongoing effort to keep them active and effective.

This presents a risk to Programme continuity and specifically the fostering of relationships elsewhere in the ecosystem due to the reliance on individuals within HIE to ensure momentum and continuation of

this relationship-building activity. This is noted through consultation with a Programme staff member, noting that:

Relationships are key, but when people move on, it can be hard to maintain that continuity.

Furthermore, a stakeholder noted that a lot of activity:

... depends on individuals, so when contacts change, it can disrupt how things work.

This highlights that the Programme's external relationship-building activity is supported by individual staff members, with them linking the ecosystem and, sometimes, drawing on personal networks to connect businesses to relevant partners. Stakeholders and Programme staff highlighted that relationships, contacts and operational knowledge are often held at an individual level, rather than being fully systematised. As a result, changes in personnel, both within HIE and partner organisations, can disrupt established connections, create variability in engagement and reduce continuity in collaboration and knowledge exchange activity.

Geography and deliverability

Regional geography can create inequalities in support. For example, rural and especially island-based businesses, can experience remoteness and isolation, along with high travel time and cost to access in-person events or support. Several stakeholders noted in interviews that universities and innovation centres feel distant or inaccessible to smaller rural businesses, increasing the importance of intermediaries in order to link these organisations with businesses. This inequality was noted in an interview with a beneficiary business:

Being based remotely, it's harder to access support - there's more travel and less opportunity to engage informally.

This was also noted by a stakeholder who said:

Location definitely plays a role in how easy it is to connect to the system.

As a result of beneficiary businesses being dispersed across a large geographic area, Programme staff members noted that it can be harder to sustain engagement over time. This also contributes to the operational complexity of delivery with extensive geographic coverage, creating practical delivery challenges for staff. This was noted by a Programme staff member who said:

It can be difficult to maintain momentum when you're dealing with businesses spread across such a large region.

This highlights the importance of a flexible delivery model that can facilitate beneficiaries across a dispersed geographical region that could otherwise limit opportunities for relationship-building and informal support. A Programme staff member recognised this, noting:

Travel and geography do have an impact - it limits how often you can engage in person.

Programme resource use

Over the period from November 2022 to December 2025, the Programme had an approved budget of approximately £2.01 million. The majority of funding was allocated to Research and Development (R&D) grants, which accounted for around 75% of total Programme funding, reflecting a strategic focus on supporting higher value and more complex innovation activity. The remaining budget was distributed

across knowledge exchange activity, specialist advice grants and other delivery costs, providing a broader package of support alongside direct financial interventions. Table 3.1 below shows a breakdown of approved funding against actual spend for funding lines of the programme.

Table 3.1: Approved Funding, HIE Innovation Programme 2022-2025

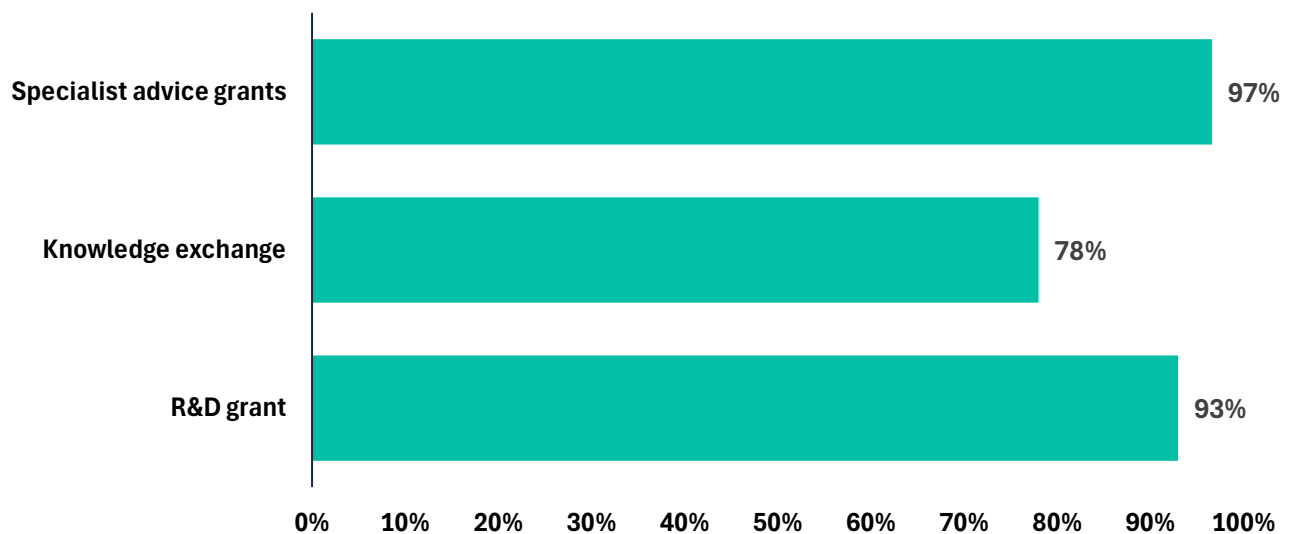
Funding Type	Funding Approved	Actual Spend
Knowledge Exchange	£290,000	£223,700
Specialist advice grants	£60,000	£58,000
Marketing	£75,000	£67,700
Legal	£15,000	£0
Evaluation	£15,000	£15,000
R&D Grants	£1,500,000	£1,400,000
Total	£2,006,500	£1,763,400

Source: HIE.

Funding allocation and spend

Use of funding varied across Programme elements. Figure 3.2 indicates the actual spending of the funding allocation for each element of the Programme.

Figure 3.2: Actual Spend Versus Approved Spend for Programme Activities, 2022 to 2025



Source: HIE.

Specialist Advice Grants achieved the highest level of budget utilisation, with 97% (£58,000) of the allocated budget spent. While uptake was initially slower than anticipated, expenditure ultimately reached budgeted levels. In contrast, there was limited demand for some planned activities, such as diagnostic tools and market insight support.

R&D grants had an uptake of 93% (£1.4 million) of allocated funding committed, indicating strong demand for grant-based support for innovation projects.

Knowledge exchange activity also recorded high levels of use, at around 78% (£223,700) of allocated funding, suggesting a continued need for learning, networking and awareness-raising activity.

Specialist advice grants

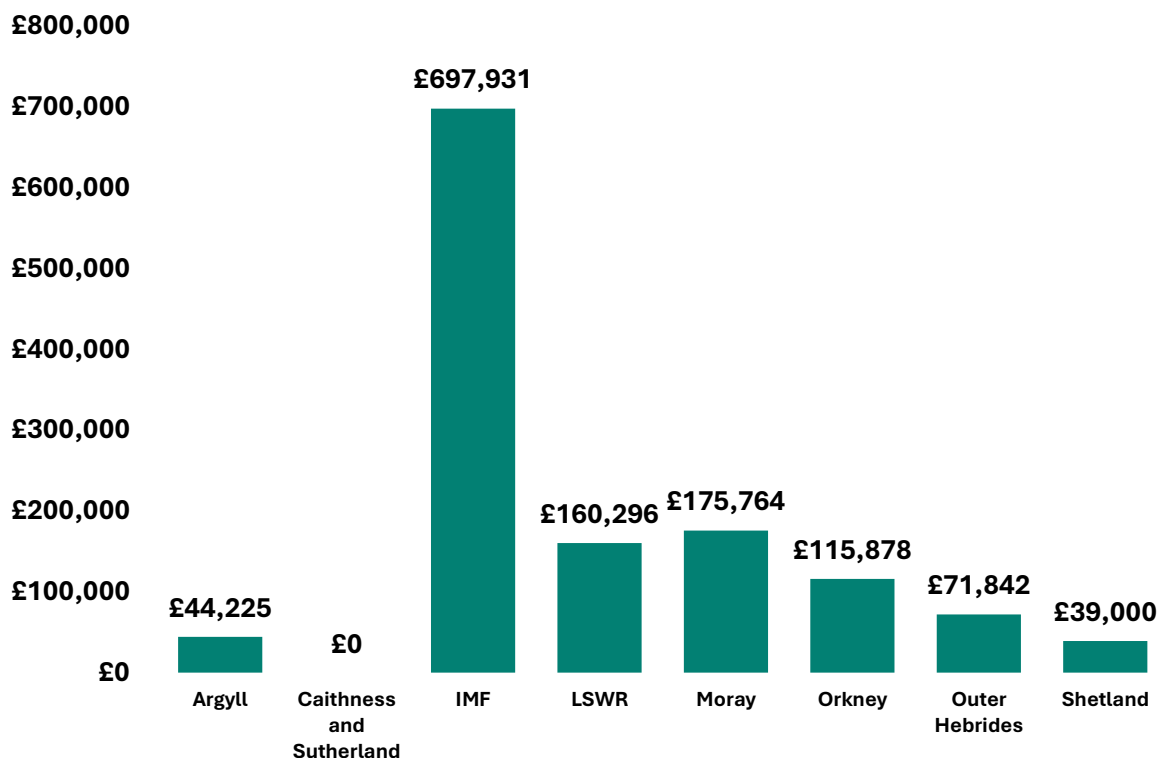
10 specialist advice grants were distributed during the Programme, totalling £57,979. Three grants each were recorded in Argyll and Inner Moray Firth (IMF), totalling £20,000 and £17,100 respectively, while one grant each was distributed in Lochaber, Skye and Wester Ross (LSWR) (£6,756), Moray (£6,570), Outer Hebrides (£5,000) and Shetland (£2,553).

R&D grant funding

R&D funding, which was distributed through Research and Innovation Grants, supported 33 projects across the region, with an average grant value of approximately £39,500, but the distribution of funding varied significantly across geographic areas. Figure 3.2 below shows that the Inner Moray Firth (IMF) accounted for the largest share of funding, with £697,931 allocated across 13 projects, representing around 54% of total R&D spend, suggesting a strong pipeline of projects and higher levels of engagement in this area.

Moray received £175,764 across five projects, while Lochaber, Skye and Wester Ross (LSWR) accounted for £160,296 across seven projects. Orkney received £115,878 across two projects, and the Outer Hebrides received £71,842 across three projects. Argyll accounted for £44,225 across two projects, while Shetland received £39,000 through a single project.

Figure 3.2: Research and Innovation Grant spend by area, 2022-2025



Source: HIE.

Grant expenditure was not distributed in line with population share across HIE areas. This analysis relates only to financial support and does not capture non-financial interventions, such as innovation advice, events, account management and knowledge exchange activity, which were delivered across all area teams. IMF accounted for 53.5% of total spend compared with 33.9% of the population, meaning its share of spend was 19.6 percentage points higher than its population share in the Highlands and Islands. Orkney was also over-represented, accounting for 8.9% of spend compared with 4.7% of the population,

a positive gap of 4.2 percentage points, while LSWR accounted for 12.3% of spend compared with 8.4% of the population, a positive gap of 3.9 percentage points.

In contrast, Argyll was the most under-represented area, accounting for only 3.4% of spend despite representing 14.3% of the population, a negative gap of 10.9 percentage points. Moray was also below its population share, accounting for 13.5% of spend compared with 20.2% of the population, a gap of 6.7 percentage points. Shetland was slightly under-represented, with 3.0% of spend compared with 4.9% of the population, while Outer Hebrides was aligned with its proportion of the Highlands and Islands population, 5.5% of spend compared with 5.5% of the population. There was no project spend in Caithness and Sutherland, which represents 8.1% of the population.

Overall, spend was concentrated in IMF, LSWR and Orkney, which all received a higher share of Programme expenditure than their share of the population. In contrast, Argyll and Moray received a lower share of spend relative to population, suggesting some variation in uptake and investment across HIE areas. This indicates that Programme expenditure was influenced by local demand and project activity, rather than population distribution alone.

Knowledge exchange activities

The Knowledge Exchange element of the Programme delivered a broad programme of innovation-focused activity, supporting 564 individuals across 45 activities through webinars, events, learning journeys, workshops and New Product Development (NPD) support. This provided businesses with access to new ideas, technologies, networks and innovation expertise.

Reach was concentrated within webinars (171 participants), NPD masterclasses (170 participants) and events (143 participants), which together accounted for over 85% of all engagement. This indicates that the Programme was particularly effective at delivering accessible, high-reach innovation activity across the region.

Alongside this wider engagement, the Programme also delivered more intensive support through seven learning journeys (43 participants) and three NPD cohorts (33 businesses). These activities provided businesses with direct exposure to innovation ecosystems, technologies and best practice, including five businesses attending Iceland Innovation Week and seven businesses attending Prague Innovation Week, alongside visits to NMIS, the National Subsea Centre and LIGNA2.

4 Outcomes and Impacts

Key findings

- The Programme accelerated progression from early-stage ideas to commercial readiness.
- Grant funding enabled greater scale, pace and ambition, with strong additionality.
- Innovation capability improved, including skills, decision-making and funding knowledge.
- Businesses adopted more structured and strategic innovation approaches.
- Behavioural change was widespread, with increased confidence, ambition and technology adoption.
- Commercial impacts were emerging but remain largely longer-term.
- Market readiness improved, with clearer routes to market and stronger positioning.
- Access to networks and expertise increased, supporting collaboration and knowledge exchange.
- Impacts generated by the programme include: £5.7 million in total GVA, 132.9 FTE jobs created, and 1,684.8 FTE jobs retained.
- For every £1 invested in the programme, £2.84 in GVA is generated.



Introduction

This chapter summarises how the Programme supports businesses to progress along innovation journeys and build capability, including skills, confidence and more structured approaches to innovation. It also assesses evidence of commercial readiness and market outcomes arising from support and examines how the Programme strengthens connectivity within the innovation ecosystem.

The chapter includes an economic impact assessment of the Programme, examining the scale and nature of economic outcomes generated for supported businesses. It focuses on key metrics including turnover, gross value added (GVA) and employment, drawing on survey evidence to provide an indication of the Programme's contribution to business performance and wider economic activity. Results are presented as indicative estimates, reflecting both realised and emerging impacts and acknowledging the limitations of the available data.

Business impacts

This section sets out the impact of the Programme on supported businesses, including progression along innovation journeys, capability building, behavioural change and emerging commercial and market outcomes.

Innovation progression

The evidence demonstrates that the Programme accelerated innovation pathways within beneficiary businesses. Survey findings showed that 62% of beneficiaries had progressed to the next stage of their innovation activity. However, many of the resulting impacts were still emerging at the time of the evaluation. For example, 34% of respondents reported that they had already developed a new product or

service, while a further 51% expected to do so in the future. In many cases, the HIE Programme supported businesses to move from ideas towards market readiness, including support with prototype development, early-stage experimentation, demonstration and validation.

Innovation progression is clear among most beneficiary businesses, even where commercial outcomes, such as turnover growth, remain an aspiration. For example, a beneficiary business prior to support had no formal R&D processes and was progressing innovation slowly due to limited resources. Support enabled a shift from idea-stage development to prototype development, alongside clearer strategic direction and faster decision-making. The primary outcomes were increased confidence, stronger strategic thinking and a more ambitious and structured business plan, rather than immediate commercial returns. The business also adopted a longer-term innovation mindset, including new approaches to product development, market positioning and future opportunities.

Once businesses engage, they are highly likely to continue engagement, reflecting positive experiences and progression through innovation journeys. Survey findings indicate high levels of satisfaction, with 94% of respondents rating the support as “extremely” or “quite” valuable, including 83% rating it as “extremely valuable” in helping to develop innovation within their business. Respondents also reported that support was well targeted, with 95% stating that their needs were understood “very” or “fairly well”.

Support helped businesses to move from ad hoc development to more structured and planned innovation pipelines, with a significant proportion of businesses moving from early-stage concepts and problem identification towards prototyping, testing and preparing for commercialisation. Progression occurred regardless of formal frameworks and businesses advanced even where they do not use or understand TRLs¹. For example, one beneficiary business stated:

We didn't use formal frameworks, but we moved forward step by step in developing the product.

Beneficiaries consistently described external support as reducing financial and technical risk, enabling higher-ambition approaches and providing reassurance that innovation activity was viable and worthwhile to pursue. For example, one beneficiary business stated that without support, innovation would have happened much more slowly as external funding enabled a faster build-out of infrastructure, higher-quality equipment and multiple experimental iterations. Additionally, another beneficiary business highlighted that funding enabled access to specialist testing and equipment and helped to provide internal justification for long-term R&D investment. This business stated that without the support, they would have considered the risk of innovation too high to prioritise internally.

Many businesses reported that outcomes would not have been achieved, or would have been delayed or reduced in scope, in the absence of support. Beyond individual projects, the Programme has contributed to changes in how businesses approach innovation, including increased adoption of new technologies, improved processes and greater collaboration. These impacts reflect both the financial and advisory support provided, enabling businesses to take forward activity with greater confidence and scale. As one beneficiary described:

Without the support, we would have done something, but it would have been much smaller and taken a lot longer.

These impacts reflect the combined effect of financial support, R&D activity and relationship-based engagement, suggesting that the value of the Programme lies not only in individual interventions, but in

¹ Technology Readiness Level, a type of measurement system used to assess the maturity level of a particular technology. There are nine technology readiness levels, 1 being the lowest and 9 being the highest.

the way these elements work together to support more sustained and strategic innovation activity within businesses, driving behavioural change through organisations.

Role of grant funding in enabling innovation

Programme beneficiaries consistently highlighted grant funding as a critical enabler of innovation, especially where projects involved technical uncertainty, the need for upfront capital investment, or extended R&D timelines. They stated that grant support helped to de-risk projects that would have otherwise progressed more slowly, at a smaller scale, or not at all. Only around 9% of survey respondents stated that they would have achieved the same outcomes without the Programme. One beneficiary business stated in interviews that:

We wouldn't have taken this forward without the funding. It gave us the confidence to invest and test the idea properly.

The evidence shows that, for micro and smaller SME beneficiaries, grant support enabled earlier progress, access to higher-quality equipment and multiple experimental iterations. Larger or more R&D-intensive firms emphasised the importance of grant eligibility covering staff time, specialist contractors and capital costs, enabling more ambitious and accelerated programmes of work. This highlights how Programme funding had a strong impact across different firm types, particularly where support is applied at early or exploratory stages of innovation activity.

The increase in grant levels appears to have enabled businesses to undertake innovation activity at greater scale, complexity and ambition. Compared to previous programmes, where support was more limited in size, the availability of larger grants has supported more resource-intensive projects, including technical development, testing and the use of specialist expertise. One stakeholder stated:

A major strength has been the ability to offer much larger grants than in previous programmes. That allows us to support projects that might not fit elsewhere in HIE because our focus is specifically on innovation and R&D.

Beneficiaries consistently reported that grant funding reduced financial risk and provided the confidence to commit internal resources to innovation activity, particularly in the early and more uncertain stages of projects. A beneficiary stated that the grant support provided:

... confidence to pursue a transformational innovation, and that without it the project would likely have proceeded at a much smaller scale and over a far longer period [or] would not have happened at all.

The scale of funding also appears to have supported additional investment, with evidence indicating that R&D projects leveraged private sector funding through match funding arrangements at a project level. The median public share of total project cost was 50%, suggesting that many projects were supported on a broadly matched-funding basis, although intervention rates varied across the portfolio and at least one small project was fully funded. This indicates that public funding generally operated as a co-investment mechanism rather than a standalone source of finance, encouraging businesses to commit their own resources alongside HIE support and reinforcing the role of the Programme in enabling and de-risking wider investment. As noted by one beneficiary business:

The support allowed us to go further and faster, increase ambition, reduce risk and justify investment internally.

Capacity development

The Programme built capacity in several areas of business activity, with surveys showing that 56% of respondents saw enhanced innovation skills and 47% improved funding knowledge. In interviews, beneficiary businesses cited improved capability in decision-making, strategic judgement and confidence in business leadership.

Capacity building was often concentrated in founders or small leadership teams, particularly in microbusinesses and early-stage organisations. In some cases, businesses shared this knowledge internally, allowing teams to build skills and confidence across organisations, although organisation-wide diffusion was more evident in larger or more established beneficiary businesses. For example, one beneficiary business moved from ad hoc, internally focused innovation activity to a fully embedded, strategic approach to innovation. Through the support, it established a dedicated development team, rewrote its online platform and introduced structured product development processes. The business noted that innovation is now treated as a continuous organisational function rather than a one-off project, with permanent digital capability, data-driven decision-making and ongoing iteration embedded in day-to-day operations. Knowledge is retained internally in the organisation through in-house capability, the use of data and sustained long-term organisational learning approaches.

Organisational change and productivity improvements

Evidence suggests that beneficiary businesses are shifting from short-term problem solving towards more structured and forward-looking approaches to innovation, supporting longer-term resilience and growth. This includes moving beyond ad hoc activity to more planned and iterative development processes, with some businesses also reporting a shift towards more strategic approaches to innovation. One beneficiary business described this change, noting that:

We're much more structured now – we've gone from reacting to things to planning innovation properly.

This is also reflected in progression through innovation activity, with another business highlighting that they had:

... moved from just having an idea to actually building and testing something. That wouldn't have happened at the same pace otherwise.

Organisation-wide benefits were reported across beneficiary businesses, including improved teamwork, innovation culture and knowledge sharing. Stakeholders recognise that building organisational capability, embedding innovation thinking across the workforce and enabling repeat engagement with innovation support over time are as important as individual project outputs.

Across beneficiary businesses, there is evidence of new ways of working being embedded, shifting innovation from a one-off activity to an ongoing and strategic function within the organisation. The research shows that additionality from the Programme is consistently high.

Businesses frequently highlighted the value of having a trusted advisor, particularly in providing reassurance and validation. For example, beneficiary businesses stated in consultations that:

It felt like they really understood our business, the advice was tailored, not generic.

Having a consistent point of contact built trust - we could have open conversations about what we were trying to do.

The majority of beneficiaries reported that their needs were well understood and that support was aligned with their specific circumstances. This has contributed not only to high levels of satisfaction; beneficiary businesses also described ‘soft’ outcomes, including improved reassurance, increased confidence, improved decision-making regarding business decisions and a higher risk appetite for innovation activity. Businesses stated that the support:

... helped validate what we were doing and reassured us to push ahead [and] reduced the risk enough for us to try something we otherwise wouldn't have done.

Beneficiary businesses reported in interviews that Programme support helped build innovation teams and establish more formal innovation processes, which in turn contributed to productivity improvements. This is also supported by survey findings, where productivity and efficiency gains were widely reported: 82% of survey respondents stated that they are adopting new technologies and 81% are implementing new or improved processes. Businesses stated:

We're seeing benefits in how we operate; the process improvements have made us more efficient.

Programme staff consistently describe the Innovation Programme as a core mechanism for driving productivity within the region. They note that there is a strong emphasis in the Programme on helping businesses “work smarter” rather than simply expand headcount and on supporting innovation activity that directly contributes to productivity gains.

Stakeholders also note that innovation support can help businesses to overcome labour and skills shortages by improving productivity within the organisation. An example of this is a manufacturing business supported through the Programme, where process innovation reduced production time from two days to half a day.

Behavioural change

Beneficiary businesses recognised in interviews how the Programme enabled them to pursue future business activities with more confidence, which in turn often unlocked further innovation opportunities such as the development of new products, progression to scaling digital platforms and exploration of additional innovation projects. For example, a beneficiary business noted that the Programme:

... built confidence across the team. We now feel more capable of taking on new projects.

Stakeholders often described impacts for beneficiary businesses in terms of mindset change, increased confidence, exposure to new ideas, stretch and challenge, rather than immediate standalone commercial outcomes. In most cases, behavioural change was most prevalent within owners and leadership teams, although businesses regularly reported diffusion of knowledge through teams. Within larger organisations, businesses noted setting up formal knowledge reporting structures, whereas in smaller or micro-level enterprises, this was more likely to be done on an informal, ad hoc basis.

Commercialisation and market impact

This section examines the extent to which the Programme supported businesses to develop, commercialise and bring innovations to market.

Commercialisation is typically a longer-term objective for beneficiary businesses. Survey results indicate that impacts are more likely to be realised in the future rather than immediately, with 59% of respondents expecting increased turnover compared to 19% who reported that this had already been achieved. One beneficiary business stated that the impact of the Programme:

... isn't immediate revenue, it's getting us into a position where that becomes possible.

Progression towards commercial readiness

As discussed above, many businesses reported that engaging with the Programme led them to adopt more coordinated and systemic approaches to innovation. This enabled them to be more structured and efficient in areas including prototype development, demonstration and preparation for commercialisation. Beneficiary businesses reported that R&D activity enabled them to address key operational and technical challenges, such as production efficiency, regulatory risk, supply chain resilience and product development, which in turn supported progress towards commercial readiness.

For example, one beneficiary engaged with the Programme to address two clearly defined innovation challenges regarding manufacturing processes and regulatory risks. The support enabled the business to undertake structured innovation activity to progress towards commercial readiness, including parallel exploration of technical solutions, investment in specialist equipment and access to external testing expertise. This resulted in significant progression from early-stage research through to prototype development and production validation, with one project nearing commercial readiness. The business highlighted that the tightly scoped, problem-driven nature of the intervention was critical to its effectiveness, enabling focused development activity that addressed specific operational and regulatory challenges while accelerating commercial readiness.

This reflects a broader pattern where support has strengthened market positioning even in cases where full commercialisation has not yet been achieved. For example, a beneficiary business noted that:

We're not fully commercial yet, but we're much closer. We now understand what the route to market looks like.

Many beneficiary businesses highlighted enhanced credibility with customers and partners. For some, this has enabled diversification into new products, services or customer segments that would otherwise not have been feasible without the Programme's support. For example, one Programme beneficiary noted that the Programme had:

... opened up new opportunities and markets that we wouldn't have considered before [and] helped us shape the product and how we take it to customers - that's been a big shift.

Commercial outcomes varied by innovation stage and business maturity, with earlier-stage businesses focusing on readiness and later-stage firms more likely to generate market impacts. Several beneficiaries reported accelerated progression through early to mid-stage development. For very early-stage or exploratory innovation, support for businesses was most effective for validation and preparation, reviewing of viable future options and reducing risk, rather than direct progression to market. For example, several early-stage businesses noted that the support had directly supported early-stage commercialisation by strengthening the clarity of their proposition and market-readiness.

For more established firms, support enabled the creation or strengthening of internal R&D capability and pipeline thinking, embedding innovation as a core business function. For example, a larger beneficiary business noted that they had:

... gone from having no real R&D function to having a structured team, lab space... and active research programmes.

This demonstrates how support translated into sustained innovation capacity and longer-term market-facing activity.

Wider market impacts

Wider market benefits include increased sustainability. Evidence highlights outcomes such as reduced energy use which aligns to reported indirect benefits such as lower carbon emissions. It was reported that one Programme beneficiary that:

... intervention [had] supported net-zero changes that reduced energy costs.

In another example, integration of renewable energy solutions (an off-grid solar power system) alongside new production infrastructure, contributed to reduced reliance on external energy inputs. Both of these projects were facilitated in connection with external partnerships. This demonstrates how innovation activity contributed directly to lower energy use and improved cost efficiency and supports wider sustainability aims.

Ecosystem development

This section examines how the Programme strengthens connections between businesses, partners and the wider innovation ecosystem.

Strengthening the ecosystem through business support

As reported in the previous chapter on Programme Delivery, stakeholders view HIE as a central anchor, with the organisation widely recognised as the key connector in a sometimes fragmented and often complex ecosystem.

The Programme plays a central role in strengthening the regional innovation ecosystem by improving how businesses access networks, expertise and external support. HIE supports the relationships between other innovation bodies by functioning as an intermediary between organisations. Programme staff describe a brokerage role where Innovation Managers bring specialist innovation networks, contacts and expertise into client discussions and act as a connector between external innovation partners. Stakeholders note that HIE plays an explicit convening role within the complex landscape and that it helps “join the dots” between organisations, reflecting a system-level function.

Innovation support generally is seen by stakeholders as very important in addressing issues businesses face that can arise from the complex landscape, with one stakeholder stating that the HIE Programme and its governance structure enabled:

... HIE [to] play a central role in linking businesses into the wider innovation system.

Businesses report access to expertise, facilities and networks that would not have been available independently, including specialist technical support, research capability and external partners. For example, beneficiaries reported that, as a result of the Programme, they have been:

... introduced to networks and expertise we wouldn't have accessed on our own.

One beneficiary reported that engagement with the Programme enabled access to significantly wider networks and expertise, including participation in international innovation events and connections to industry bodies. This led to new partnerships, including collaboration with an external manufacturer and involvement in a national industry network, alongside broader exposure to peers and best practice. The business highlighted that these connections were enabled through Programme-supported networking, courses and innovation visits, which expanded their industry reach and informed new areas of activity.

We were introduced to partners we wouldn't have found ourselves through the Programme.

Other businesses noted the impact of these connections, for example stating:

The events and learning activity opened up contacts and ideas we hadn't been exposed to before.

This facilitation and connecting role is particularly important in the Highlands and Islands context, where geography, scale and sectoral distribution can limit direct access to innovation infrastructure. By facilitating introductions, coordinating engagement and signposting to appropriate provision, HIE helps to reduce structural barriers associated with rurality and remoteness, enabling more equitable access to innovation support across the region. For example, a stakeholder stated in consultation that:

For rural businesses, that connection into expertise and institutions is critical.

Additionally, a beneficiary business said:

Being based remotely, we wouldn't normally have access to that level of expertise, the support helped bridge that gap.

Businesses also recognised that the collaboration facilitated through the Programme is based on business need, with one beneficiary business stating that:

They knew exactly where to direct us depending on what we needed.

Survey responses also highlight key benefits the Programme facilitated in relation to ecosystem development. Almost half (48%) of survey respondents experienced direct benefits from strengthened networks and a further 30% experienced indirect benefits from this such as new ways of working, lower carbon emissions, increased productivity and increased sales. Beneficiaries report increased exposure to external expertise, new partnerships and broader industry networks, contributing to more outward-looking and collaborative approaches to innovation. They highlighted that peer learning and exposure to external best practice at different organisational levels are important elements of the Programme and said that these connections provided access to specialist technical input and improved understanding of innovation pathways and opportunities.

However, evidence also suggests that this connectivity is not consistent in all cases. Some businesses report that collaboration is not always proactively facilitated, particularly where innovation requires specialist or cross-sector expertise. For example, one beneficiary business noted that collaboration activity was not facilitated by HIE despite being relevant and that:

A potential enabler would be active facilitation.

Another beneficiary business noted that there was an unmet demand for further collaboration with external partners stating that:

We could have benefited from more help in identifying and connecting with the right partners earlier on.

Stakeholders recognised that this is an ongoing challenge requiring sustained effort, stating:

... there's more that could be done to actively bring businesses and expertise together.

This suggests that while the Programme strengthens access to the innovation ecosystem, particularly with HIE connecting businesses to external partners such as universities, specialist providers and networks, there remains scope for more structured and proactive facilitation of these connections. In particular, businesses identified a need for earlier and more targeted support in identifying and

connecting with relevant expertise, indicating that partnership development is still largely reactive and relationship-led in practice.

Knowledge exchange

Knowledge exchange activity is a key mechanism through which the Programme strengthens the innovation ecosystem. Workshops, events and learning journeys provide businesses with opportunities to engage with peers, access new ideas and build connections beyond their immediate networks. These open businesses up to new markets, practices and technologies, helping beneficiaries to develop new ideas and approaches.

Knowledge exchange played a critical role in strengthening the innovation ecosystem, with 78% of survey respondents stating that they are collaborating more with other businesses, with the potential to support engagement and spillovers across the system. Stakeholders viewed the mix of activities delivered through the Programme as highly effective when knowledge exchange is considered alongside advice and funding, with the Programme overall highly effective in addressing both immediate business challenges and longer-term innovation capability. For example, one beneficiary business stated that

... the events and knowledge-sharing have been really valuable. You pick up ideas and contacts you wouldn't get otherwise.

These activities support ecosystem development in three main ways. Firstly, through exposure to networks and expertise, businesses gain access to new contacts, including peers, industry specialists and external partners, which can lead to collaboration and knowledge sharing. For example, a stakeholder reported that:

... a lot of the value comes from those informal connections and learning between businesses.

Secondly, engagement in knowledge exchange supports diffusion of knowledge and best practice through the transfer of ideas, technologies and approaches across businesses, helping to strengthen innovation capability at a system level. For example, businesses that attended workshops on AI tools or product development were introduced to practical approaches that could be applied immediately within their business. They reported that this led to improved product development processes, increased cross-team collaboration and more structured innovation activity, with learning becoming embedded in day-to-day operations.

Thirdly, by engaging in knowledge exchange activities, businesses developed a culture of collaboration. Businesses reported increased openness to collaboration and more outward looking approaches as a result of participation in these activities, with 78% of survey respondents stating that they are collaborating more, supporting more outward-looking and networked approaches. Collaboration outcomes included learning and exposure to network building with businesses reporting the benefits of collaboration even where formal partnerships had not yet crystallised.

Stakeholders emphasise that peer-to-peer interaction can provide practical insight, reassurance and shared learning, particularly in smaller or more isolated business communities where opportunities for collaboration are otherwise limited. Beneficiary businesses noted in consultation the importance of peer interaction, noting that:

Meeting other businesses and hearing their experience was really valuable - it gave us new ideas and approaches.

The knowledge-sharing side was just as useful as the financial support.

However, engagement in knowledge exchange is not uniform. Participation can be constrained by business capacity, geographic dispersion and the availability of relevant opportunities particularly for smaller or more remote firms. For example, one early-stage business reported that while exposure to networks created opportunities for collaboration, limited time and their early stage in the R&D journey meant partnerships had not yet developed, illustrating how both internal capacity and stage of innovation constrained the ability to engage with partners.

In addition, sustaining peer networks over time can be challenging without ongoing facilitation. These include capacity constraints within SMEs, where day-to-day operational pressures reduce the ability to participate consistently; geographic dispersion and associated travel costs, which restrict regular interaction; and a lack of critical mass in some areas, limiting opportunities for organic peer exchange. This can be particularly compounded within a fragmented support landscape where businesses may struggle to prioritise or navigate multiple initiatives.

Challenges to ecosystem development

Stakeholders and business beneficiaries identified ongoing gaps in coordination, access to networks and engagement with institutions such as universities and innovation centres. While the innovation ecosystem is described as relatively well-developed, it remains fragmented and can be difficult for businesses to navigate, particularly where multiple programmes, organisations and funding routes operate simultaneously. This can create confusion, duplication of provision and uneven awareness of available support. Smaller businesses often find universities and innovation centres inaccessible, which is particularly pronounced in remote and island contexts where geography, travel and cost constraints limit engagement. Challenges reported in interviews included:

*There are so many different programmes - it's not always obvious which one is right.
It can feel quite confusing trying to navigate all the different support available.*

Accessing universities or specialist institutions can still be difficult without that support to make that connection.

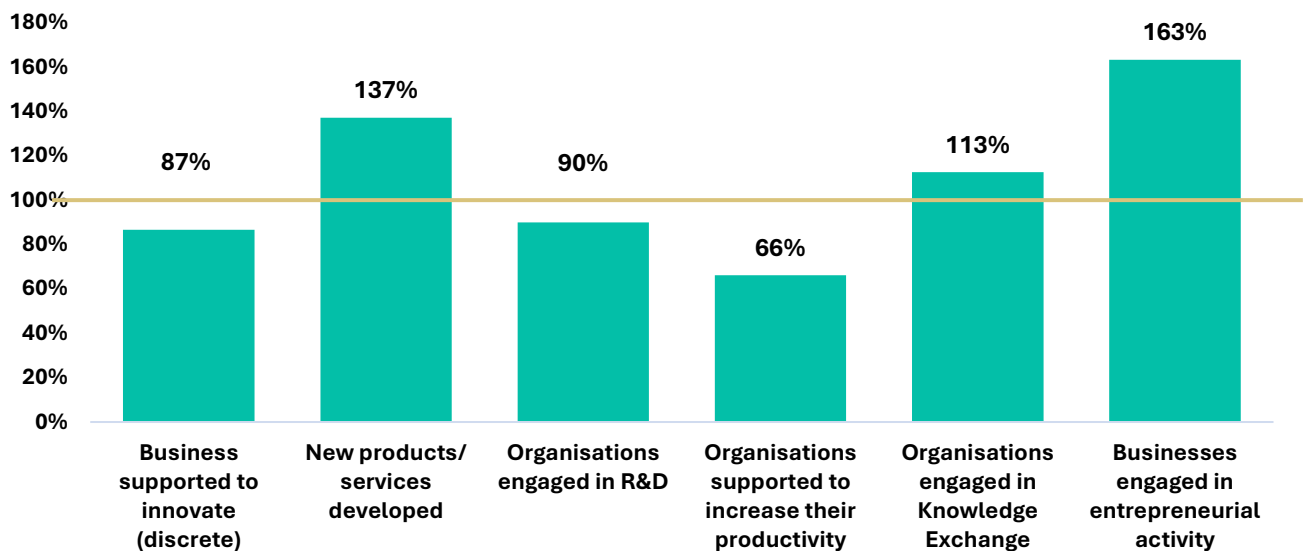
Evidence from consultations shows that HIE plays an active role in mitigating these challenges through its delivery model. The strong network that HIE helps to facilitate was praised by stakeholders but they noted that improvements can still be made:

There's a strong network, but it still relies on relationships and could be better joined up.

Performance against output targets

Data for up to December 2025 show that, the Programme exceeded targets for new products and services developed and for businesses engaged in entrepreneurial activity and broadly met targets for knowledge exchange participation. However, it underperformed against targets for overall business engagement in innovation, organisations engaged in R&D and those supported to increase productivity. This suggests that while the Programme has been effective in generating outputs and engagement, more intensive forms of innovation activity, particularly those linked to productivity improvement and formal R&D, have progressed more slowly. This may reflect longer lead-in times, higher complexity, or capacity constraints among supported businesses.

Figure 4.1 shows performance against the six Programme output indicators, highlighting a mixed delivery profile.

Figure 4.1: HIE Innovation Programme 2022-2025 Actuals Against Targets to 9th December 2025

Source: GC Insight analysis.

A total of 433 businesses were supported to innovate, representing 87% of the target of 500. New products and services developed exceeded expectations, with 336 outputs delivered against a target of 245, equivalent to 137% of the target.

Engagement in knowledge exchange activity exceeded expectations, with 338 organisations participating, representing 113% of the target of 300. In contrast, 54 organisations engaged in research and development, achieving 90% of the target of 60, while 331 organisations were supported to increase productivity, representing 66% of the target of 500, the lowest level of achievement across the indicators.

The greatest level of performance against targets was observed in entrepreneurial activity, with 196 businesses supported against a target of 120, equating to 163% of the target achieved.

Economic impacts

This section presents the estimated economic impacts generated by the HIE Innovation Programme, drawing on survey evidence from **68 beneficiary businesses**, representing around **18% of the 373 businesses supported**. It summarises the Programme's contribution to gross value added (GVA), employment creation and retention, alongside an assessment of value for money and leveraged private investment.

However, only a subset of respondents provided quantified data for key impact measures, with **10 respondents reporting additional turnover**, **12 reporting jobs created**, and **19 reporting jobs retained**. As a result, the analysis is based on a relatively limited evidence base, and findings should be interpreted as indicative rather than definitive measures of Programme-level impact, reflecting both realised outcomes and those still emerging. Full details of the methodology and associated assumptions are set out in **Appendix A1**

Table 5.1: Economic Impacts Generated from HIE Innovation Programme

Economic Effects	Total
GVA generated	£5.7 million

Jobs created	132.9 FTE
Jobs retained	1,684.8 FTE

Source: GC Insight Analysis.

GVA

As noted in Appendix A1, survey respondents were asked to quantify the additional turnover directly attributable to the support received through the Programme, which was then used to estimate Gross Value Added (GVA). In total, 10 respondents provided values for additional turnover, generating an estimated total GVA of around £4.2 million. Excluding outliers, there was an adjusted average GVA of £26,783.48 per remaining respondent business, indicating that the overall total is significantly shaped by a small number of very large, reported impacts.

If it is assumed that the same proportion of the full beneficiary population experienced additional turnover as those who reported it in the survey, around 15% of the 433 Programme beneficiaries experienced GVA benefits, which would equate to approximately 64 beneficiary businesses. Applying the adjusted average of £26,783.48 GVA per business to this group would imply a total of around **£5.7 million** in direct, indirect and induced GVA across the Programme, once statistical outliers were added back in.

This provides a more conservative estimate than relying on the full reported total, but it should still be interpreted with caution, as it assumes that both the survey respondents and the subset of businesses reporting additional turnover are representative of the wider beneficiary base. In practice, this is unlikely to be fully the case, given the small number of respondents and the concentration of reported additional turnover in a limited number of businesses. The inclusion of large statistical outliers also heavily influences the GVA figure, meaning that the overall estimate is disproportionately driven by a small number of high-value responses rather than being representative of typical impacts across the wider beneficiary base.

Jobs created

Job creation by respondents to the survey was reported as 29.7 jobs created, and 20.9 full-time equivalent (FTE) jobs after applying sector-specific BRES full-time to part-time ratios.

In total, of the 68 survey respondent businesses, 12 reported newly created jobs (18%). Only a relatively small proportion of supported businesses provided quantified evidence on employment outcomes, meaning the reported figures should be treated as partial rather than comprehensive measures of Programme-level impact. Employment creation was reported across a range of sectors including:

- Film, video and media
- Manufacturing
- Computing
- Waste remediation and management
- Tourism
- Business support services
- Creative
- Sport and recreation

This suggests that job effects were not confined to a single part of the beneficiary base, although the number of businesses quantifying job creation remained limited.

If it is assumed that the same proportion of the full beneficiary population, around 18%, experienced employment benefits, this would equate to 76 beneficiary businesses seeing job creation effects. Using the average of 1.7 FTE jobs created per respondent business among those that quantified job creation, this would imply an indicative total of around **132.9** FTE jobs created across the Programme.

Jobs retained

Survey respondents were also asked to state the number of FTE jobs retained within their businesses as a result of the support received through the Programme. In total, 19 beneficiaries provided a quantified response, reporting 786.4 FTE jobs retained. However, this figure includes a statistical outlier of 500 and 139.5 FTE jobs retained by two businesses respectively, which has a substantial effect on the overall total. Removing these outliers leaves 146.9 FTE jobs retained across the remaining 17 respondent businesses, equivalent to an average of 8.6 FTE jobs retained per business.

If it is assumed that the same proportion of the full beneficiary population retained jobs as those who reported it in the survey, around 28% of the 433 Programme beneficiaries experienced job retention benefits, which would equate to 121 beneficiary businesses. Applying the adjusted average of 8.6 FTE jobs retained per business to this group would imply an indicative total of around **1,684.8** FTE jobs retained across the Programme once statistical outliers are included.

This provides a more conservative estimate than scaling the average across the full beneficiary population but should still be interpreted with caution as it assumes that both the survey respondents and the subset of businesses reporting retained jobs are representative of the wider beneficiary base. In practice, this is unlikely to be fully the case, given the small number of respondents and the concentration of reported retained jobs in a limited number of businesses.

Value for Money

The Programme generated an estimated £5.7 million in GVA against a total public investment of £2.0 million. This equates to an indicative benefit–cost ratio (BCR) of approximately 2.84:1, meaning that for every £1 invested, around **£2.84** in GVA is generated.

Consistent with HM Treasury Green Book guidance, this estimate should be interpreted with caution. The calculation is based on survey-derived impacts and early-stage outcomes, with limited ability to fully account for additionality factors such as deadweight, displacement and leakage. The inclusion of large statistical outliers, which heavily influences the GVA figure, means that the overall estimate is disproportionately driven by a small number of high-value responses rather than being representative of typical impacts across the wider beneficiary base.

In addition, many benefits are expected to materialise over a longer timeframe and have not been fully realised. As such, the BCR provides an indicative measure of value for money of impacts realised to date rather than a fully appraised economic return.

Leveraged private funding

Data from HIE showed that, of the 33 projects that received £1.3 million in Research and Innovation Grant funding, 31 reported securing a total of £2.1 million in private investment, averaging £67,882 per project. This implies that for every £1 of public funding provided, £1.61 of private investment was leveraged. However, this average was influenced by a small number of high-value contributions, with two businesses accounting for a significant proportion of the total, reporting private investments of £770,000 and £310,000 respectively. Excluding these outliers, the average private investment secured per project reduces to £33,084, indicating that a relatively small number of projects accounted for a disproportionate share of the total private investment reported. Despite this concentration of investment

among a small number of projects, the Programme demonstrated strong leverage overall, representing a positive early-stage return on innovation and R&D support, particularly given that many research and development projects generate their most significant commercial and economic returns over a longer timeframe.

Follow-on investment

In addition to leveraged private investment, beneficiaries reported £10.9 million of additional investment in research, development and innovation activity. However, this figure was heavily influenced by a single beneficiary, which accounted for £10.6 million of the total. While this result should therefore be interpreted with caution, it indicates that some supported businesses went on to undertake further research, development and innovation activity following their engagement with the Programme.

5 Strengths and Challenges

Key findings

- The Programme provides a distinct, integrated offer combining funding, advice and ecosystem connectivity, aligned to regional priorities and the rural business context.
- Relationship-led delivery enables early engagement and tailored support, helping businesses identify opportunities and progress innovation activity.
- The flexible, wraparound model supports businesses at different stages, strengthening progression from early-stage ideas to commercial readiness.
- HIE plays a key system connector role, linking businesses to wider expertise and partnerships within a complex and fragmented ecosystem.
- Engagement is constrained by business capacity and time, particularly for smaller firms where innovation competes with day-to-day delivery.
- Administrative processes and variable awareness of the Programme can act as barriers to access and participation.
- The innovation support landscape remains complex, with coordination often informal and reliant on relationships.
- Partnership working requires ongoing resources to maintain and can create inconsistencies where not formally embedded.



Introduction

This chapter draws together the evidence on the main strengths and challenges of the HIE Innovation Programme delivery model and its implementation. It considers what is working well in practice, including the value of relationship-based and flexible support, joined-up delivery and wider ecosystem connectivity, alongside the main constraints affecting reach, accessibility and consistency of engagement. It highlights where the Programme appears to be adding most value for businesses and where delivery challenges, capacity pressures and the complexity of the wider support landscape may limit overall effectiveness. It also synthesises these strengths and challenges into key learning points drawn from the research.

Programme strengths

The HIE Innovation Programme has a distinct role within the wider ecosystem.

The HIE Innovation Programme plays a distinct and complementary role within the Highlands and Islands innovation ecosystem, combining funding, tailored advice and connectivity to support businesses at different stages of the innovation journey. The Programme brings together a coordinated package of support, including R&D grant funding, specialist advice and knowledge exchange, enabling businesses to move from early-stage ideas through to development, testing and commercial readiness.

The Programme also adds value through its role as a system connector, helping businesses navigate a complex and fragmented support landscape. By linking firms to wider expertise, funding and partnerships, including academia, national agencies and specialist providers, it extends access to capabilities and resources that are often not locally available. This brokerage function is particularly valuable in rural and remote contexts, where access to networks, infrastructure and specialist knowledge can otherwise be constrained.

Alignment to wider Economic Development Priorities.

Programme staff state and recognise that the Programme aligns closely with the wider economic development priorities of HIE around long-term business viability in a remote and rural context. Stakeholders see innovation support as particularly important in addressing longstanding structural challenges, including remoteness, with innovation support being able to bring specialised expertise into teams and strengthen coordination across dispersed rural landscapes and ecosystems. Innovation can address structural challenges for these businesses by helping to reduce dependence on proximity and scale and diversifying markets beyond local demand.

The integrated model is positive.

Having Innovation Managers embedded in area teams enables joined-up, early-stage engagement and supports earlier identification of opportunities, particularly where businesses do not initially present with a clearly defined innovation project. This model helps frame support around practical business challenges, strengthens continuity between local relationship management and specialist innovation expertise and makes it easier to tailor support to different starting points, sectors and levels of readiness.

The relationship-based approach is a strength and a key differentiator for HIE.

A key feature of the Programme is its relationship-led and place-based delivery model, which allows support to be tailored to the specific needs, capabilities and starting points of individual businesses. Programme relationships are based on trust, responsiveness and tailored support. The trusted advisor model is central to how the Programme is delivered and the relationship-based model was repeatedly cited as a major strength. Beneficiaries valued having a named contact within HIE who understood their business context and could act as a trusted sounding board over an extended period. Delivery helped businesses feel justified and confident in their decisions, particularly where boards, trustees or founders needed reassurance.

This is particularly important in a region characterised by dispersed geography and a high proportion of SMEs and microbusinesses, many of which may not formally identify as “innovative” or have established R&D capacity. Through early engagement and ongoing advisory support, the Programme helps businesses articulate innovation opportunities, define projects and build confidence to progress activity that might otherwise not take place.

Wider wraparound support is valued.

A key strength of the Programme is its coordinated, integrated offer, which combines funding, tailored advice, specialist expertise and ecosystem navigation to provide the “right support at the right time”. This enables businesses to de-risk innovation, accelerate progression and build internal capability, supporting both immediate project development and longer-term adoption of more structured and strategic approaches. In turn, this contributes to enhanced business performance while strengthening wider innovation capacity and resilience across the regional economy.

The flexibility of support is a strength.

The flexibility of the Programme allows support to be adapted as projects evolve, with businesses often drawing on different elements at different points, from early exploratory conversations and problem definition through to specialist input, market readiness and commercial progression. This appears to strengthen the relevance of the offer, reduce the risk of poorly timed or misaligned interventions and support more tailored innovation journeys.

The Programme has demonstrated good adaptability, flexing and refining delivery in response to engagement challenges. This includes adapting support to different levels of business readiness, using more accessible and practical formats and responding as business needs and projects evolve over time. This appears to be particularly important where businesses have limited capacity and do not readily identify with “innovation” The ability to refine delivery in this way helps make support more relevant, easier to engage with and better aligned to the realities of different businesses and sectors.

The Programme effectively connects businesses to wider support and expertise.

HIE is widely seen as a key system connector and trusted intermediary, helping businesses navigate a fragmented support landscape and access the most relevant external provision. This includes referral and signposting to organisations such as Scottish Enterprise, Innovate UK, Interface, universities and specialist providers, as well as wider knowledge exchange and networking opportunities. This appears to be particularly valuable for rural and remote businesses, where HIE can help bridge access gaps and connect firms to expertise, institutions and partnerships they would be less likely to reach without support.

The honest broker model, discussed in previous sections, highlights that HIE consistently prioritises the right support outcome for businesses, with this approach helping businesses access relevant support, reducing risk of misaligned interventions or inappropriate funding and support packages. It may also help to avoid duplication across programmes and supports a joined-up innovation system.

Partnership activity is often informal and opportunity-driven, rather than structured, reflecting both flexibility and limits in consistency of engagement. Evidence from Programme staff highlights that collaboration is primarily relationship-led and dependent on networks, contacts and individual judgement. This approach ensures flexibility, allowing support to be tailored and responsive to specific business needs, with partnerships emerging where relevant expertise is identified. However, there is also evidence that this reliance on informal connections can create variability in engagement and continuity, with maintaining relationships over time identified as an ongoing challenge.

Knowledge exchange is a strength.

The opportunity for businesses to engage with peers to share ideas, experience and best practice is particularly valued by Programme beneficiaries and evidence suggests this is most effective when delivered alongside advice and funding. This helps businesses refine their thinking, build confidence and identify new approaches, contacts and opportunities. For some businesses, especially those in more isolated contexts, exposure to peers, events and wider networks can provide valuable reassurance, practical insight and learning that would be difficult to access otherwise. This can support more outward-looking behaviour, stronger strategic thinking and more embedded innovation activity over time.

Programme challenges

Business capacity is a significant barrier to engagement.

Limited time, staff and internal resource constrain businesses’ ability to engage with innovation support, particularly where day-to-day delivery pressures take priority. This is likely to be especially challenging for micro and smaller businesses, with smaller teams, where innovation activity often sits alongside core operations and is concentrated in a small number of individuals. This can limit the ability to engage with innovation support and sustain ongoing innovation projects, which is likely to reduce take-up of the support and could slow progression even where underlying demand and need are strong.

The administrative burden can be challenging for some.

The application and claims processes can be time intensive, particularly for small and micro businesses. This can cause a barrier to engaging with the Programme, or delays once businesses are engaged. This reflects an ongoing need for programmes to be delivered flexibly, in a way that is appreciative of the challenges facing smaller businesses.

Awareness and understanding of the service could be improved in some instances.

There are mixed interpretations of what “innovation” is which can lead to confusion or low levels of self-identification among businesses; and some businesses reported they were unclear what the offer was, even after initial meetings had taken place. Some businesses reported challenges with eligibility and inflexibility in criteria and timescales, with support not always aligning to projects at later or demonstration stages. This may reflect understanding of the Programme offer and a perception that the support was not able to support projects that would see the greatest impact for businesses.

The innovation support landscape is complex.

HIE is an important partner for businesses, supporting them to navigate the complex innovation support landscape. However, this remains an ongoing challenge as the landscape continues to evolve and new businesses engage with the Programme. Multiple programmes and routes can create confusion and it can be difficult for many businesses, and some stakeholders, to navigate and understand the innovation landscape. This is reflected both in the fragmented nature of the wider innovation ecosystem and mixed awareness of how different business support offers fit together in practice. This can make it harder for businesses to identify the most relevant entry point for them, understand what they are eligible for and distinguish between innovation support and wider business support, including which providers and services may be most relevant to their business needs. This reinforces the importance of the role of HIE as a trusted navigator and connector, but also highlights an ongoing risk of duplication, misalignment and missed opportunities where roles within the ecosystem, routes to business support and the overall offer to businesses are not sufficiently clear. While referral pathways generally work well, there is a strong view that better coordination, clearer roles and sustained relationship management are essential to avoiding duplication of support and ensure equitable access for businesses.

HIE Innovation team capacity can constrain delivery.

Internal HIE team capacity can, in some cases, constrain delivery with small teams responsible for businesses spread across a large geographic area, resulting in long travel times between businesses. Programme staff also indicated that unreliable digital connectivity poses an additional challenge to delivery.

There are challenges in maintaining organisational relationships.

Maintaining relationships between different parts of the business support and innovation landscape takes dedicated time and resourcing. If relationships are not sufficiently structurally embedded, they may need to be rebuilt when staff in other organisations change roles or move on. This affects integration and limits the ability for joint working between organisations in the long-term.

Economic impact measurement presents challenges.

The nature of innovation activity means that many impacts will be longer-term and are not yet fully realised. This means it is challenging to capture the full extent of the economic impact of the Programme and quantified findings represent an early indication of impact, rather than a complete picture of longer-term Programme outcomes.

There are also limitations in the ability to robustly quantify the economic impacts of the Programme, particularly in relation to additional turnover, GVA and employment effects. Survey responses were not representative of the Programme's reach and engagement, limiting the robustness of impact estimates. This means that results are based on a small number of responses, which can be influenced by individual high-value outliers. There were also methodological challenges associated with the consistency of data collection.

Key Learning

Relationship-led delivery is central to Programme engagement and effectiveness.

The relationship-led, place-based approach is critical to engaging businesses in innovation. This requires sustained investment in people, local knowledge and relationship development. In a geographically dispersed region, this model can be particularly effective. It supports trust, continuity, coordination and local knowledge and understanding and helps bridge gaps between businesses and specialist innovation expertise. However, it can also mean that support pathways are not always transparent or easily accessible for businesses who are not already engaged with HIE.

Innovation can be a solution to practical challenges.

Engagement in the Programme is strongest when support is framed around addressing specific business challenges such as productivity or building supply chain resilience. Many businesses, particularly SMEs and those in sectors that are central to the economy of the region, such as Tourism, often do not self-identify as "innovative." Framing innovation support in practical, outcomes-focused terms can help address this.

Awareness and understanding of the offer are inconsistent.

Improving clarity, messaging and positioning of the offer is central to effective targeting. Some businesses are unclear what support is available, or do not recognise their own activity as innovation. This limits self-selection and engagement with the Programme.

Participation in the Programme is shaped by existing relationships and business understanding of innovation.

Targeting has been effective in reaching businesses whose innovation activity aligns most closely with the Programme's objectives. The Programme has stronger reach in sectors where innovation is closely associated with R&D and product development, such as manufacturing and technology. Lower levels of engagement in other sectors are likely to reflect differences in the nature of innovation activity and the extent to which businesses align with the Programme's focus. This is linked to how businesses perceive innovation, how clearly the offer aligns with their activity and how easily they can identify themselves as eligible for support.

Business starting points vary significantly.

There is wide variation in innovation readiness. Early-stage businesses may need awareness and scoping support, and more advanced firms may require specialist or higher-value support.

Early engagement and definition are critical for many businesses.

The early-stage engagement enabled by the embedded delivery model is a core part of the pathway. Many businesses do not engage or seek support with a clearly defined innovation project and HIE support (from both Programme staff and Account Managers) can play a key role in identifying opportunities, shaping and refining ideas and defining what "innovation" means in practice

A flexible, integrated "wraparound" offer is key.

Innovation support is most effective when it is delivered as a flexible, coordinated package that can adapt to business needs and stages of development and support progression through the innovation journey. Businesses often benefit more when support is coordinated and aligned, rather than delivered as a set of standalone interventions. This is particularly important given the wide variation in starting points of businesses engaging with the Programme, from informal innovation activity in microbusinesses to more structured R&D in larger firms.

Grant funding, as a critical enabler of innovation, works best alongside wider support.

Financial support is a necessary, but not the only, intervention that enables innovation to flourish. Integrating funding with advice, expertise and relationship-based support maximises the impacts of the Programme overall and helps develop capacity, confidence and strategic focus.

Strong navigation support and facilitation is essential in complex ecosystems.

The Programme plays a vital navigational and facilitation role within a complex and fragmented innovation ecosystem. The Programme plays a strong role in connecting businesses to external partners such as Universities, innovation centres and national agencies. There is some scope to strengthen coordination, clarity and more proactive partnership facilitation, including with those Universities who do not have a presence in the region. HIE is widely viewed as a trusted intermediary, which is particularly important to addressing the structural barriers to innovation in the region.

Structural barriers shape engagement, reach and impact.

Structural barriers remain a key constraint to participation and progression and addressing these requires continued adaptation of delivery models, processes and targeting. Business capacity constraints, especially in micro and small businesses, limit engagement with innovation support. Variable awareness and understanding of the offer and the geographical characteristics of the region, also contribute to uneven Programme reach across sectors and business sizes and may slow progression even where demand for innovation exists. Those most in need of support may be least able to engage.

6 Conclusions and Recommendations

Introduction

This chapter draws on the findings presented in the preceding chapters and sets out the key conclusions from the evaluation of the HIE Innovation Programme. It then presents a series of considerations and recommendations to inform the future development of innovation support in the Highlands and Islands, reflecting both the strengths of the current delivery model and areas where improvements could enhance effectiveness, reach and long-term impact.

Conclusions

Ongoing need for innovation support

The HIE Innovation Programme responds to a clear and continuing need for innovation support across the Highlands and Islands. Structural characteristics of the regional economy, including dispersed geography, a high proportion of SMEs and microbusinesses and a sectoral mix where innovation is often informal or incremental, continue to constrain innovation activity. Within this context, the Programme plays a critical enabling role, suggesting that sustained public intervention will remain necessary to support innovation, productivity and competitiveness in the region.

Supporting early-stage innovation progression

The Programme is particularly effective in supporting early-stage innovation. By enabling businesses to move from problem definition and idea generation to prototyping, testing and development, it addresses a key gap in the innovation pathway. This reflects the reality that many businesses lack the capacity or expertise to initiate structured innovation activity independently. As such, the value of the Programme lies not only in supporting innovation outcomes, but in unlocking and accelerating innovation activity that would otherwise not occur or would progress more slowly.

Effectiveness of the delivery model

The relationship-led and embedded delivery model is central to Programme effectiveness. Integration within wider HIE account management enables early engagement, tailored support and continuity, which is particularly important in a dispersed and SME-dominated region. This model facilitates access to businesses that may not actively seek innovation support and allows interventions to be shaped around individual business needs.

However, this also means that engagement is shaped by individual networks and staff continuity within HIE, partner organisations and beneficiary businesses. In practice, beneficiaries may interact with different HIE staff over time; and staff turnover can disrupt relationships and affect the consistency of support. This highlights a trade-off between flexibility and consistency, where the model is highly responsive but more difficult to deliver uniformly without clear structures and frameworks in place.

Role of funding in enabling innovation

The level and structure of funding are critical to enabling innovation activity. Grant support has reduced financial risk, allowing businesses to undertake more ambitious, complex and resource-intensive projects, with strong evidence of additionality. This highlights that financial support is not only a facilitator of innovation, but a key lever in influencing the scale, pace and nature of activity. The Programme

therefore demonstrates the importance of combining funding with advisory and technical support to maximise impact.

Establishing conditions for future growth

The Programme is helping to establish the conditions necessary for future growth and economic impact. While many outcomes are longer-term, businesses report improved commercial readiness, clearer routes to market and stronger market positioning. This suggests that the primary contribution of the Programme is in de-risking innovation and enabling future growth, rather than delivering immediate economic returns. In addition, by improving access to networks, expertise and external partners, the Programme supports wider participation in the innovation ecosystem and helps overcome structural constraints associated with geography and scale.

Reach, engagement and accessibility

The Programme has been successful in engaging a wide range of businesses through a flexible and relationship-led approach. Its ability to tailor support to different starting points is a key strength, particularly in enabling participation from SMEs and microbusinesses that may not otherwise engage with innovation support. However, this flexibility is constrained by structural factors, including business capacity, administrative requirements and variable awareness of the offer. This indicates that while the Programme performs strongly where engagement is established, there remains a risk that those businesses most in need of support are least able to access it. Strengthening accessibility and broadening engagement beyond existing networks will therefore be critical to maximising reach and impact.

This may require more proactive and targeted outreach, clearer communication of the Programme offer, supported by an overarching communications plan and approach, and more consistent relationship-building. There is also scope to increase visibility through wider networks, such as the Federation of Small Businesses and Chambers of Commerce, while ensuring that engagement remains aligned with HIE's target client base and strategic priorities.

Complexity of the innovation ecosystem

The Programme operates within a complex and evolving innovation landscape, which continues to present challenges for both businesses and delivery partners. While HIE plays an important role in supporting navigation and coordination, the ecosystem remains difficult to access in practice. This suggests that without stronger coordination, clearer roles and more structured partnership approaches, ecosystem complexity will continue to act as a barrier to engagement, particularly for smaller or less well-connected businesses.

Overall, the HIE Innovation Programme is delivering meaningful outcomes, particularly in supporting early-stage innovation, enabling business progression and strengthening innovation capacity. Its delivery model and funding approach represent key strengths, but there is scope to enhance effectiveness further through improvements to targeting, accessibility, coordination and impact measurement. These conclusions point to a strong rationale for continuing and refining innovation support in the Highlands and Islands.

Recommendations

Recommendation 1: Maintain and strengthen the relationship-led delivery model

The relationship-based approach is a key strength and one of the principal differentiators of HIE's Innovation Service within the wider innovation support landscape. The ability to provide trusted, place-based and ongoing support through embedded Innovation Managers enables HIE to engage businesses that may not otherwise access innovation support and to develop innovation opportunities over time. This model should remain central to future delivery. Continued investment in account management and early engagement is therefore essential. The importance of personalised support is reflected in the strong preference among businesses for one-to-one delivery and tailored support. Future delivery should focus on improving consistency and continuity, reducing reliance on individual networks by embedding clearer engagement pathways and more structured approaches to partnership working.

Recommendation 2: Align the place-based approach and target sector engagement

The place-based approach is a clear strength and supports early engagement and project identification. Future delivery should continue to align with HIE's strategic focus on increasing innovation capability, productivity and business adaptability. Support should continue to work across all HIE key sectors, while placing greater emphasis on opportunities associated with Regional Transformational Opportunities (RTOs) and their supply chains. Consideration should also be given to strengthening engagement with mid-sized businesses, where the evidence suggests there may be significant untapped innovation potential and opportunities to increase participation in the Programme. Businesses with innovation potential should continue to be able to access support through tailored engagement and clear, business-focused messaging.

Recommendation 3: Enhance clarity and communication of the Programme offer

Improving awareness and understanding of the Programme should be a priority. Ease of access was identified as one of the most important considerations for future support, reinforcing the need for clear communication of eligibility criteria, support options, timescales and expectations. This should include a clear articulation of anticipated commitment from the business and the benefits of engaging with innovation support. More consistent follow-up and engagement with businesses, particularly after initial contact, would also help strengthen progression and improve the overall user experience. An overarching communications plan that reflects each stage of the Programme from promotion through identification, engagement support and outcomes should be developed to support the offer.

Recommendation 4: Increase awareness, knowledge and understanding with local partners

Across the region, key partners can act as conduits to businesses that may benefit from the Innovation Programme support and who are not yet engaged with it. This requires careful targeting and communication, in order to manage referral numbers and ensure businesses are eligible for support. It is recommended that the Innovation Service develops an awareness raising and engagement programme for local partners such as the Federation of Small Businesses and the Chambers of Commerce which sets out the Programme offer and, critically, business eligibility. This will also be a means to open up discussion and new referral routes to engage those businesses that have proven harder to reach.

Recommendation 5: Explore how HIE processes can be streamlined

Application and claims processes can be a barrier, particularly for smaller businesses. While there may be limited scope to amend some core systems, governance and compliance requirements, HIE should work with relevant teams to improve the guidance, proportionality, support and clarity within existing corporate application and claims processes. Ensuring requirements are clearly communicated, and

businesses are appropriately supported throughout the application and claims journey would help reduce administrative burden, improve the user experience and encourage greater uptake, while maintaining appropriate monitoring and compliance standards. This is particularly important given the emphasis businesses place on ease of access when considering innovation support.

Recommendation 6: Strengthen coordination within the innovation ecosystem

There is an opportunity to further improve coordination with partner organisations through clearer referral pathways, stronger joint working and more proactive facilitation of partnerships. While existing collaboration is effective, it is often informal and relationship-led, which can create inconsistencies. HIE should maximise its established role as a systems connector to catalyse improved coordination and facilitate a regional innovation network forum. This will ensure key players meet regularly to share information, knowledge and practice and strengthen relationships. The specific focus of the forum should be co-designed with businesses, with HIE taking a facilitation role. HIE should leverage its platform and credibility to bring businesses and other innovation services and partners together in a structured and focused way.

Recommendation 7: Maintain and enhance a flexible, integrated support offer

The wraparound delivery model is a key strength of the Programme and should be retained. Ensuring that businesses can access the right mix of advice, funding and knowledge exchange at the right time will remain critical. The findings suggest that future support should remain easy to access, tailored to organisational needs and centred on personalised engagement. While businesses value a range of delivery formats, there is a stronger preference for one-to-one support and practical, hands-on assistance than for purely online or peer-to-peer approaches. Future delivery should therefore maintain flexibility in how support is provided while strengthening progression pathways between different elements of support, enabling businesses to move more effectively from early-stage engagement through to commercialisation.

Recommendation 8: Strengthen impact measurement and data collection

Improving the robustness and consistency of data collection will strengthen future evaluations and provide a clearer picture of Programme impacts. Increasing survey response rates, particularly for quantitative questions and ensuring consistent definitions, such as the use of FTE employment, will be important. Consideration should also be given to capturing longer-term impacts through follow-up engagement and assessment, recognising the time lag associated with innovation outcomes.

Recommendation 9: Support businesses with capacity constraints

Business capacity constraints are a key barrier to engagement and progression across businesses of all sizes. Future delivery should consider how these businesses can be better supported to engage with the Programme. For example, where businesses are already engaged with other HIE support, there may be scope to integrate innovation support with wider business support activity, reducing the time commitment required from businesses. This can build on the strong relationships between Innovation Service leads and Area Leads, with greater opportunities for joint delivery explored.

More widely, for businesses not currently engaged with the Innovation Service, flexible and accessible entry points to innovation activity should be maintained. Ease of access, tailored support and practical guidance should be reflected in future delivery, with clear routes into innovation support across the wider ecosystem helping businesses to engage and progress their innovation activity.

Recommendation 10: Consult businesses to shape future innovation support

HIE should continue to use beneficiary feedback, wider business intelligence and ongoing stakeholder engagement to inform the design and refinement of future innovation support. Survey findings indicate a continued need for support that is easy to access, tailored to organisational needs and delivered through personalised, practical engagement. Maintaining a strong understanding of evolving business needs and preferences will help ensure that future support remains relevant, responsive and aligned with HIE's strategic priorities.

A.1 Detailed Methodology

The evaluation is structured around a staged methodology incorporating:

1. Desk review and evidence synthesis;
2. Primary research with stakeholders and beneficiaries; and
3. Impact assessment and analysis of findings.

Evidence was triangulated across all sources to provide a robust assessment of delivery and outcomes, combining Programme data, stakeholder insight and beneficiary experience to ensure findings are balanced, credible and policy relevant.

Desk review and evidence synthesis

The desk review and evidence synthesis stage provided the foundation for the evaluation, bringing together a wide range of strategic, policy and Programme-related evidence to contextualise the HIE Innovation Programme. This included analysis of national and regional policy frameworks, Programme design and delivery documentation and relevant previous evaluations. In parallel, Programme monitoring and financial data were interrogated to assess patterns of delivery, uptake and performance across the Programme.

A key component of this stage was the analysis of the beneficiary survey, which provided quantitative and qualitative evidence on business experience, outputs and early outcomes. The survey was initially open from December 2025 to March 2026 and subsequently reopened between April and May 2026 to increase the sample size and strengthen the evidence base for impact assessment. In total, 68 responses were received, comprising 48 responses in the first wave and 20 in the second wave.

This evidence base was used to establish the strategic rationale for the Programme, identify delivery patterns and gaps and inform the design of the primary research stage, including the development of consultation topic guides and sampling approaches.

Table A1.1: Number of Survey Respondents by Cohort

Survey Cohort	Number of Responses
Cohort 1 (December 2025 to February 2026)	48
Cohort 2 (April to May 2026)	20
Total	68

Together, this evidence base was used to establish the strategic rationale for the Programme, identify delivery patterns and gaps and inform the design of subsequent primary research.

Primary research with stakeholders and beneficiaries

Primary research complemented the desk-based analysis through a Programme of in-depth consultations with key stakeholders and supported businesses. A total of 16 consultations were undertaken with HIE staff and wider stakeholders, including Innovation Programme staff, wider HIE teams and strategic partners. These discussions explored Programme delivery, alignment with the wider innovation ecosystem and perceptions of strengths, challenges and future needs.

In addition, 19 interviews were conducted with beneficiary businesses across a range of sectors, including Life Sciences, Tourism, Creative Industries, Construction, Food and Drink, Energy, Social Enterprise and Technology, Advanced Engineering and Manufacturing (TAE). This ensured representation across different types of businesses and innovation journeys.

These interviews provided detailed insight into how support was experienced in practice, including project development, innovation activity and progression of outcomes over time. They also enabled a deeper understanding of behavioural change, capability building and additionality, capturing impacts that are not fully reflected in monitoring data. Qualitative evidence was analysed thematically, allowing common patterns and variations in experience to be identified across different business types and sectors.

Table A1.2: Consultations Undertaken by Group

Group	Number of Interviews Undertaken
Innovation Programme Staff	6
Wider HIE Staff	5
Wider Strategic Stakeholders	5
Total	16

Table A1.3: Beneficiaries by Sector

Sector of Beneficiaries interviewed	Number of Interviews Undertaken
Construction	1
Creative industries	2
Energy	1
Food and Drink	1
Life Sciences	6
Social Enterprise	4
TAE	1
Tourism	3
Total	19

These consultations enabled a deeper understanding of behavioural change, capability building and additionality, capturing impacts that were not fully reflected in monitoring data.

Impact assessment and analysis of findings

The impact assessment applied a structured approach to estimating the economic effects of the HIE Innovation Programme, drawing exclusively on quantitative data collected through the beneficiary survey. The overall method, including the use of sectoral conversion factors, multiplier assumptions and the approach to upscaling, was agreed with HIE at the outset of the evaluation to ensure that the analysis was proportionate, transparent and aligned with established evaluation practice.

In total, 68 beneficiaries responded to the survey, representing around 16% of the 433 businesses supported through the Programme. However, only a subset of these respondents provided quantified values for the key economic impact questions. Specifically, 10 respondents gave figures for additional turnover, 12 respondents gave figures for jobs created, and 19 respondents gave figures for jobs retained. This means that the economic impact assessment is based on a relatively limited evidence base and that the estimates generated should be treated as indicative rather than definitive measures of Programme-level impact.

Reported additional turnover from the survey formed the basis for estimating gross value added (GVA). To do this, respondent businesses were matched to sectors through additional research to identify their Standard Industrial Classification (SIC) codes, using Companies House records and publicly available business information. Each business was then assigned to an appropriate sector, and sector-specific GVA-to-turnover ratios were applied using the Scottish Supply-Use and Input-Output tables. This ensured that turnover was converted to GVA in a way that reflected sectoral differences in productivity and economic structure.

Indirect and induced impacts were then estimated using Scottish Input-Output multipliers, again applying sector-appropriate assumptions. This provided an indication of wider economic effects beyond the direct impacts reported by beneficiaries, including supply chain activity and consumption-related effects. The use of these ratios and multipliers was intended to provide a consistent basis for estimation across businesses, while keeping the method proportionate to the scale and quality of the data available.

Employment impacts were also drawn directly from survey responses. A methodological challenge arose because the first survey cohort did not explicitly define employment in full-time equivalent (FTE) terms, whereas the second survey cohort introduced a clear FTE definition, based on a 35-hour working week. To ensure consistency across the two cohorts, earlier responses were adjusted using Business Register and Employment Survey (BRES) ratios on a sector-by-sector basis, allowing all reported employment effects to be converted to an FTE basis. This provided a more consistent approach to estimating jobs created and retained, although it also introduced an additional layer of estimation into the analysis.

To estimate total Programme-level impacts, an upscaling approach was applied. Rather than scaling average impacts across the full beneficiary population of 433 businesses, a more conservative assumption was used. It was assumed that only the same proportion of businesses that responded to the survey for each question on additional turnover, jobs created, and jobs retained experienced measurable economic benefits throughout the whole Programme. Average impacts were therefore calculated from those respondents who provided valid quantified data, and these averages were then applied to an indicative population of around 433 beneficiary businesses. This approach was taken to reduce the risk of overstatement and to better reflect the limited response base for the key quantitative impact questions.

Value for Money was assessed through an indicative benefit–cost ratio (BCR), comparing estimated GVA impacts to total Programme expenditure. GVA estimates were derived from survey data, converted using sectoral ratios and conservatively scaled to reflect the proportion of beneficiaries reporting impacts.

There are several important caveats, assumptions and data gaps associated with this approach. First, not all survey respondents answered the additional turnover, jobs created and jobs retained questions, which means that the impact estimates are based on relatively small sub-samples. Second, some of the quantified responses included high-value outliers, particularly in relation to turnover and employment, which had a substantial influence on totals. In these cases, adjusted averages excluding outliers were used to provide more conservative estimates. Third, the use of self-reported data means that values are dependent on beneficiary estimates, rather than independently verified financial or employment records.

There are also wider challenges in capturing the economic effects of innovation support. Many impacts are longer-term and not yet fully realised, particularly where projects are still in development or at an early stage of commercialisation. Survey evidence indicates that many businesses expect future gains in turnover, employment and investment, rather than having fully realised these outcomes at the point of response. This means that the economic impact assessment should be seen as an estimate of emerging impacts, rather than a full measure of the Programme's total long-term economic effects.

Overall, the method adopted represents a pragmatic and proportionate response to the evidence available. By using survey data consistently, applying sector-specific GVA ratios and multiplier assumptions, converting employment data to FTEs and adopting a conservative upscaling approach, the analysis provides a credible basis for estimating economic effects while clearly acknowledging the uncertainties and limitations in the underlying data.

A.2 Strategic and Policy Landscape

Innovation in Scotland is widespread, takes a variety of forms and occurs across many sectors and geographies. The strategies which govern, foster and develop innovative practices and cultures in the Highlands and Islands originate from a diverse range of sources, cover different geographies and pertain to a range of sectors.

This section starts by exploring the strategic releases and policies that informed the Highlands and Islands Enterprise (HIE) Innovation Programme before its launch in November 2022. It then reviews the active strategy releases which have helped to shape the Highlands and Islands strategy throughout its lifespan. This includes releases from HIE itself and from other key stakeholders, organisations and institutions that operate:

- In the Highlands and Islands region (such as the University of the Highlands and Islands, the Highlands and Islands Regional Economic Partnership and local authorities across the region);
- Across Scotland (from the Scottish Government and other Scotland-wide organisations, including innovation centres with place-based or sectoral approaches); and
- Across the UK (from the UK Government and other UK-wide organisations like Innovate UK).

The section also discusses the relevance of these documents to the Highlands and Islands region, discussing what they mean for the development of innovative practices and cultures now and in the future and how HIE could better steer this development.

Strategic context for the launch of the Programme

Appropriate strategy, planning and targeted business support can bring about fresh innovation across Scotland and overcome the barriers to innovation that businesses face. Barriers to innovation facing businesses have included declining performance in several innovation areas such as R&D spending, patent applications, scaling up businesses, productivity and academic business interactions. They have also included more existential threats from beyond the borders of Scotland, including tariffs, job market uncertainty from AI, international conflict, transitions to renewable energy sources and Brexit².

Scotland's National Strategy for Economic Transformation (2022)³ established innovation as a cross-cutting driver of economic growth, productivity and competitiveness. The strategy promotes collaboration between government, business, academia and communities, and identifies several transformational programmes of action through which innovation contributes to economic development, including entrepreneurial people and culture, productive businesses and regions, new market opportunities, workforce skills and a fairer and more equal economy. These priorities informed the strategic environment in which the Programme was developed and reinforced the role of innovation in supporting business growth, resilience and economic transformation.

Building on NSET, **Scotland's National Innovation Strategy 2023–2033**⁴ positions innovation as a central driver of productivity, economic transformation and competitiveness, with a focus on strengthening innovation capability, commercialising research, supporting entrepreneurship and increasing the diffusion of innovation across sectors. It also emphasises place-based approaches and the need to align support with Scotland's priority sectors and regional strengths. These themes are reflected in the

² [National innovation strategy: scorecard - 2025 update \(2025\) Scottish Government](#)

³ [Scotland's National Strategy for Economic Transformation \(NSET\)](#)

⁴ [Scotland's National Innovation Strategy 2023- 2033](#)

Highlands and Islands Innovation Programme through its provision of specialist expertise, support to navigate the innovation and funding landscape, investment in innovation capability and productivity, and facilitation of collaboration between businesses, academia and the public sector.

Alongside the Scottish policy context, UK innovation policy has increasingly shaped the wider innovation landscape within which businesses operate. The **UK Innovation Strategy**⁵ positioned innovation as central to productivity, growth and regional prosperity, with a focus on stimulating business innovation, developing innovation talent, strengthening institutions and places, and supporting priority technologies and missions. More recent UK policy developments, including the **Industrial Strategy**⁶, **Turning Breakthrough Ideas into Industry Giants (2026)**⁷, and the **UKRI Strategy 2026-2031**⁸, indicate a growing emphasis on targeting support towards sectors, technologies and businesses with the greatest potential for economic transformation, scale and competitiveness. The UKRI Strategy also reinforces the importance of place-based innovation, regional strengths and innovation clusters in driving regional growth. Together, these strategies reinforce the importance of business-led innovation, commercialisation, access to finance, place-based growth and stronger collaboration between businesses, academia and innovation institutions.

Informing strategy during the Programme run

There have also been significant strategic developments around innovation since the HIE Innovation Programme was launched in 2022. These have occurred both in the Highlands and Islands and the wider UK/Scottish strategic context. It includes 251 Regional Transformation Opportunities worth over £100bn identified by the Highlands and Islands Economic Partnership (HIREP)⁹. Strategic developments that occurred over the run of the 2022-2025 HIE Innovation Programme, such as those highlighted below, should help to inform the design of any future iterations of the HIE Innovation Programme.

Table A2.1 below provides an overview of the key strategic documents released during the lifespan of the Programme as part of the desk research, organised by geographical scale. It highlights relevant strategies and policy frameworks spanning HIE-specific, local and regional Highlands and Islands, national Scottish and UK-wide levels. Together, these strategic releases establish the wider policy and economic context within which the HIE Innovation Programme currently operates.

Table A2.1: Reviewed strategic innovation policies released during the Programme run

Geographical Scale	Organisation (s)	Strategic Release
HIE-specific	Highlands and Islands Enterprise	Highlands and Islands Enterprise Strategy 2023-2028
Local Highlands and Islands	University of the Highlands and Islands	Strategic Plan 2030
	Highlands and Islands Regional Economic Partnership	Highlands and Islands Regional Economic Strategy 2025-2035

⁵ [UK Innovation Strategy](#)

⁶ [UK Industrial Strategy](#)

⁷ [Innovate UK: turning breakthrough ideas into industry giants](#)

⁸ [UK Research and Innovation Strategy](#)

⁹ [£100bn potential of 'transformational' projects in the Highlands and Islands \(2025\) HIE](#)

Geographical Scale	Organisation (s)	Strategic Release
	Local Authorities in the Highlands and Islands	(e.g.) Argyll and Bute Council: Economic Strategy
		(e.g.) Comhairle nan Eilean Siar: Corporate Plan
		(e.g.) Orkney Islands Council: Delivery Plan
		(e.g.) Shetland Islands Council: Economic Service: Economic Service Development Grant
National (Scotland and the UK)	Scottish Government	National Innovation Strategy 2023-2033
		National Islands Plan
	Innovate UK	Turning Breakthrough Ideas into Industry Giants

Strategic interventions targeting innovation have also continued to occur at every geographical scale from the local authorities to regional bodies like HIE to the national and UK Governments. Joining up these efforts, the 2025 Innovation Collaboration Framework for Scotland¹⁰ published by Innovate UK in partnership with HIE, Scottish Enterprise and South of Scotland Enterprise, lays out the plans for a unified and place-based approach to innovation support. The approach of the Framework, which is explored in greater detail in Chapter 3, considers local strengths and high potential sectors such as Energy Transition, Health & Life Sciences, Advanced Manufacturing and digital technologies.

The **HIE Strategy 2023–2028**¹¹ places innovation as a central plank for making the region “greener, fairer and more resilient”. The strategy sets out four pillars around which to concentrate investment: ‘people’, ‘place’, ‘planet’ and ‘prosperity’. As well as tackling other systemic issues across the region such as lagging economic growth and the climate emergency, the strategy also places creating a strong culture of entrepreneurship, innovation and productivity as central to its aspirations.

The strategy identifies actions which will contribute to its innovation goals, including the establishment of innovation networks, significant investment into high-growth sectors (e.g., Space and Marine Biotechnology / Processing), development of management and leadership capacities in communities and enterprises, and facilitating innovation through the existing property portfolio of HIE and collaboration with stakeholders and representatives from key sectors.

The **Highlands and Islands Regional Economic Partnership’s Regional Economic Strategy 2025-2035**¹² embeds innovation and innovative practices across many of its strategies and approaches. For instance, it recognises innovation as essential to harnessing the Highlands and Islands’ natural capital, tackling challenges around housing, creating stronger high-growth sectors, developing skills and more broadly improving quality of life across the region. Its approach to these areas revolves around targeting

¹⁰ [Innovation Collaboration Framework \(2025\) Innovate UK](#)

¹¹ [Highlands and Islands Enterprise Strategy 2023-28 \(2023\) HIE](#)

¹² [Regional Economic Strategy 2025-2035 \(2024\) Highlands and Islands Regional Economic Partnership](#)

key regional strengths by, for example, supporting new technologies and research, as well as creating economic growth through strategic investment and community wealth building in high-potential sectors.

The **University of the Highlands and Islands' Strategic Plan 2030**¹³ places innovation at the centre of its vision to “Attract, nurture and retain talent in [Highlands and Islands] communities, supporting innovation and social and economic prosperity [...] through the innovative delivery of flexible lifelong learning focused on employability and skills and impactful research”. The University’s approach to enterprise and growth lays out several strategies which foster innovation, including reducing its dependence on government funding by investing in its innovative businesses, embedding an enterprise culture among staff and students and ensuring students have access to enterprise skills.

In addition to these, there are also several notable strategic releases developed by local authorities across the Highlands and Islands region with an innovation strategy deeply embedded within them. Although no local authorities in the Highlands and Islands have a dedicated innovation strategy document, innovation is frequently a central aspiration across different kinds of plans and strategies, including digital strategies, economic strategies and council plans. To name a few, these include:

- **Argyll and Bute Council:** *Argyll and Bute Economic Strategy* – strategic vision to deliver shared prosperity and sustainable business growth through innovation and collaboration.
- **Comhairle nan Eilean Siar:** *Corporate Plan* – lays out a plan to create empowered and resilient communities based on a green economy in which “digital connectivity and innovation are prioritised”.
- **Orkney Islands Council:** *Delivery Plan* – supporting local businesses by fostering research and development and working with partners in the renewable research and innovation community.
- **Shetland Islands Council:** *Economic Development Service Economic Development Grant Scheme* – funding to assist businesses to improve their productivity by introducing new or improved manufacturing processes and innovative technologies.
- **Moray Council:** *Digital Strategy 2025-2028* – placing innovation and future readiness at the heart of digital adoption in businesses to foster creativity and innovation amongst their workforces.

At the national level, there have also been significant strategy releases related to more deeply embedding an innovation culture into Scotland’s economic fabric. The Scottish Government, as part of its commitment to creating and growing an ‘Innovation Nation’ have outlined its approach to innovation across several major strategy documents.

Central among these is Scotland’s **National Innovation Strategy 2023-2033**¹⁴. This strategy commits to improving Scotland’s national economic performance by focusing on significant sectoral and geographical economic clusters, fostering cultures of entrepreneurialism, helping to commercialise new ideas and technologies from world-class Scottish research institutions and accelerating the adoption of new technologies such as AI across businesses in all sectors.

Of particular relevance to innovation in the Highlands and Islands, the strategy identifies key sector clusters of innovation assets across the region. Of the thirteen key sectors identified by the strategy, twelve have innovation assets related to them in the Highlands and Islands (only Fintech and Financial Services have no listed innovation assets). These sectors are:

- Hydrogen generation, storage and transport
- Floating offshore wind
- Built environment transition

¹³ [Strategic Plan 2030 \(2023\) University of the Highlands and Islands](#)

¹⁴ [National Innovation Strategy 2023-2033 \(2023\) Scottish Government](#)

- Decarbonisation of transport
- Digital health
- Future medicines and manufacturing
- Precision medicine
- Data and digital technologies
- Quantum technologies and photonics
- Advanced manufacturing
- Small satellite space
- Robotics and autonomous systems

Many of these sectors have more than one innovation cluster with a presence in the Highlands and Islands. For example, the Digital Health sector has clusters in Inverness, Moray and the Isle of Skye.

The UK Government's **Invest 2035: Modern Industrial Strategy**¹⁵ prioritises economic growth and innovation to maximise tax revenues and provide economic stability. It seeks to provide certainty that inspires confidence and plays to the UK's strengths. It references that over the last 25 years, 'a third of our highest productivity industries were responsible for generating nearly two-thirds of our economy's entire productivity growth'.

The Industrial Strategy is reshaping future government funding - including for research and innovation - by shifting toward a long-term, 10-year, targeted approach that focuses on eight key growth sectors, known as the IS-8, where the UK has established strengths with significant growth potential:

- Advanced manufacturing
- Clean energy solutions
- Creative industries
- Defence
- Digital and technologies
- Financial services
- Life sciences
- Professional and business services

The **HIE Regional Transformational Opportunities (RTOs) report**¹⁶ highlights innovation support as a key enabler of large-scale economic transformation. The identified pipeline of projects, spanning Renewable Energy, Life Sciences, Space and Marine sectors, is highly innovation-intensive and requires strong links between investment, research, skills and collaboration. Innovation is therefore embedded across the RTOs as a central driver of productivity, competitiveness and long-term regional resilience.

The report emphasises that coordinated, place-based innovation support is particularly valuable in the Highlands and Islands context. By facilitating partnerships, supporting technology adoption and aligning infrastructure and skills development, innovation support helps reduce barriers associated with geography and scale. This ensures that RTOs deliver wider economic benefits, including supply chain growth, job creation and increased participation in high-growth sectors, ultimately strengthening the capacity of the region for sustainable and inclusive growth.

In addition, the scale and sectoral focus of the RTO pipeline reinforce the importance of sustained and targeted innovation support. A significant proportion of opportunities is concentrated in Renewable

¹⁵ [Invest 2035: the UK's modern industrial strategy \(2024\) Department for Business and Trade](#)

¹⁶ [Regional Transformational Opportunities in the Highlands and Islands \(2025\) Highlands and Islands Regional Economic Partnership, HIE](#)

Energy and Net Zero-related industries, alongside emerging areas such as Space and Life Sciences, all of which rely on continuous research, development and commercialisation. Innovation support plays a critical role in enabling these sectors to mature, by supporting demonstration activity, encouraging knowledge exchange and ensuring that businesses can access the skills and capabilities required to participate. This helps to anchor high-value activity within the region and maximise the long-term economic impact of these transformational opportunities.

The Organisation for Economic Co-operation and Development (OECD) report Enhancing Rural Innovation in Scotland (2023)¹⁷, United Kingdom, highlights that innovation in rural areas, such as the Highlands and Islands, is both a significant strength and a key driver of economic performance. Rural regions are not peripheral to innovation activity, but central to it, with evidence showing that much of Scotland's productivity growth in recent years has been driven by rural areas, particularly through the adoption and diffusion of innovation. Innovation in these areas often differs from traditional high-technology models, instead focusing on the application of existing technologies, new business models and improvements in service delivery across sectors such as Agriculture, Tourism and Energy. This broader understanding of innovation is particularly relevant in rural contexts, where firms tend to be smaller and more embedded in local economies.

The report also emphasises the strength of Scotland's rural innovation support ecosystem, which includes strong linkages between firms and universities, regional enterprise agencies and targeted programmes to support entrepreneurship and skills development. Institutions and mechanisms that connect businesses with research and expertise are especially important in overcoming challenges related to distance and scale. At the same time, rural areas benefit from a culture of collaboration and strong community networks, which support knowledge exchange and enable innovation to take place beyond formal research and development activity.

A distinctive feature of innovation in rural Scotland is the important role of social innovation. In areas where access to public services and markets can be limited, social enterprises and community organisations play a critical role in developing innovative solutions to local challenges, including service delivery, energy generation and land use. This form of innovation, which prioritises social and environmental outcomes alongside economic ones, is particularly well developed in rural and island communities. Overall, the report suggests that supporting a broad, place-based approach to innovation, which includes business, public sector and social innovation, is essential to unlocking the full potential of rural regions such as the Highlands and Islands.

The **evaluation of Scotland's Innovation Centre (IC) Programme (2023)¹⁸** highlighted the important role that coordinated innovation support can play in strengthening collaboration between academia and industry. The Programme was designed to create collaborative networks that bring together universities, businesses and public sector partners to support innovation, economic growth and wider societal benefits. Across Scotland, Innovation Centres have helped businesses access research expertise, develop new products and processes, and engage in collaborative innovation activity. The evaluation highlights the value of intermediary organisations in connecting businesses with knowledge, expertise and innovation support, helping to strengthen collaboration between industry and academia.

The evaluation finds that Innovation Centres have been particularly effective in facilitating knowledge exchange, networking and partnership working across the innovation ecosystem. By acting as intermediaries, they help simplify what can otherwise be a complex innovation support landscape, making it easier for businesses to engage with universities and access appropriate support. This is of clear benefit to rural economies, where firms may have more limited access to research institutions and

¹⁷ [Enhancing Rural Innovation in Scotland, United Kingdom \(2023\) OECD](#)

¹⁸ [Innovation Centre Programme Evaluation \(2023\)](#)

innovation networks. Through collaborative projects and sector-focused activity, Innovation Centres contribute to building stronger, more connected innovation systems that can support growth across different regions.

The Programme also demonstrates the importance of sustained, mission-led and collaborative approaches to innovation. The evaluation highlights that impacts are stronger where activity is coordinated around strategic programmes and sectoral priorities, rather than delivered through isolated projects. For the Highlands and Islands, this reinforces the value of aligning innovation support with regional strengths such as Renewable Energy, Life Sciences and Marine Industries. Overall, the findings suggest that Innovation Centres provide an effective model for delivering innovation support at scale, helping to embed collaboration, enhance business capability and ensure that innovation-driven growth can be realised across all parts of Scotland, including rural and island communities.

Implications for future projects

Since the launch of the Highlands and Islands Innovation Programme in 2022, there have been many developments that have consequences for how HIE could and should approach innovation in future iterations of the Programme. These developments, discussed in more detail above, include the 2025 Innovation Collaboration Framework for Scotland, the Highlands and Islands Enterprise Strategy 2025-2028, and the identification of IS-8 sectors in the UK Modern Industrial Strategy. The strategic approaches laid out in these strategies must align with the future of the Highlands and Islands Innovation Programme. For example, ensuring sufficient attention to businesses in IS-8 sectors as well as Scotland's National Innovation Strategy's 13 key sectors.

In addition, there have also been policy releases since the close of the Programme in early 2026 which have implications for the future of the Programme. The Scottish Government have developed plans to foster economic growth and innovation, specifically in the Islands, through the second **National Islands Plan**¹⁹. The theme of innovation is frequently embedded throughout different parts of the plan, including in sections on the marine economy, education and the climate economy. The plan moves from the broader approach of the 2019 National Islands Plan²⁰ towards a more prioritised and outcome-driven focus.

Innovate UK's new strategy, 'Turning Breakthrough Ideas into Industry Giants'²¹ (2026) reflects the sector focus of the Industrial Strategy, outlining how it will focus on five of the eight IS-8 sectors (Advanced Manufacturing, Clean Energy industries, Defence, Digital and Technologies and Life Sciences). The Strategy outlines how it will 'recalibrate' its support for businesses and "*prioritise the opportunities with the highest potential for transformation, scale and national benefit and back them all the way*". This ambition is being reflected in the increasingly prioritised and targeted focus of the Catapult Network and Innovate UK's Business Growth Programme. The approach is likely to be reflected in the upcoming UKRI Strategy (expected in Spring 2026), with the UKRI Chief Executive stating in November 2025 that it will be 'more choiceful' and prioritise areas where the UK can be world-leading.

While this approach may increase support for sectors and technologies where the UK has established strengths, it also presents potential challenges for regions such as the Highlands and Islands. A more targeted funding landscape may reduce opportunities for businesses operating outside priority sectors or those at an earlier stage of innovation development. The Highlands and Islands also have limited direct Innovate UK presence within the region, which may affect awareness of regional opportunities and the accessibility of UK-wide support. This reinforces the importance of regional innovation support and

¹⁹ [National Islands Plan \(2026\) Scottish Government](#)

²⁰ [The National Plan for Scotland's Islands \(2019\) Scottish Government](#)

²¹ [Innovate UK: turning breakthrough ideas into industry giants \(2026\) Innovate UK](#)

brokerage functions that help businesses navigate the wider innovation ecosystem, access external funding opportunities and connect with national innovation network

A.3 Scotland's Innovation Ecosystem

Innovation Support in the Highlands and Islands region

Highlands and Islands Enterprise

Highlands and Islands Enterprise (HIE) are the economic and community development agency for the Highlands and Islands of Scotland and the key organisation supporting innovation in the region. They support businesses, social enterprises and communities to develop and grow through a range of services, including advice, funding, events and others²². The HIE Innovation Programme helps businesses to develop and implement new ideas, products and processes. The service gives businesses access to learning journeys, webinars and masterclasses, a new product development Programme and Research, Development and Innovation (RDI) funding²³. Through the Innovation Programme, businesses have access to innovation advisers who can give tailored advice and support. The HIE Innovation Programme is the subject of the wider evaluation that this report supports.

Research and innovation centres

Innovation campuses are areas of partnership between universities and industries which help to drive growth in Technology, Life Sciences and Net-Zero sectors. Key examples include the HIE Inverness Campus, European Marine Science Park, Orkney Research and Innovation Campus (which includes the Life Science Innovation Centre LSCI and the Rural Agriculture and Veterinary Innovation Centre RAVIC) and Manufacturing Innovation Centre for Moray.

The Inverness Campus,²⁴ developed by HIE, is a world-class business location with pioneering facilities, offering a purpose-built location for businesses in Technology, Life Sciences, Renewables, Space and Advanced Manufacturing sectors. The campus opened in 2015 with an ethos of encouraging collaboration. Key research and education departments of the University of Highlands and Islands (UHI) and Scotland's Rural College are also based at the campus. HIE was granted planning permission in principle to progress a second and final stage of development at Inverness Campus, in December 2025, subject to a Section 75 agreement being finalised between HIE and The Highland Council. The proposed development is primarily for business premises with other elements including hotel and academic space, associated infrastructure, landscaping and green space. The masterplan behind Phase 2 of Inverness Campus is designed to attract innovative businesses, expand green spaces, support the Life Sciences, Technology and Renewables sectors and leverage Green Freeport incentives. Further details on Green Freeport incentives are provided later.

The **European Marine Science Park (EMSP)**,²⁵ near Oban, hosts an internationally recognised cluster of marine science activity, including mariculture, biotechnology and bioprocessing. It supports collaboration through the co-location of over 100 marine businesses within a 20-mile radius, alongside academic and research excellence and world-class facilities. Key partners include HIE, the Scottish Association for Marine Science (SAMS), UHI Argyll and the Scottish and UK Governments. EMSP is founded on the "triple helix" model, bringing together academia, industry and government to drive innovation, education, business growth and marine conservation within the blue economy. Its vision aligns with Scottish, UK and international strategies on sustainability, biodiversity, aquaculture growth,

²² <https://www.hie.co.uk/>

²³ [Highlands and Islands Enterprise innovation service \(2022\) FindBusinessSupport.gov.uk](#)

²⁴ [Inverness Campus \(2026\) Inverness Campus](#)

²⁵ [European Marine Science Park \(2026\) European Marine Science Park](#)

innovation and marine environmental protection. EMSP's vision aligns with Scottish, UK and international policies and strategies, including:

- The OECD sustainability goals – Creating a world free from hunger through sustainable consumption and production²⁶.
- HIE's Strategy 2023-28 – Sets out a clear vision and direction on HIE's aim to build and sustain a greener, fairer and more resilient region that benefits everyone²⁷.
- The Scottish Biodiversity Delivery Plan 2024 to 2030 – Working to restore the natural environment and community and nature thriving through innovation²⁸.
- Aquaculture Growth to 2030 – A strategic plan for farming Scotland's seas, creating a thriving aquaculture sector, boosting the economy by £3.6bn a year²⁹.
- Innovate UK Strategic Delivery Plan 2022-25 – The UKRI's strategy to inspire organisations and people to invest in a vibrant innovation ecosystem³⁰.
- UK Marine Strategy – Detailing how the UK moves towards Good Environmental Status in the UK's seas over the next six years³¹.

The **Orkney Research & Innovation Campus (ORIC)** is a multi-million-pound project creating an improved home for Orkney's wide range of clean energy and low-carbon enterprises. As of 2024, it is a subsidiary of HIE. The first round of development was completed in late 2020, which included investment from the European Regional Development Fund Scotland Programme, with additional funding being approved from HIE and OIC. New development within ORIC aims to enhance existing features and create new spaces to enable more academic and commercial activity, collaboration and business incubation. ORIC³² aims to strengthen Orkney's global lead in the field of renewables research and innovation, providing purpose-built business and educational facilities within Stromness, where much of the sector's activity is focused. ORIC aims to foster collaboration between various organisations, companies and agencies, with the common aim of furthering crucial Orkney-based research and development work.

The **Manufacturing Innovation Centre for Moray (MICM)**³³ aims to achieve a "grassroots cultural shift" in how Moray businesses gain insight into the latest available process and production efficiencies and how they can use them for product and process innovation. The total Programme funding for MICM is £7m, of which £2.5m is from HIE. It aims to provide services customised to the needs of rural manufacturing businesses, acting as an access point for business engagement with the National Manufacturing Institute for Scotland (NMIS) and other national innovation support services. It will provide diagnostics, advice, information, signposting and brokerage services, as well as providing a space for business start-up incubation and for existing businesses to undertake innovative products and demonstrations. MICM aims to support up to 300 jobs in the next 10 years.

The University of the Highlands and Islands

UHI has a key role in innovation by facilitating Knowledge Exchange³⁴, the process which connects practitioners from academic research, business, public agencies and communities to share knowledge, innovate and grow their impact. UHI has a dedicated Knowledge Exchange team that has a core objective to help business and public agencies find innovative solutions and grow. They provide a breadth of

²⁶ [Sustainable Development Goals \(SDGs\) \(2026\) OECD](#)

²⁷ [Highland and Islands Strategy 2023-28 \(2023\) HIE](#)

²⁸ [Scottish Biodiversity Delivery Plan 2024-2030 \(2024\) Scottish Government](#)

²⁹ [Aquaculture Growth to 2030 \(2016\) Scotland Food & Drink](#)

³⁰ [Innovate UK strategic delivery plan 2022 to 2025 \(2022\) UKRI / Innovate UK](#)

³¹ [Marine strategy part three: 2025 UK Programme of measures \(2025\) GOV.UK](#)

³² [Orkney Campus \(2026\) Orkney Campus](#)

³³ [MICM \(2026\) Moray Economic Partnership](#)

³⁴ [Knowledge Exchange at UHI \(2026\) UHI](#)

support to businesses, including collaborative research, consultancy services, providing specialist university facilities, equipment and testing services to companies, secondment and placement positions and research commercialisation. Various UHI departments and partners are involved in innovation including the Scottish Association for Marine Science (SAMS) and the Environmental Research Institute (ERI).

The **Scottish Association for Marine Science (SAMS)**³⁵ research the marine environment, how it works, how and why it is changing and how we can use it sustainably. Their work blends marine research with commercial applications, which focus on technology development, sustainable aquaculture and climate change mitigation. They aim to provide practical solutions for the Blue Economy.

The **Environmental Research Institute (ERI)**³⁶ is based in Thurso and undertakes and promotes research, innovation and education in the environmental sciences. They seek to advance scientific understanding of contemporary environmental issues and have strong, strategic partnerships and collaborations with academic, commercial and stakeholder organisations.

Opportunities and enablers of innovation in the Highlands and Islands

Growth deals and City Region deals

HIE are actively involved in several Regional Growth Deals in Scotland. Growth Deals and City Region Deals are long-term investment packages funded by the UK and Scottish Governments in partnerships with local authorities with the broad aim of driving economic growth. Table A3.1 below sets out the key investment programmes where HIE has an involvement:

Table A3.1: Growth and City Region Deals in the Highlands and Islands region

Growth/ City Region Deal	Timescales	Value	Innovation Focus
Islands Growth Deal ³⁷	2023-2033	£100 million	The Islands Growth Deal covers Orkney, Shetland and the Outer Hebrides, focusing on innovation in low-carbon technologies, creative industries and skills to drive economic growth and create up to 1,300 sustainable jobs. The Programme is supported by a wide range of public, private and academic partners and includes three joint-island innovation projects spanning low-carbon technologies, creative industries and wellbeing and skills and talent attraction. These projects operate across all three island groups, with each island leading coordination of one Programme in partnership with businesses, academia, public agencies and communities. A Senior Management representative from HIE sits on the Programme Management Board

³⁵ [Home \(2026\) Scottish Association for Marine Science, Oban UK](#)

³⁶ [Environmental Research Institute \(2026\) ERI](#)

³⁷ [Islands Growth Deal \(2026\) Islands Growth Deal](#)

Growth/ City Region Deal	Timescales	Value	Innovation Focus
Moray Growth Deal³⁸	2021-2031	£100 million +	Focuses on regional economic diversification, innovation and manufacturing. It focuses on investment in eight strategic projects that aim to maximise Moray's future economic competitiveness. It will also support major new developments in health, aerospace and early years education sectors to expand Moray's Science, Technology, Engineering and Mathematics (STEM) skills base.
Inverness and Highland City Region Deal³⁹	2017-2027	£315 million	The investment Programme aims to drive long-term economic growth, digital innovation and inclusive development across the Highlands. The City Region Deal targets the creation of 1,000 direct jobs and 2,200 construction jobs, supporting a high-skill, high-wage economy. It also seeks to deliver 6,000 new homes (including 1,800 affordable), attract £800 million in private investment over 20 years, increase productivity and real wages by 1.3% (adding £100 million annually) and retain or attract 1,500 young people aged 18–29 over 10 years. Over the long term, the Deal aims to position the Highlands as a centre of excellence in rural and digital healthcare and a region of digital opportunity where businesses grow, young people stay and communities thrive. It is structured around three pillars: a growing economy, an enabling economy and a skilled economy, focused respectively on innovation and growth, infrastructure and connectivity and STEM skills and employability.

Inverness and Cromarty Firth Green Freeport⁴⁰

A Green Freeport is an economic zone designed to boost investment, economic growth and employment through a package of tax, customs and other incentives. Inverness and Cromarty Firth Green Freeport has a vision to be a global hub for green investment and aims to deliver growth, jobs and thriving communities. Businesses in the zone can benefit from a package of devolved and reserved tax and other incentives. Inverness and Cromarty Firth Green Freeport is a collaboration between different public and private sector organisations that have a shared vision of sustainable growth and innovation and who work together to leverage their combined expertise and resources. The main industry focus of Green Freeports is renewable energy, and they are intended to stimulate economic activity, boost innovation and attract inward investment to build new facilities, in turn creating jobs.

Innovate UK support in Scotland

The Innovation Collaboration Framework in 2025 by Innovate UK, sets out the basis of a working partnership between Innovate UK, Highlands and Islands Enterprise (HIE), Scottish Enterprise (SE) and South of Scotland Enterprise (SOSE). The partnership aims to co-create regional place-based

³⁸ [The Moray Growth Deal \(2026\) Moray Economic Partnership](#)

³⁹ [Transforming the Highland economy - Inverness and Highland City-Region Deal \(2026\) Highland Council](#)

⁴⁰ [Inverness & Cromarty Firth Green Freeport \(2026\) ICFGE](#)

opportunities for innovators across Scotland in line with national innovation priorities, aligning closely with Scotland’s National Innovation Strategy⁴¹, which aims to position Scotland as one of the most innovative small nations. The Framework sets out an ambition to provide a cohesive, place-based support system that nurtures regional innovation ecosystems, empowering businesses to thrive by leveraging local strengths and global opportunities.

The Framework sets out three key focus areas:

1. Supporting the customer journey from idea to commercial reality,
2. Targeting “our collective support” to build and connect local business innovation capacity, prioritising alignment with regional and national priorities, while remaining open to new transformative, cutting-edge innovations,
3. Improved and new place-based innovation support.

Innovation support in Scotland

Scottish Enterprise (SE)

SE is Scotland’s national economic development agency⁴², playing a central role in driving innovation within businesses. SE works alongside HIE and SOSE to deliver economic development across Scotland, acting as a primary enabler of innovation provision by supporting businesses to develop new products, services and processes, particularly in high-growth industries. The activities of SE are aligned with the Scottish Government’s National Strategy for Economic Transformation and its own aim of scaling innovation. Scottish Enterprise runs different programmes and initiatives related to business innovation, including:

- **Innovation Academy** – For senior leaders of businesses looking to deepen their understanding of innovation principles. This is delivered over three in-person sessions and aims to provide participants with the skills and resources required to create a strategic and actionable innovation roadmap.⁴³
- **Research and development (R&D) grants** – A grant provided to companies looking to research and develop a new product, process, or service. SE offers funding for innovation that improves business competitiveness, encourages further R&D and benefits the Scottish economy⁴⁴.
- **High Growth Spinout Programme** – Helps researchers turn their ideas into commercial possibilities by awarding early-stage funding and support⁴⁵.

South of Scotland Enterprise (SOSE)

SOSE⁴⁶ is the economic and community development agency for the Scottish Borders and Dumfries & Galloway, acting as a key driver for innovation in the region. It provides dedicated business support to enterprises based in Dumfries & Galloway or Scottish Borders, for businesses at all stages of their business journey. SOSE supports business innovation by providing tailored advice, funding and specialised support to businesses.

⁴¹ [National innovation strategy 2023 to 2033 \(2023\) Scottish Government](#)

⁴² [Support and advice for businesses in Scotland \(2026\) Scottish Enterprise](#)

⁴³ [Innovation Academy \(2026\) Scottish Enterprise](#)

⁴⁴ [Research and development grants \(2026\) Scottish Enterprise](#)

⁴⁵ [High Growth Spinout Programme \(2026\) Scottish Enterprise](#)

⁴⁶ [South of Scotland Enterprise \(2026\) South of Scotland Enterprise](#)

Innovation centres

Innovation centres are often collaborations between Scotland's universities and industry that attract investment and create opportunities for businesses⁴⁷. They take the form of centres of excellence, ensuring businesses are able to access innovation support. Innovation centres connect businesses with academic knowledge, support and resources, with businesses working with academic partners to address industry-defined challenges in areas of transformational change. Innovation centres help drive productivity, strengthen regional clusters and build resilient supply chains.

Highlands and Islands Enterprise funded some innovation centres and therefore influenced the activity of these centres throughout both the Highlands and Islands and Scotland more widely. Examples of specific innovation centre activity in the Highlands and Islands region included: **Scottish Aquaculture Innovation Centre (SAIC)**⁴⁸ who carry out all of their project activity in the region and the **Centre for Sensors and Imaging Systems (CENSIS)**⁴⁹ ran IoT Programme with HIE funding.

There have been some significant changes to Innovation Centres in recent years and at the time of writing, there are now only four Scottish Funding Council-funded Innovation Centres⁵⁰ which serve the whole of Scotland. These are:

- **Built Environment – Smarter Transformation (BE-ST)** which set up the Make It Smart Hub with UHI Inverness⁵¹
- **The Data Lab (DATALAB)**⁵² who established a dedicated H&I post with HIE funding
- **Digital Health & Care Innovation Centre** which has a presence in the region in Moray⁵³
- **Industrial Biotechnology Innovation Centre (IBiolC)**⁵⁴

Others have evolved, such as the Oil and Gas Innovation Centre, which became part of the Oil & Gas Technology Centre (OGTC)⁵⁵ in 2020. These changes and pauses to funding of innovation centres mean that there is a risk that the extent of innovation support and associated activity in the Highlands and Islands region will be reduced in the future.

Manufacturing Innovation

Manufacturing support is aimed at driving productivity, sustainability and digital adoption. Some centres drive this through a collaborative ecosystem between academia and industry, including the National Manufacturing Institute Scotland (NMIS),⁵⁶ CPI Medicines Manufacturing Innovation Centre (MMIC)⁵⁷ and Advanced Manufacturing Centre,⁵⁸ which is a part of UHI.

⁴⁷ [Innovation Centres \(2026\) Scottish Funding Council](#)

⁴⁸ [Sustainable Aquaculture Innovation Cluster \(2026\) SAIC](#)

⁴⁹ [CENSIS - Innovation delivery \(2026\) CENSIS](#)

⁵⁰ [Innovation Centres \(2026\) Scottish Funding Council](#)

⁵¹ [Built Environment - Smarter Transformation \(2026\) BE-ST](#)

⁵² [The Data Lab \(2026\) THE DATA LAB](#)

⁵³ [DHI-Scotland \(2026\) DHI Scotland](#)

⁵⁴ [Innovation Biotechnology Innovation Centre \(2026\) IBiolC](#)

⁵⁵ [Oil & Gas Innovation Centre activity becomes part of the OGTC \(2020\) AGCC](#)

⁵⁶ [National Manufacturing Institute Scotland \(2026\) NMIS](#)

⁵⁷ [Medicines Manufacturing Innovation Centre \(2026\) CPI](#)

⁵⁸ [Advanced Manufacturing Centre \(2026\) UHI](#)

NMIS is an industry-led R&D facility operated by the University of Strathclyde, based at the Advanced Manufacturing Innovation District Scotland (AMIDS) in Renfrewshire. It works with businesses of all sizes and sectors to develop technology solutions that boost productivity and support Scotland's ambition to be a global leader in advanced manufacturing.

MMIC, also located in Renfrewshire, brings together industry, academia, healthcare providers and regulators to transform how life-changing medicines are developed. It is a collaboration between CPI, the University of Strathclyde, UK Research & Innovation, Scottish Enterprise and founding industry partners AstraZeneca and GSK and supports businesses of all sizes to innovate and grow within the pharmaceutical sector.

The Advanced Manufacturing Centre, Fort William, part of UHI, supports businesses to develop ideas by providing free access to manufacturing and design expertise, alongside equipment and software for 3D printing, scanning, machining, CAD/CAM and Industry 4.0 technologies.

Interface

Interface⁵⁹ is an organisation that connects businesses with universities and research institutions to accelerate innovation through strong collaborative partnerships. Established in 2005 and funded by the Scottish Funding Council, Interface it works with over 950 businesses, enabling more than 200 new collaborative projects each year. Additionally, Interface runs the Innovation Voucher Programme⁶⁰ on behalf of the Scottish Funding Council, investing around £600,000 annually, matched by industry. The vouchers support first-time collaboration between businesses and universities or colleges, funding small academic projects to solve industry challenges, develop new products, processes or services and build longer-term academic-business relationships.

Wider Landscape in Scotland - Regional Economic Partnerships (REPs)

Regional Economic Partnerships (REPs) are collaborations between local government, the private sector, education and skills providers, enterprise and skills agencies and the third sector. REPs aim to deliver economic prosperity across Scotland's regions.

Highlands and Islands REP is one of 8 REP partnerships which, together, cover the whole of Scotland, each to create and deliver regional opportunities. The purpose of Highlands and Islands REP is to "enable inclusive and sustainable economic growth and build resilience throughout the region. It does this by identifying and focusing on areas of joint strategic purpose to provide coordinated action in pursuit of regional growth opportunities and to address shared challenges." The Partnership works together to identify and act on shared regional priorities, aligning plans and resources for maximum impact. It advocates for economic opportunities and challenges across the Highlands and Islands, engaging with government and other key organisations. It also looks ahead to emerging issues, ensures fair support across all areas and seeks to make the most of external funding opportunities.

Conclusions on the support ecosystem

Overall, the Highlands and Islands benefit from a broad and well-developed innovation support ecosystem, comprising regional innovation infrastructure, universities, research organisations, national agencies and funding programmes. Together, these provide businesses with access to expertise, facilities, finance, collaborative networks and specialist support across different stages of the innovation journey.

The ecosystem offers a strong range of support, but it is also complex and continues to evolve through Growth Deals, the Green Freeports, Innovation Centres and wider Scottish and UK innovation initiatives.

⁵⁹ [Interface \(2026\) Interface Online](#)

⁶⁰ [Funding Standard Innovation Vouchers \(2026\) Interface Online](#)

Within this landscape, HIE plays a key role as a place-based intermediary, helping businesses navigate the support ecosystem, access relevant expertise and funding, and connect with wider innovation networks.

As innovation support becomes increasingly targeted towards priority sectors and technologies, maintaining strong regional connectivity and ensuring businesses can effectively access and navigate the wider ecosystem will remain important to maximising innovation and economic opportunities across the Highlands and Islands.

A.4 Beneficiary Survey Analysis

A survey was issued to beneficiaries of the Programme by HIE in December 2025 to gather evidence on the nature, quality and impact of innovation-related support received between 2022 and 2025. The survey explored immediate outputs such as satisfaction with support, perceived value and outcomes achieved, alongside wider and softer benefits experienced by businesses. These include changes in leadership approach to innovation, the development of an innovation culture, the introduction of more structured or strategic approaches to innovation and shifts in behaviours and ways of working. The survey was closed in April 2026, with a total of 68 completed responses.

The broad focus of the survey recognises that outcomes from innovation support are often realised over the longer term and may not be fully captured through short-term performance measures alone. The analysis therefore considers both quantitative results and qualitative perceptions to provide a more holistic assessment of how the Programme supports innovation capability, organisational change and future growth.

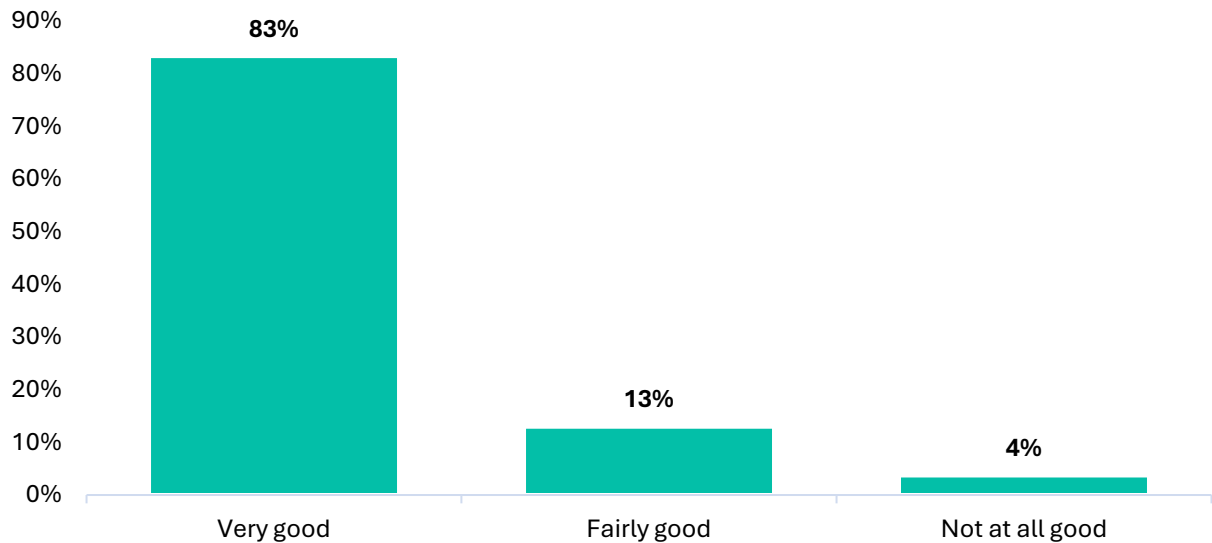
Impacts directly attributed to the support

Respondents to the survey stated that as a result of the support of the Programme, they have realised several benefits, which are listed below:

- 10 beneficiaries reported additional turnover of £3,429,029, however £3,250,000 of this was noted by three respondents.
- 20.9 FTE jobs were created by 12 beneficiaries.
- 786.4 FTE jobs were retained by 19 beneficiaries, however 639.5 of those FTE jobs were from two beneficiaries.
- £1.6 million of external investment/funding was secured by nine beneficiaries, however £850,000 was secured by one beneficiary.
- £10,870,305 of additional investment in research, development and innovation was secured, however £10,600,000 of this was secured by one beneficiary.

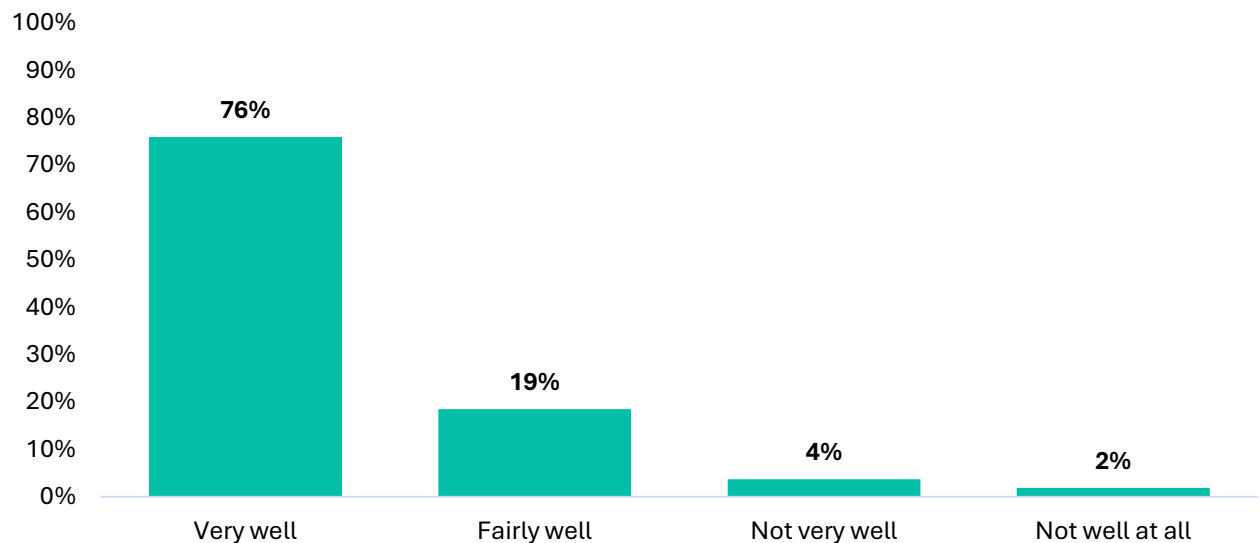
Experience and perceived value of support

Perceptions of overall support quality are overwhelmingly positive. Figure A4.1 below shows 83% of respondents rated the support they received as “*Very good*”, while a further around 13% rated it as “*Fairly good*”. Only just under 4% reported a “*Not at all good*” experience. This strong skew towards the highest rating indicates that, for most organisations, the Innovation Programme is delivering support in a way that is well received and effective, with negative experiences limited to a very small minority.

Figure A4.1: Respondents Rating of Support Received

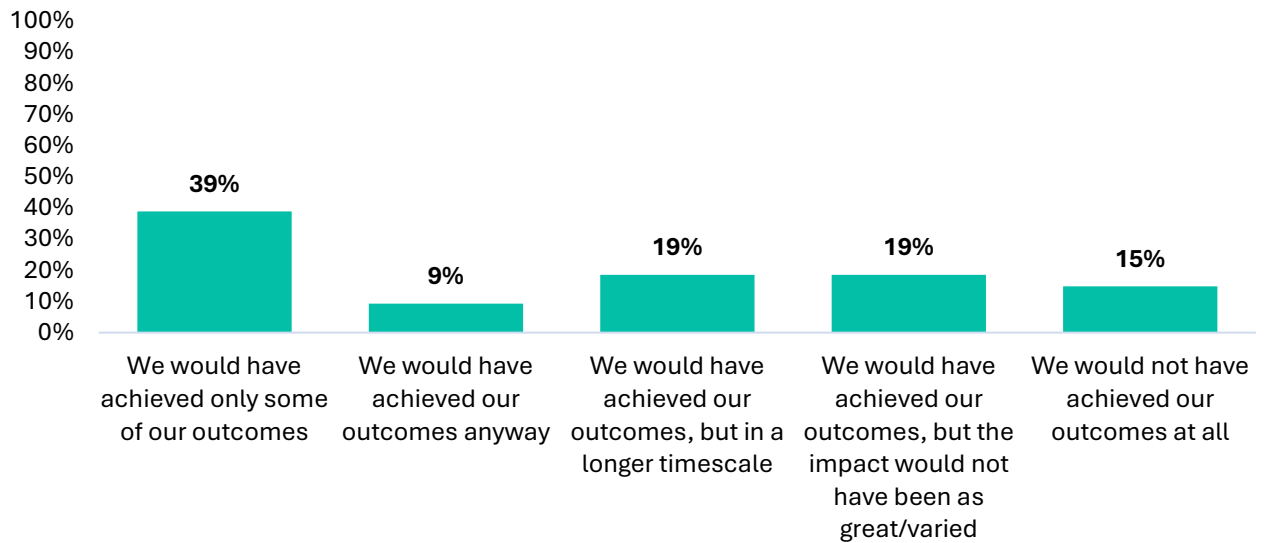
Source: HIE Innovation Programme Beneficiary Survey.

Figure A4.2 shows respondents largely feel that their organisational needs were well understood. 76% reported that their needs were understood “*Very well*” and a further 19% selected “*Fairly well*”. Fewer than 6% combined felt their needs were understood either “*Not very well*” or “*Not well at all*”. This suggests a strong alignment between the support provided and business requirements, reinforcing the value of tailored, relationship-driven engagement with Innovation Programme staff.

Figure A4.2: How Well the Programme Understood Respondent’s Business Needs

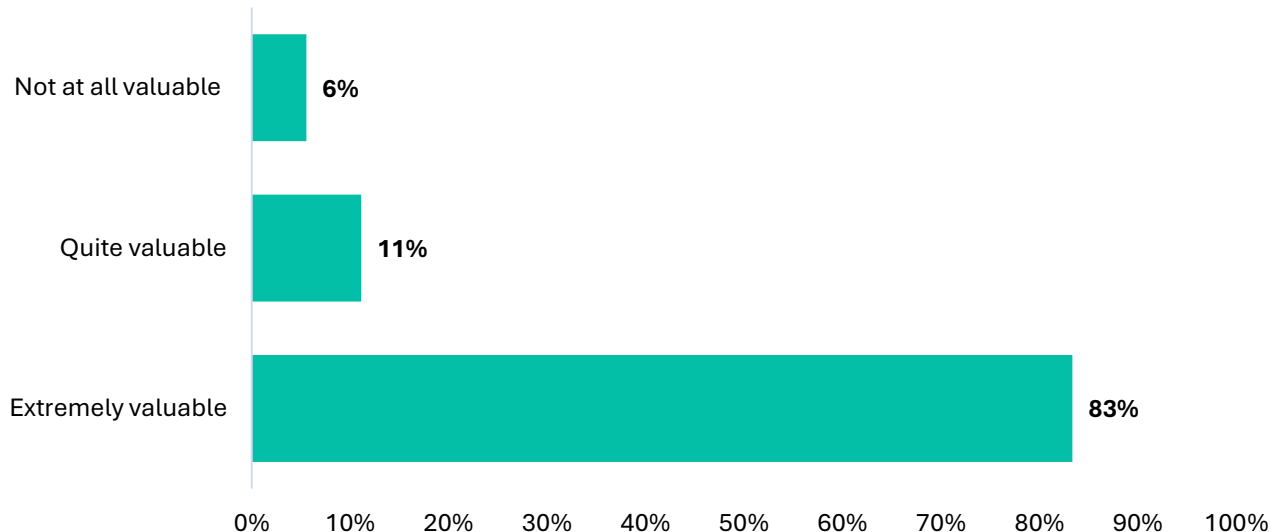
Source: HIE Innovation Programme Beneficiary Survey.

Figure A4.3 below shows that responses strongly suggest the support was additional, rather than something that would have happened anyway. Only around 9% of respondents felt they would have achieved the same outcomes without the Innovation Programme. In contrast, approximately 39% said they would have achieved only some outcomes without support, while around 37% combined felt outcomes would have been delayed or reduced in impact. Notably, about 15% stated they would not have achieved their outcomes at all. This highlights the Programme’s critical role in enabling innovation that would otherwise be slower, smaller in scale, or not happen.

Figure A4.3: What Would Have Happened in the Absence of HIE Innovation Programme Support

Source: HIE Innovation Programme Beneficiary Survey.

The vast majority of respondents perceived the support as highly valuable. Figure A4.4 below shows 83% of respondents described it as “Extremely valuable”, while around 11% rated it as “Quite valuable”. Only about 6% felt the support was “Not at all valuable”. These results indicate that for most organisations, participation in the Innovation Programme delivers tangible and meaningful benefits that justify the investment of time and effort.

Figure A4.4: How Valuable Respondents Felt Support Was

Source: HIE Innovation Programme Beneficiary Survey.

Impacts, outcomes and future need

Outcomes achieved

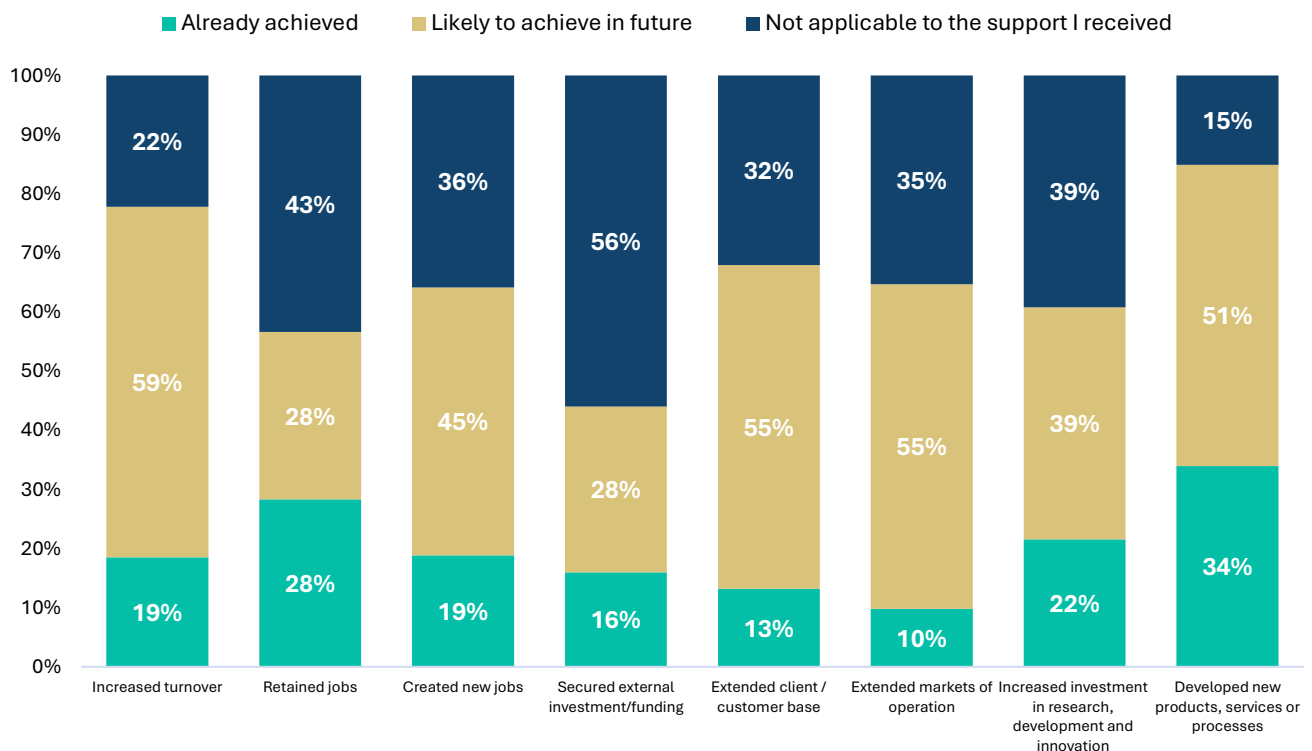
Figure A4.5 shows that outcomes achieved to date, alongside those anticipated in future, indicate clear forward momentum across a range of innovation-related measures. In relation to the development of new products, services or processes, 34% of respondents had already achieved this outcome, while a further 51% expected to achieve it in future.

Similar patterns are evident across other outcomes. For example, 59% reported increased turnover was likely to be achieved in future, compared to 19% where this had already been achieved, while 45% expected to create new jobs in future and 19% reported job creation had already occurred.

For extended client or customer bases, 55% reported this was likely to be achieved in future, while 13% indicated it had already been achieved. Increased investment in research, development and innovation also showed forward-looking outcomes, with 39% expecting future achievement and 22% reporting this had already occurred.

This distribution across outcomes highlights that a substantial proportion of anticipated impacts remain prospective rather than fully realised at this point.

Figure A4.5: Outcomes Achieved Through HIE Innovation Programme Support



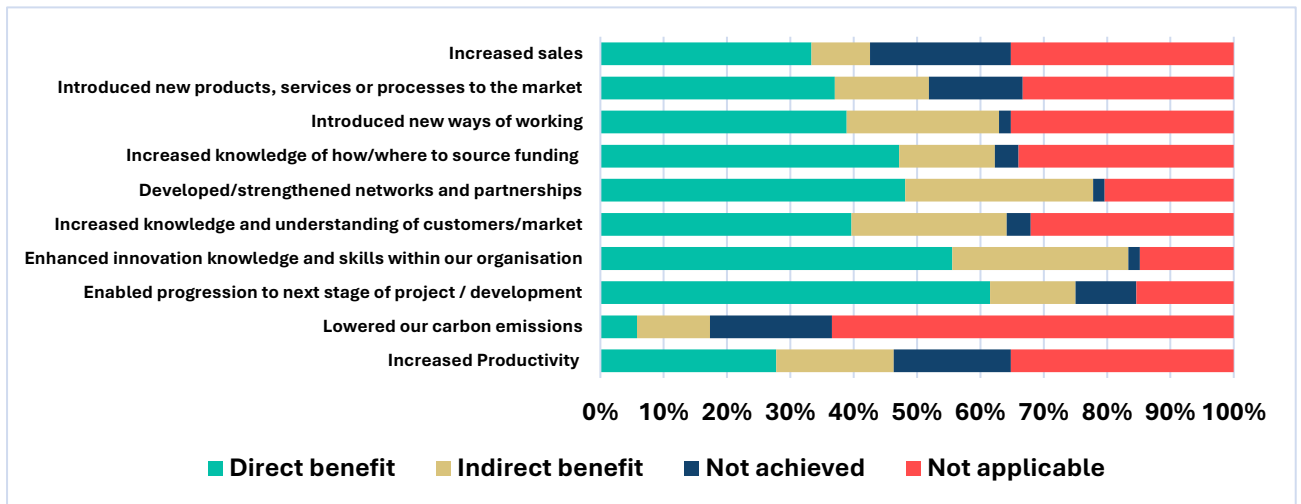
Source: HIE Innovation Programme Beneficiary Survey.

Knowledge and capacity building

The survey evidence also shows a wide range of reported benefits, particularly in relation to capability building and enabling business progression. Progression to the next stage of a project or development was reported as a direct benefit by 62% of respondents, with a further 13% identifying this as an indirect benefit.

Enhanced innovation knowledge and skills were reported as a direct benefit by 56%, with 28% reporting an indirect benefit. Developed or strengthened networks and partnerships were cited as a direct benefit by 48% of respondents, with an additional 30% reporting indirect benefits. Increased knowledge of how or where to source funding was reported as a direct benefit by 47%, while 15% reported this as an indirect benefit.

More commercially focused benefits were less frequently reported as direct, with 33% reporting direct benefits in increased sales, 9% reporting indirect benefits and 22% reporting that increased sales had not yet been achieved.

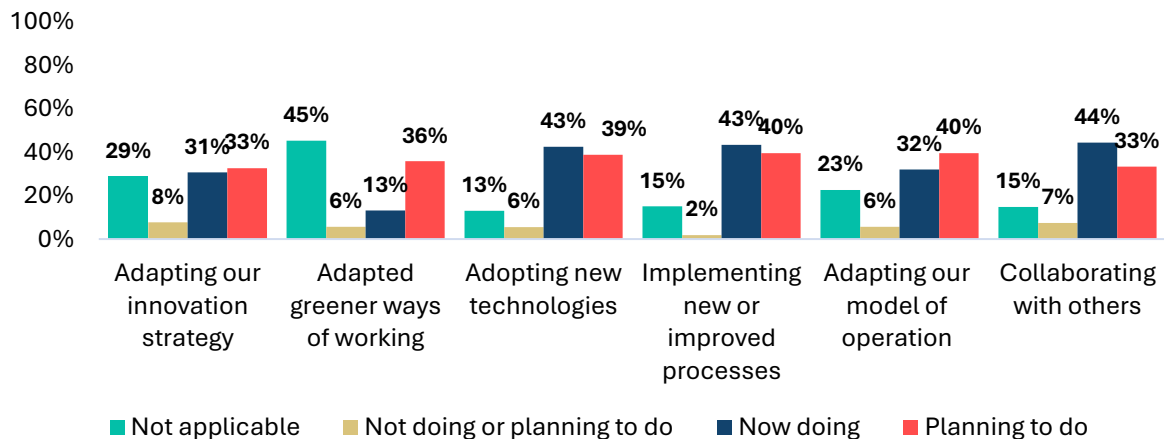
Table A4.6: Direct and Indirect Benefits as a Result of Programme Support

Source: HIE Innovation Programme Beneficiary Survey.

Behavioural and strategic impacts / change

Reported behavioural and strategic changes following engagement with the Innovation Programme are widespread. Across all categories measured, the majority of respondents indicated that they are either now doing or planning to do things differently.

Collaboration with others was reported as either ongoing or planned by 78% of respondents, while 82% reported that they are now adopting or planning to adopt new technologies. Implementing new or improved processes was reported by 81%, either already underway or planned.

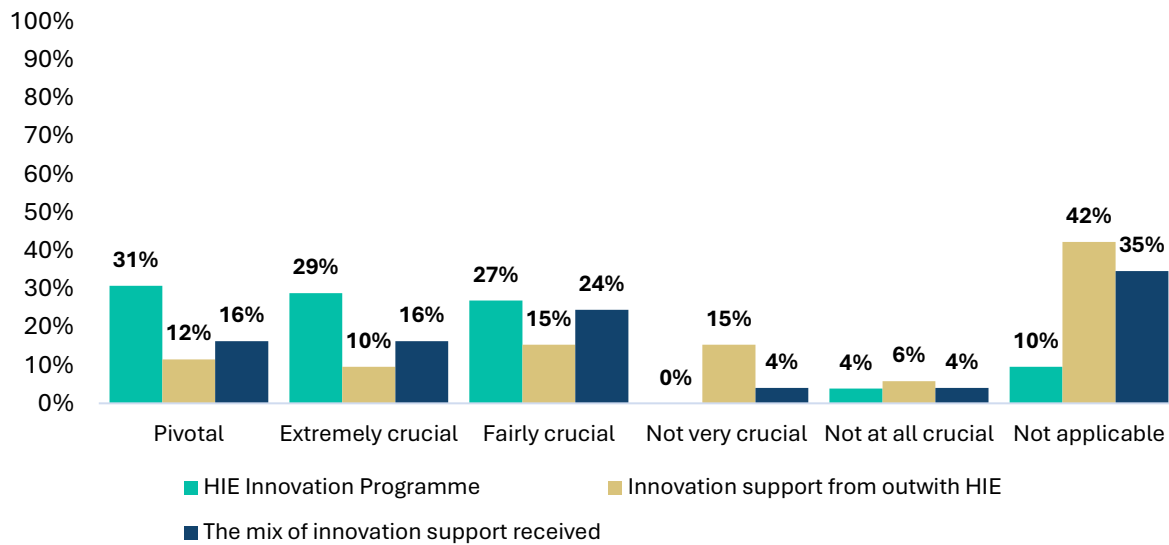
Figure A4.7: Respondents' Plans for Different Approaches to their Business as a Result of the Support

Source: HIE Innovation Programme Beneficiary Survey.

Respondents were asked to rate different sources of innovation support: support they had received from the HIE Innovation Programme, innovation support from outside HIE and the mix of innovation support they had received. The mix of innovation support received attracted some of the strongest ratings overall, with approximately one third of respondents rating it as either “Pivotal” or “Extremely crucial” and a further around half rating it as “Fairly crucial”.

HIE's Innovation Programme alone was also rated highly, though responses indicate that respondents place value on a coordinated package of support rather than single interventions in isolation.

Figure A4.8: The Importance of Sources of Innovation

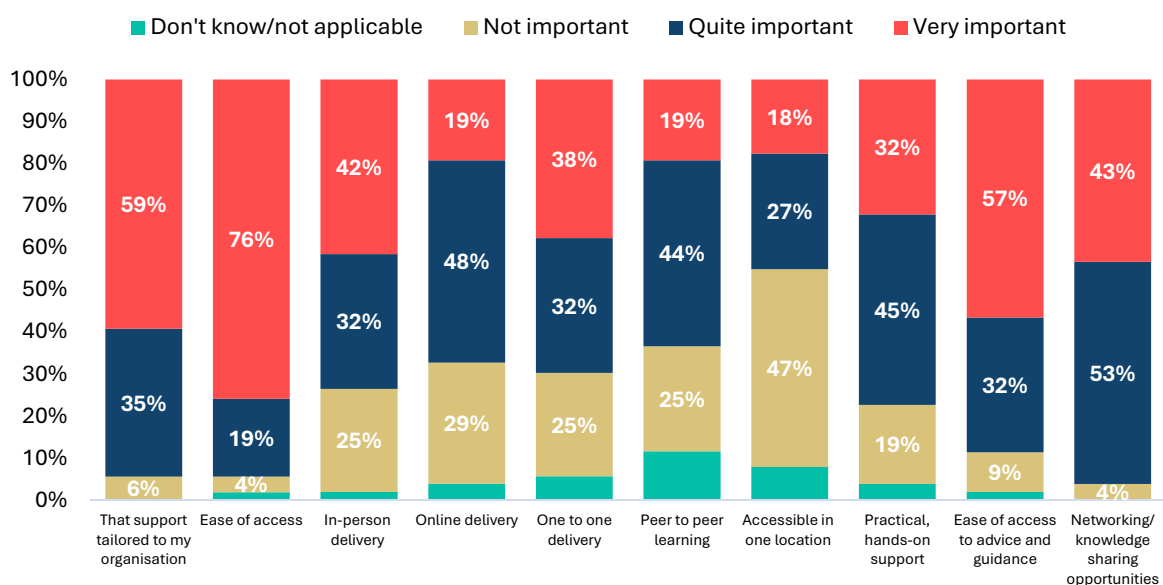


Source: HIE Innovation Programme Beneficiary Survey.

Future priorities

Looking ahead, respondents reported clear priorities for future innovation support. Ease of access was rated as “Very important” by 77% of respondents, while 60% rated having support tailored to their organisation as “Very important”. Ease of access to advice and guidance was rated “Very important” by 57% and practical, hands-on support by 32%, with a further 45% rating it “Quite important”. One-to-one delivery was rated “Very important” by 38%, higher than either online delivery (19%) or peer-to-peer learning (19%), indicating a stronger preference for personalised support alongside flexible delivery options.

Figure A4.9: Importance of Different Aspects of Future Support



Source: HIE Innovation Programme Beneficiary Survey.

