

# HIE BUSINESS PANEL SURVEY

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Wave 13 – Planning for the future



**Ipsos MORI**  
Scotland



Highlands and Islands Enterprise  
Iomairt na Gàidhealtachd 's nan Eilean

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# 1. INTRODUCTION

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## BACKGROUND

The Highlands and Islands Enterprise (HIE) Business Panel was established to measure and monitor the economic health of the region through the experiences and opinions of businesses and social enterprises in the area, and to explore topical issues at a regional, sub-regional or sectoral level.

Following two waves of panel surveys in 2014 and 2015, HIE commissioned Ipsos MORI to carry out regular business panel surveys with 1,000 businesses and social enterprises, representative of the Highlands and Islands business base in terms of geographic area, organisation size and sector. The surveys ran quarterly during 2016 and 2017, before changing to three times per year in 2018.

This report presents findings from the most recent wave of the survey (the thirteenth overall) carried out in June/July 2019. The survey covered a number of topics of general interest to business, including economic optimism, business performance and prospects for the year ahead. This wave also focused on planning for the future, including questions on workforce and relationships with non-domestic markets.

## METHODOLOGY

### Sampling

The survey sample was mainly sourced from businesses that took part in the previous waves of the survey and had indicated that they were willing to be re-contacted. Additional HIE panel members and HIE account-managed businesses were also approached along with companies identified from the Experian business database. The sample was designed to match the structure of the Highlands and Islands business population in terms of sector, size and geographical distribution. Quotas were set for recruitment and interviewing so that the achieved sample reflected the population of eligible organisations as defined by the Inter-Departmental Business Register (IDBR). Eligible organisations were defined by SIC code, with the following SIC 2007 Sections excluded from the sampling:

- Public administration and defence; compulsory social security;
- Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use; and
- Activities of extraterritorial organisations and bodies.

SIC codes were used to identify areas of economic activity considered to be growth sectors (as set out in the Government Economic Strategy) so that quotas could be set to ensure these were represented in the survey sample.

Within each participating organisation, the survey respondent was the owner or a senior manager able to comment on the performance and future prospects of the organisation.

### Survey fieldwork

The survey fieldwork was conducted between 10th June and 8th July 2019, using telephone interviewing. In total 1,001 eligible interviews were achieved.

The achieved sample was broadly representative of the population, notwithstanding some differential non-response due to differences in availability and willingness to participate. Weighting was applied to correct the distribution of sectors to match the sample counts.

## **PRESENTATION AND INTERPRETATION OF THE DATA**

The survey findings represent the views of a sample of businesses, and not the entire business population of the Highlands and Islands, therefore they are subject to sampling tolerances, meaning that not all differences will be statistically significant. Throughout the report, differences between sub-groups are commented upon only where we are sure these are statistically significant, i.e. where we can be 95% certain that they have not occurred by chance.

Where percentages do not sum to 100%, this may be due to rounding, the exclusion of 'don't know' categories, or multiple answers. Aggregate percentages (e.g. "optimistic/not optimistic" or "important/not important") are calculated from the absolute values. Therefore, aggregate percentages may differ from the sum of the individual scores due to rounding of percentage totals.

Throughout the report, an asterisk (\*) denotes any value of less than half a percent and a dash (-) denotes zero. For questions where the number of businesses is less than 30, the number of times a response has been selected (N) rather than the percentage is given.

## 2. OPTIMISM, PROSPECTS AND PERFORMANCE

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### KEY MESSAGES:

Business' confidence in the economic outlook in Scotland remained low: over half (54%) of businesses said their confidence had stayed the same, while 37% said it had decreased and 8% said it had increased. The gap between decreased and increased confidence was -29, compared with -37 in the previous wave.

Businesses continued to be more positive about their own performance than about the economy: 37% said their business had performed well in the last 12 months, whilst 44% reported steady performance and 19% struggled.

From business' perspective, their performance had been stable over the last six months with regards to employment, working hours and staff training. However, as seen in previous waves, performance was more mixed in terms of financial aspects, specifically sales and turnover and profit margins.

Businesses remained largely optimistic about their business prospects for the next 12 months, with almost three-quarters (73%) saying they were optimistic and 23% not optimistic. While this was a slight increase on the previous wave, when 70% were optimistic, it was lower than the 81% recorded at the same time last year (June 2018).

### ECONOMIC OPTIMISM

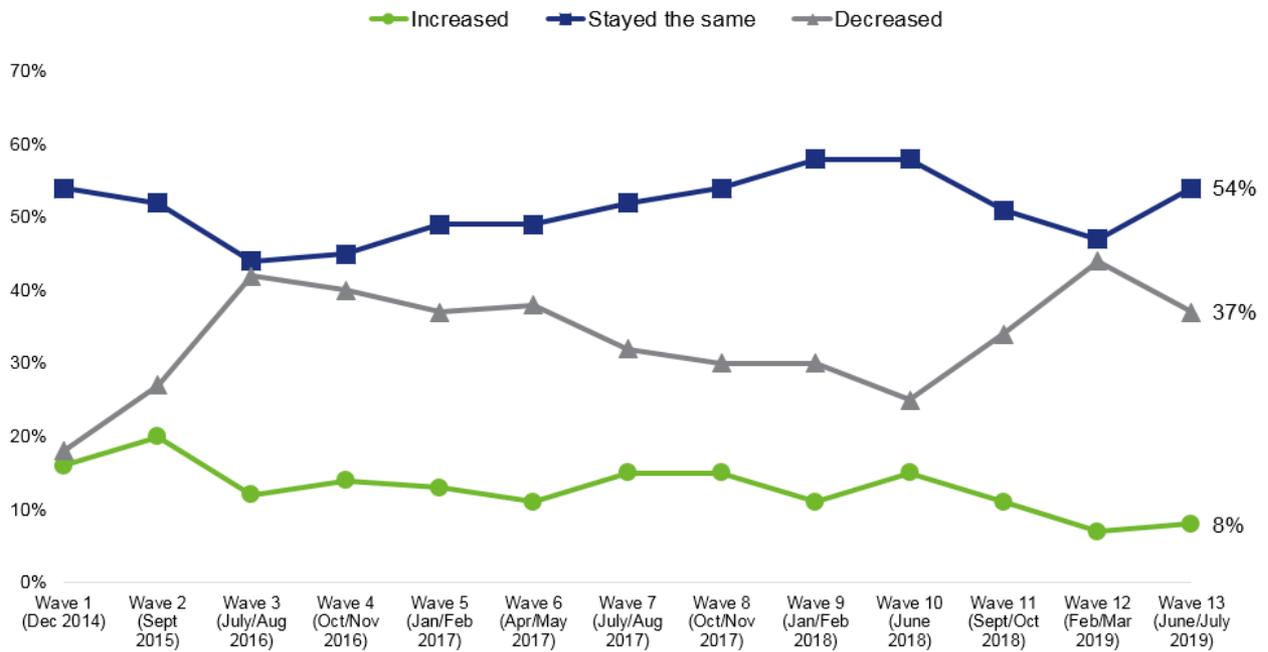
Over half (54%) of businesses said their confidence in the economic outlook in Scotland had stayed the same over the last six months, while 37% said it had decreased and 8% said it had increased (Figure 2.1). Overall, economic optimism had a net negative of -29<sup>1</sup>. It is worth noting that confidence was the lowest ever recorded in the previous wave (a net negative of -37), therefore those whose confidence remained the same over the past six months may actually have remained negative about the economy.

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<sup>1</sup> The net figure is the difference between 'increased' and 'decreased' assessments at each wave. Net scores are positive when positive assessments exceed negative.

**Figure 2.1: Confidence in the economic outlook in Scotland over time**

**Q. Over the past six months, since [date], has your level of confidence in the economic outlook in Scotland increased, decreased or has it stayed the same?**



Base: All businesses

*Variation by type of business*

There was little variation in economic confidence by sector. In keeping with previous waves, tourism businesses were more likely than average to say their confidence had increased (13% compared with the overall average of 8%), and food and drink businesses that their confidence had decreased (44% compared with 37% overall).

HIE account managed businesses were more likely than non-account managed businesses to say their confidence had stayed the same (68% compared with 52%), while a higher percentage of non-account managed businesses said their confidence had decreased (38% compared with 25%).

Economic confidence continued to be correlated with optimism and views on business performance. Businesses who were not optimistic about their prospects for the next 12 months were more likely to report decreased economic confidence: 74% of these businesses held this view, compared with 25% of those who were optimistic about the year ahead.

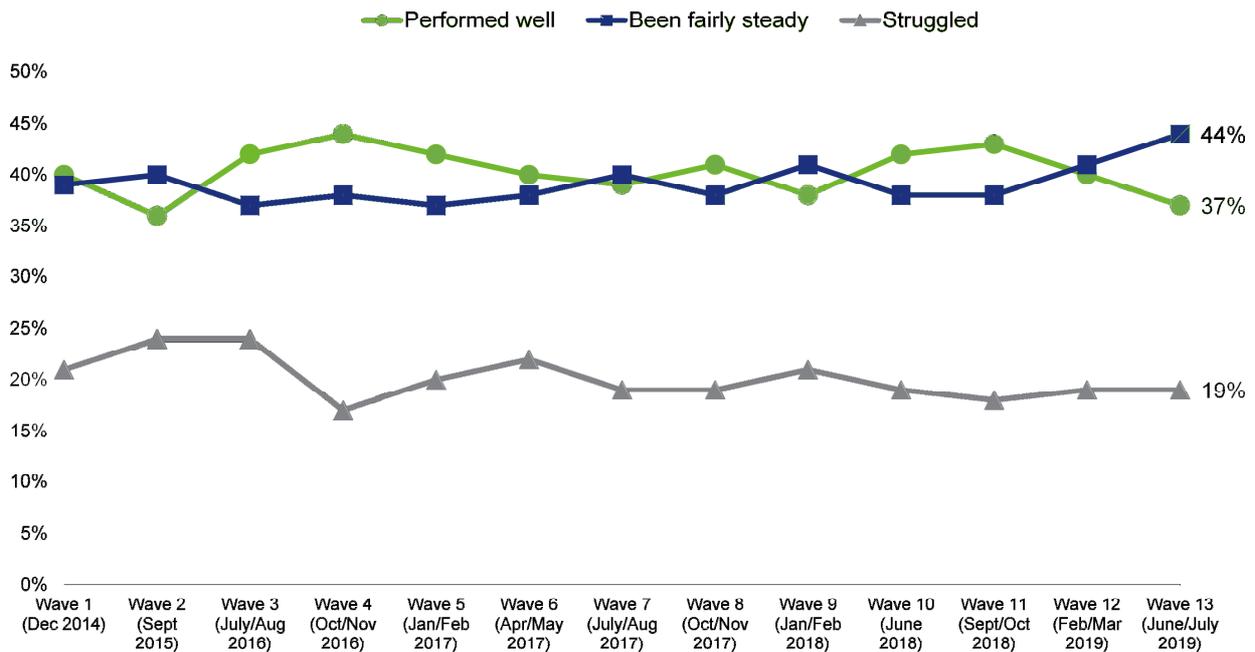
Similarly, businesses that had struggled in the last 12 months were more likely than those that had performed well to report decreased confidence in the economy (63% and 27% respectively).

## BUSINESS PERFORMANCE

Views on business performance were generally in keeping with previous waves (Figure 2.2), with 37% saying their business had performed well, 44% reporting steady performance and just under a fifth (19%) saying they had struggled.

**Figure 2.2: Assessments of business performance in the last 12 months over time**

**Q. Overall, how has your business performed in the last 12 months?**



Base: All businesses

### Variation by type of business

Larger businesses, particularly those with 11-24 staff (53%) and 25+ staff (49%) were more likely than businesses with 0-4 staff (30%) to report having performed well. HIE account managed businesses (51%) were more likely to have performed well than non-account managed businesses (35%).

As previously noted, there was a correlation between business performance and economic confidence: 58% of businesses whose economic confidence had increased also said their business had performed well (compared to 41% of those whose confidence had remained the same and 27% of those whose confidence had decreased).

There were no statistically significant differences by sector (Table A.1, see Appendix).

## ASPECTS OF BUSINESS PERFORMANCE

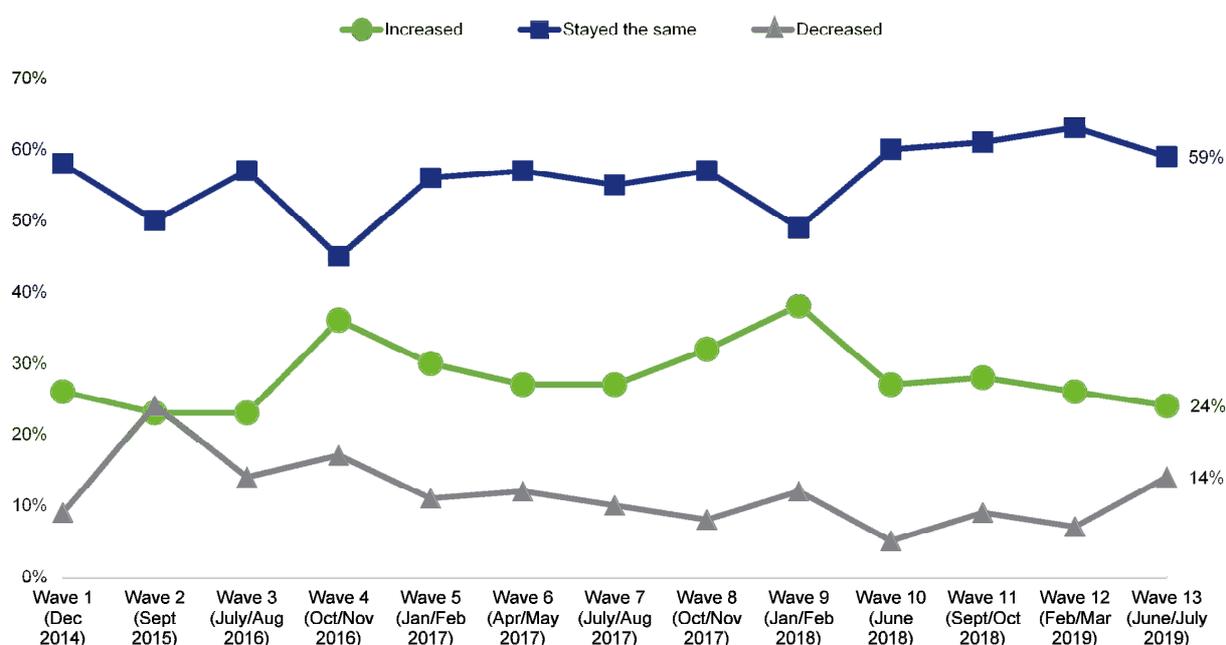
Businesses reported stable performance on employment (71%), staff training (66%) and working hours (65%). Views continued to be more varied in relation to sales and turnover (37% increased performance, 22% decreased and 39% stayed the same) and profit margins (24% increased performance, 27% decreased and 45% stayed the same) (Table A.2).

Turning to exports, 24% of businesses had experienced an increase, whilst 59% said levels had stayed the same. One in seven (14%) had experienced a decrease in exports in the last six months, a higher proportion than in the previous survey wave (February/March 2019), when this figure was 7%.

Amongst exporters, a higher percentage of HIE account managed businesses (37%) reported an increase in exports than non-account managed businesses did (19%).

**Figure 2.3: Trends in exports over time**

**Q. Could you tell me whether exports have increased, stayed the same or decreased in the last six months?**



Base: All businesses for whom this question applied (219)

To summarise businesses' experience, we scored each instance of increased performance as +1, each decrease as -1 and each 'stayed the same' as 0 and summed across the six aspects for each business.<sup>2</sup> The average score was 0.6, slightly higher than the 0.5 reported in the previous wave (February/March 2019). The positive score indicates that businesses continued to report more increases than decreases overall.

<sup>2</sup> A positive score indicates that on average businesses reported more aspects increasing than decreasing or staying the same. A negative score means more aspects decreasing than staying the same or increasing.

Under half (48%) of businesses had an overall positive score, while 25% had a negative score and 27% had a score of zero.

#### *Variation by type of business*

Businesses in the financial and business services sector had the highest overall performance scores (1.0). This was followed by tourism businesses (0.7) and those not in a growth sector (0.6) (Table A.3, see appendix).

In terms of regional variation, businesses in the Outer Hebrides (1.3) had the highest overall score, followed by Moray, Inner Moray Firth and Lochaber, Skye and Wester Ross – all with 0.7. In keeping with previous waves, this is at least in part explained by the profile of businesses in different areas: in Lochaber, Skye and Wester Ross, for instance, a fifth (21%) of businesses were in the tourism sector, compared to the average of 12% (Table A.4, see appendix).

Reinforcing findings from previous waves, larger businesses had higher overall scores: 0-4 staff (0.3), 5-10 staff (1.0), 11-24 staff (1.1) and 25+ staff (1.6) (Table A.5, see appendix).

The mean score for HIE account managed businesses (1.3) was higher than for non-account managed businesses (0.6), and a higher proportion reported increased performance in:

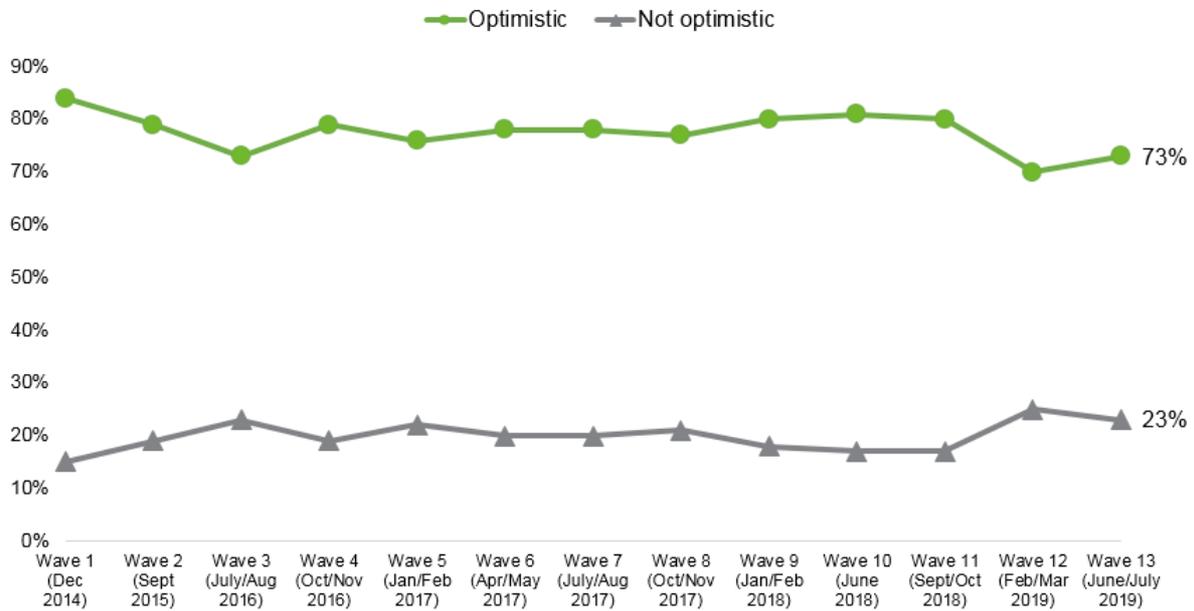
- sales or turnover (50% account managed; 36% non-account managed);
- profit margins (33% account managed; 23% non-account managed)
- employment (36% account managed; 18% non-account managed);
- exports (37% account managed; 19% non-account managed);
- training (36% account managed; 28% non-account managed).

#### **FUTURE BUSINESS PROSPECTS**

Almost three-quarters (73%) of businesses were optimistic about their business prospects for the next 12 months (17% very optimistic and 56% fairly optimistic), while nearly a quarter (23%) were not optimistic (19% not very optimistic and 4% not at all optimistic). Business' optimism had increased slightly since the previous survey wave in February/March 2019, when it stood at 70%, but was still lower than in 2018, when optimism stood at 80-81% in each of the three survey waves conducted (Figure 2.4).

**Figure 2.4: Business prospects over the next 12 months over time**

**Q. How optimistic are you for your business's prospects over the next 12 months?**



Base: All businesses

*Variation by type of business*

Business optimism is correlated with economic confidence and past performance. Optimism for the next 12 months was higher than average (73%) amongst those whose confidence in the Scottish economy had increased (93%) and amongst those who had performed well (89%) in the past six months. In contrast, businesses reporting decreased economic confidence (46%) and those that had struggled (52%) were more likely than average (23%) to say they were not optimistic (Tables A.6 and A.7, see appendix).

Similar to previous waves, food and drink businesses were less optimistic than other industries: 34% were not optimistic about their business' prospects for the next 12 months, compared to the survey average of 23%.

HIE account managed businesses (84%) were more optimistic than non-account managed businesses (72%).

### 3. GROWTH AND COMPETITIVE ADVANTAGE

#### KEY MESSAGES:

Over half (53%) of businesses said they aspired to grow in the future, while a third (36%) were content with their current level of performance and one in ten (10%) wanted to downsize. In terms of *expected* growth, 45% anticipated growth while 44% expected to remain stable and 10% expected a contraction.

For most businesses their aspirations aligned with their expectations: 72% of those striving for growth also expected to grow. Views were more mixed amongst businesses wanting to downsize, with half (50%) anticipating a contraction and 44% expecting to stay the same.

Most businesses had taken a new or different approach to enhance their competitive position, most commonly: investing in premises or equipment (59%); targeting new customers or markets (50%); and analysing data to help inform decision making (49%). Just over a tenth (12%) had taken none of the actions listed.

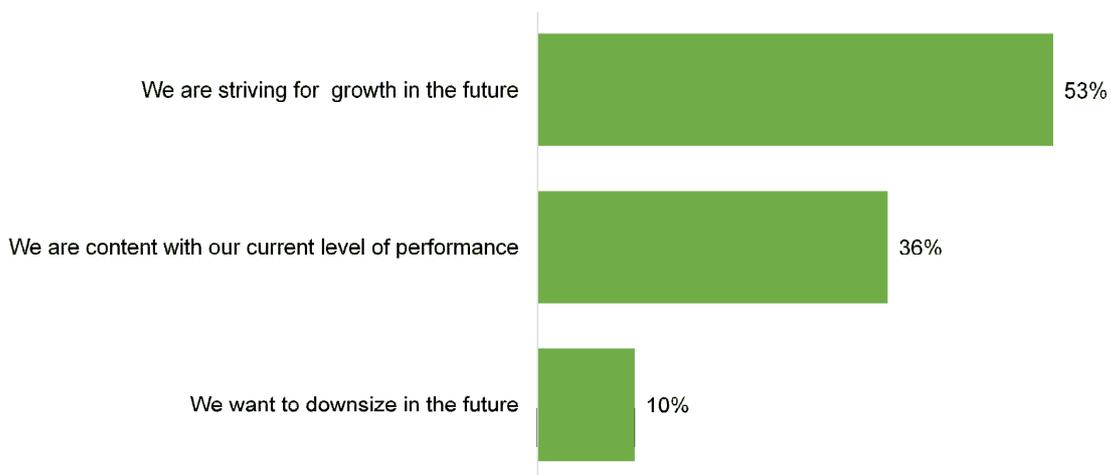
#### FUTURE BUSINESS GROWTH

##### Growth aspirations

Just over half (53%) of businesses said they were striving for future growth, whilst over a third (36%) were content with their current level of performance and one in ten said they wanted to downsize (Figure 3.1). These results are relatively consistent with those recorded in September/October 2018 when this question was last asked (56% said they were striving for growth, 34% were content with their current level of performance and 9% wanted to downsize in the future).

**Figure 3.1: Current aspirations for business**

**Q. Which of these statements best describes your current aspirations for the business?**



Base: All businesses

### Variation by type of business

Smaller businesses with 0-4 employees were more likely than average to say they wanted to downsize (14% compared with 10% overall) or keep their current level of performance (44% compared with 36%). Those with 5-10 (69%), 11-24 (74%) and particularly 25+ (82%) employees showed greater inclination than those with 0-4 (42%) to strive for growth.

The majority (84%) of HIE account managed businesses said they were striving for growth, compared to half (50%) of non-account managed businesses.

Businesses that reported being optimistic about their prospects for the year ahead showed greater aspirations for growth (58% compared with 41% of those not optimistic), while those not optimistic were more inclined to want to downsize in the future (23% compared with 5% of those optimistic).

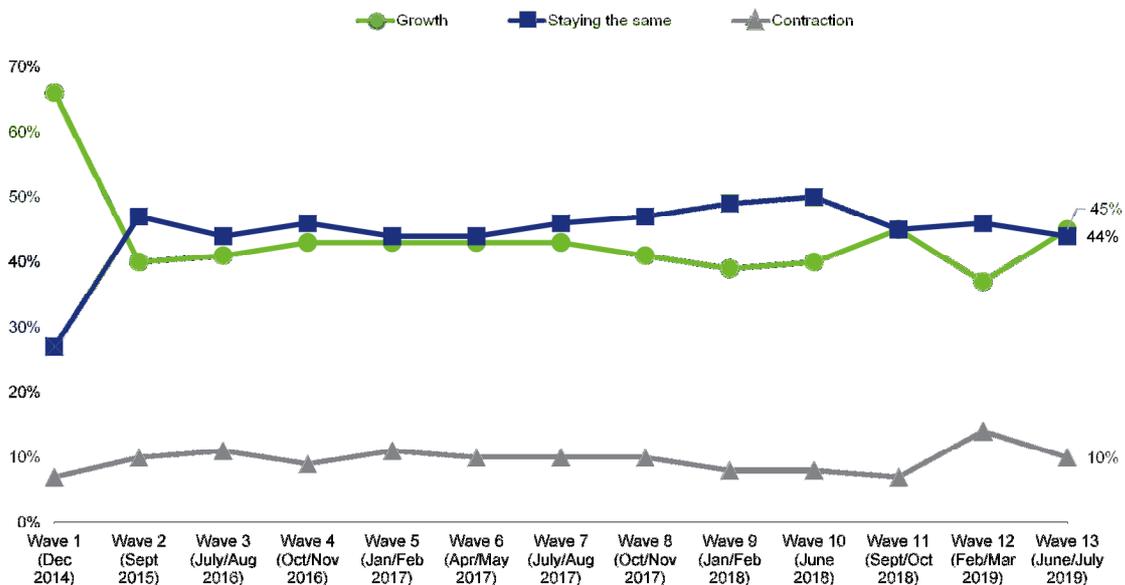
There were few differences by sector: tourism businesses were more likely than average to strive for growth (64% compared to the average of 53%), while food and drink businesses were slightly more likely than average to want to downsize (13% compared to 10%).

### Future business growth

Most businesses expected growth (45%) or stability (44%) in the next year or two, while 10% expected contraction. The proportion expecting to remain the same was similar to the previous two waves, while the proportion anticipating contraction or growth varied from the previous wave when they were at their highest (14%) and lowest (37%) levels respectively recorded in the panel surveys (Figure 3.2).

**Figure 3.2: Future growth over the next year or two**

**Q. Do you anticipate your business growing, contracting or staying the same in the next year or two?**



Base: All businesses

### Variation by type of business

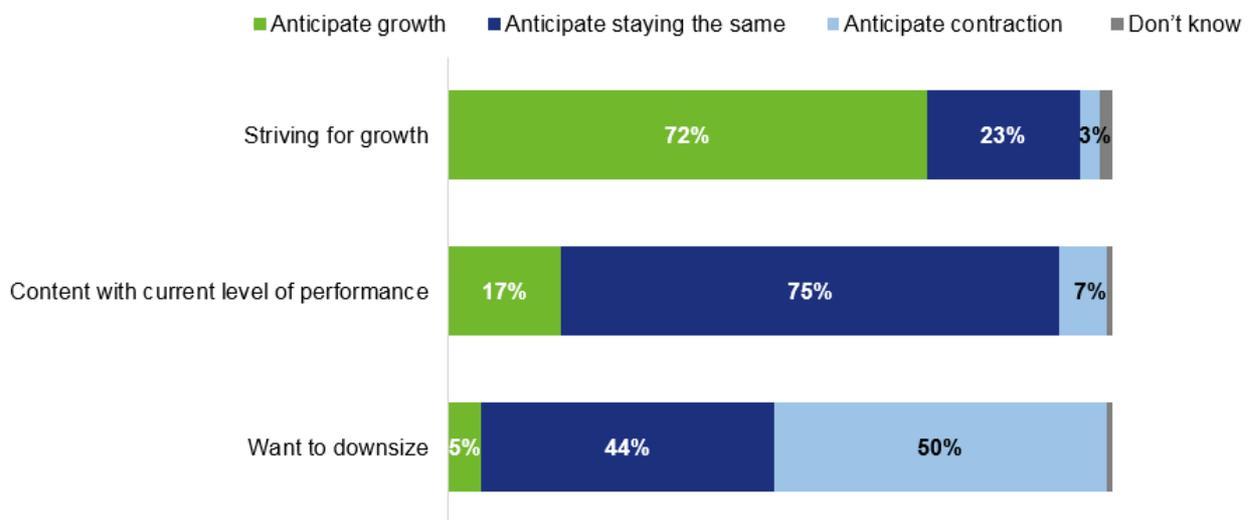
Small businesses (0-4 employees) were the least likely to anticipate growth: 34% did compared with 61% of those with 5-10 staff, 59% of those with 11-24 and 72% of those with 25+ employees. HIE account-managed businesses were more likely than non-account managed to anticipate growth (76% compared with 41%).

As in September/October 2018, most businesses striving for growth also anticipated growth in the next year or two (72%). However, 23% anticipated staying the same, while 3% anticipated a contraction (Figure 3.3).

Similarly, most (75%) of those that were content with their current level of performance anticipated stability, while less than a fifth (17%) expected growth. Among those that wanted to downsize, views were more mixed, with a split between those who anticipated stability (44%) and those who anticipated a contraction (50%).

**Figure 3.3: Growth aspirations by expectations for growth**

#### Aspiration for growth vs expectations for growth



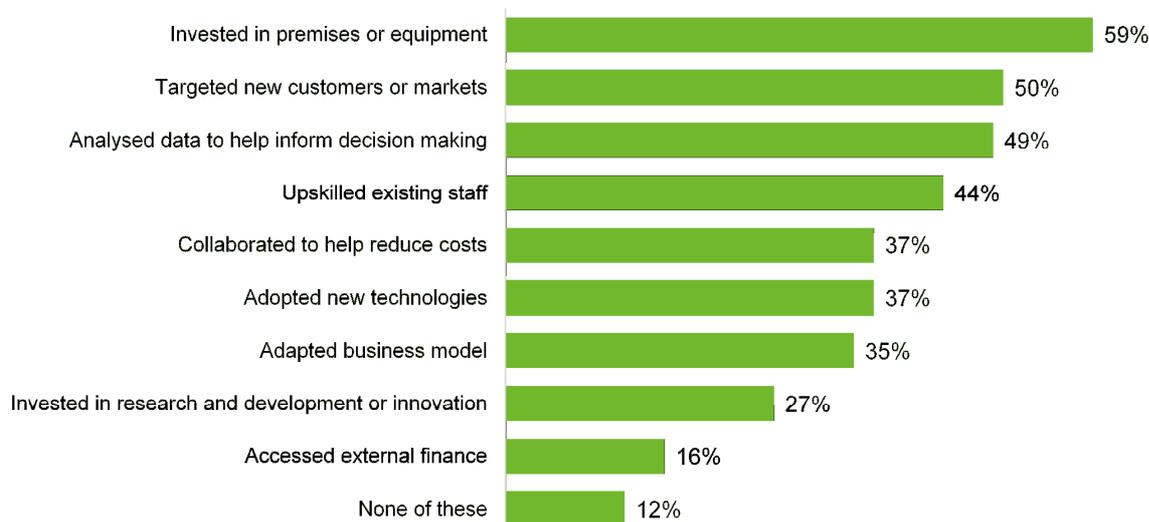
Base: All businesses

### ACTIONS TAKEN TO ENHANCE COMPETITIVE ADVANTAGE

Businesses were asked what new or different approaches they had taken within the last 12 months to enhance their competitive position. The majority of businesses had taken some action, with 12% having taken none of the actions listed. The most common action taken was to have invested in premises or equipment (59%), followed by targeting new customers or markets (50%), analysing data to help inform decision making (49%), and upskilling existing staff (44%) (Figure 3.4).

**Figure 3.4: Approaches taken to enhance competitive position**

**Q. In the past 12 months, what new or different approaches have you taken to enhance your competitive position?**



Base: All businesses

#### Variation by type of business

Larger organisations (25+ staff) were more likely to have taken each of the approaches to enhance their competitive position, with the exception of accessing external finance. Key actions taken were: invested in premises or equipment (80%, compared to the average of 59%); analysed data to help inform decision making (77% compared with 49%); and targeted new customers or markets (74% compared with 50%).

Businesses operating in Scotland only were less likely than those operating in the rest of the UK (rUK) and overseas (see Section 6) to have taken many of the approaches to enhance their competitive position. They were less likely to have: adopted new technologies (33% of Scotland only businesses had done this, compared with 44% rUK and 42% international), invested in research and development (20% Scotland only, vs 37% rUK and 42% international), analysed data to help inform decision making (44% Scotland only, vs 56% rUK and 54% international), adapted their business model (29% Scotland only, vs 43% rUK and international respectively) or targeted new customers or markets (43%, vs 60% rUK and 68% international).

There was further variation by sector:

- Those in the financial and business services sector were more likely than average to have adopted new technologies (50% compared to the average of 37%), analysed data to help inform decision making (60% compared to 49%) and upskilled existing staff (62% compared with 44%).
- Tourism businesses were more likely than average to have analysed data to help inform decision making (58% compared to 49%) or targeted new customers or markets (60% compared with 50%).
- Food and drink businesses were most likely to have accessed external finance (23% versus 16% overall).

As shown in Table 3.1 below, HIE account managed businesses and those anticipating growth were more likely to have adopted each of the approaches. Shaded cells represent figures that are significantly higher than the other category.

**Table 3.1: Approaches taken by HIE account management and by business growth expectations**

Approach	HIE account management		Growth expectations	
	Account managed	Non-account managed	Anticipate growth	Don't anticipate growth
	%		%	
Adopted new technologies	48	36	49	27
Invested in research and development or innovation	58	23	41	15
Analysed data to help inform decision making	75	46	63	37
Upskilled existing staff	72	41	61	30
Invested in premises or equipment	72	57	68	51
Accessed external finance	26	15	24	10
Adapted business model	54	33	47	25
Targeted new customers or markets	82	46	67	35
Collaborated to help reduce costs	50	35	40	34
<i>Base: All businesses</i>	<i>108</i>	<i>893</i>	<i>443</i>	<i>537</i>

## 4. FUTURE PLANS

### KEY MESSAGES:

Businesses were forward planning over a range of timeframes. A quarter (24%) were planning less than 12 months ahead, while a third were planning one to two years ahead, 30% two to five years ahead and 7% more than five years ahead. A small minority (5%) were not planning ahead at all.

Almost three-quarters (72%) of businesses reported working to their usual planning cycles, while 16% were looking further ahead, and 11% less far in advance than usual. Key reasons for planning less far ahead, included political uncertainty (68%) and market uncertainty and changing demand (62%).

Factors businesses were most likely to have taken into consideration in their plans were: reducing the environmental impact of their business (66%) and making use of digital and mobile technologies to best effect (64%).

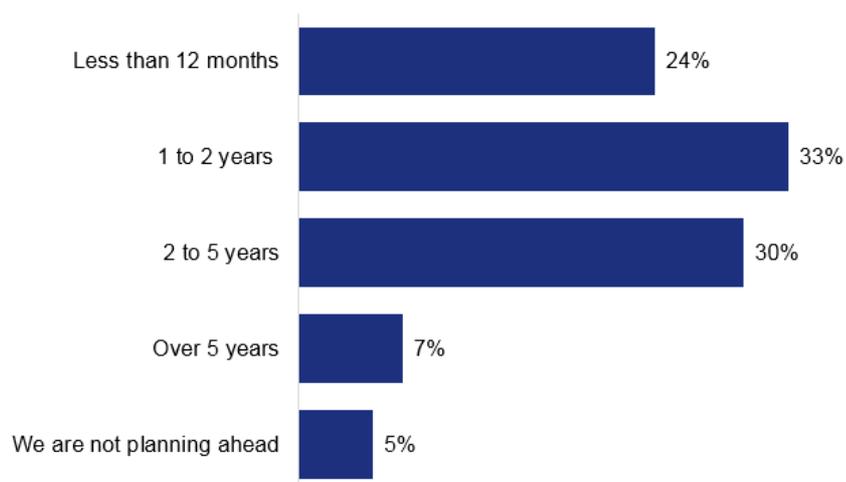
When asked what factors needed to be in place for their business to achieve its goal, the most common response was enhanced digital and mobile connectivity (64%), followed by better intra-regional transport links (56%) and improved transport links with the rest of the UK (50%).

### PLANNING AHEAD

Almost a quarter (24%) of businesses were planning less than 12 months ahead, while a third were planning one to two years ahead, 30% two to five years ahead and 7% more than five years ahead. A small minority (5%) were not planning ahead at all (Figure 4.1).

**Figure 4.1: Length of forward planning**

**Q. When you think about future plans for the business, how far ahead would you say your business is currently planning?**



Base: All businesses

### Variation by type of business

There were notable differences in approaches to forward planning by type of business:

- Large businesses (25+ employees) were more likely than average to plan 2 to 5 years ahead (48% compared to 30% overall). Businesses with 0-4 (28%) or 5-10 (23%) staff were more likely than those with 11+ staff (11%) to plan less than a year in advance. Smaller businesses (0-4 staff) were the most likely to not plan ahead at all (7% compared with 2% of 5-10 and 1% of 11+ staff).
- There were few differences by sector, however food and drink businesses were more likely than average to plan 2 to 5 years ahead (36% compared with the average of 30%).
- HIE account-managed businesses tended to plan further ahead: 49% planned for 2 to 5 years, compared to 28% of non-account managed. A quarter (25%) of non-account managed businesses said they planned less than 12 months ahead, compared with 13% of HIE account-managed.
- There was clear differences in terms of growth expectations, with those anticipating growth more likely to plan further ahead. This is shown in Table 4.1, with shading indicating proportions that are significantly higher.

**Table 4.1: Planning ahead by growth expectations**

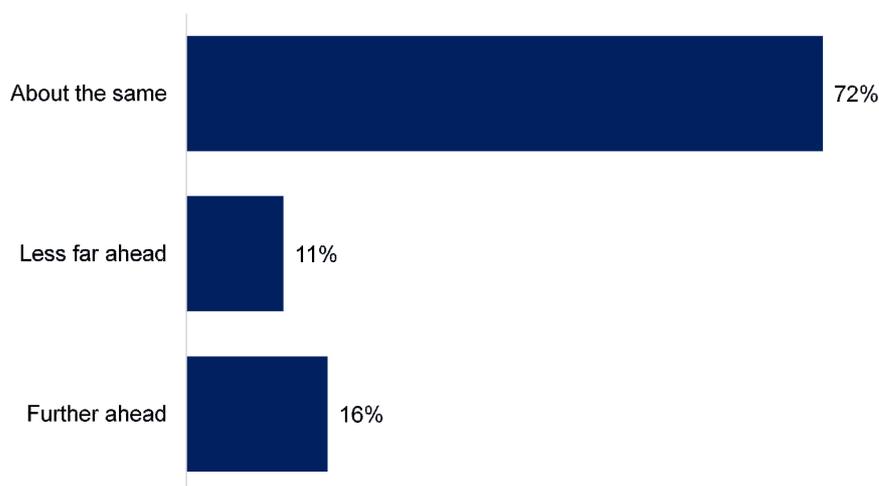
Approach	Growth expectations	
	Anticipate growth	Don't anticipate growth
	%	
Less than 12 months	17	29
1 to 2 years	35	31
2 to 5 years	35	26
Over 5 years	11	5
We are not planning ahead	1	9
<i>Base: All businesses</i>	<i>443</i>	<i>537</i>

### CHANGES IN LENGTH OF FORWARD PLANNING

Businesses were asked if their planning timeframes were further ahead than usual, less far ahead or about the same. Seven in ten (72%) said they were planning about the same length of time in the future, while 16% were planning further ahead and 11% less far ahead (Figure 4.2).

**Figure 4.2: Changes to forward planning**

**Q. And comparing this with your typical approach, are you currently planning further ahead than usual, less far ahead than usual or about the same?**



*Base: All businesses*

*Variation by type of business*

Businesses more likely to be planning further ahead (relative to the survey average of 16%) were:

- larger employers, of 11-24 (26%) or 25+ (29%) staff
- HIE account-managed businesses (27%)
- those that said their economic confidence had increased over the last six months (30%)
- those that had growth aspirations (24%) and expectations (25%).

Businesses more likely to be planning less far ahead (compared to the survey average of 11%) were:

- those that said their economic confidence had decreased over the last six months (17%)
- those that wanted to downsize (37%) and anticipated a contraction (16%).

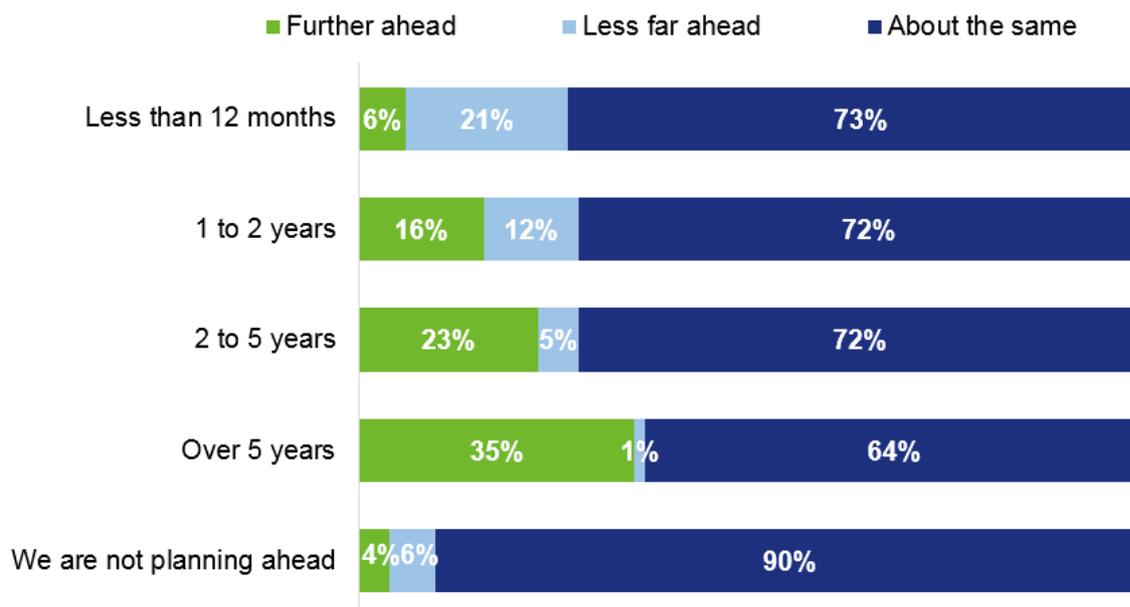
Those businesses who were more likely than average (72%) to plan about the same amount of time in advance tended to be more neutral about other topics covered in the survey. For example, these businesses:

- said their economic confidence had stayed about the same (75%)
- were content with their current size (83%).

There were no differences between sectors.

Comparing typical and current planning timeframes, most businesses are working to their usual timeframes. However, some notable variations are emerging. Between a quarter and a third of those planning in the medium to longer term are looking further ahead (35% planning more than five years ahead and 23% of those looking 2-5 years ahead). In contrast, a fifth of those planning for the short-term (less than 12 months) are planning less far ahead (Figure 4.3).

**Figure 4.3: Length of planning by changes in duration of planning**



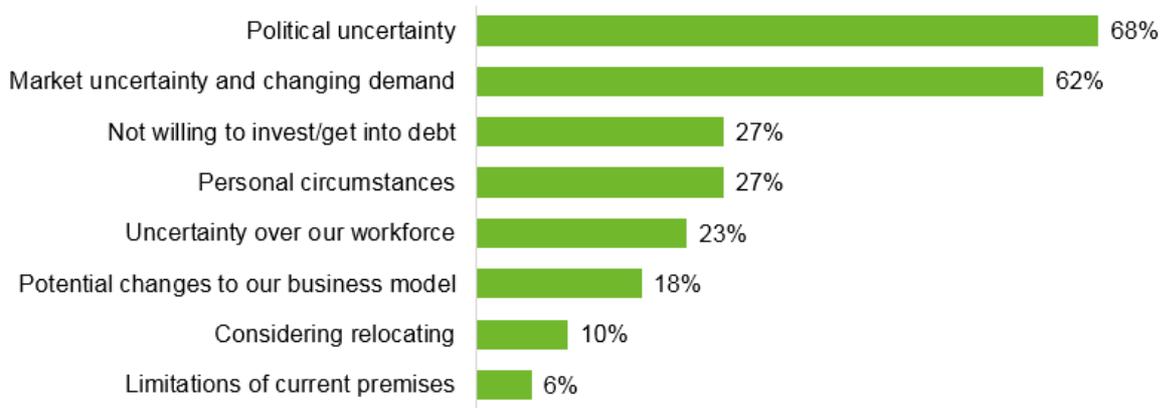
Base: Less than 12 months (236)/1 to 2 years (328)/2 to 5 years (303)/5+ years (74)/Not planning ahead (74)

### Reasons for planning less far ahead

Political uncertainty and market uncertainty and changing demand were the key reasons why businesses were planning less far in advance than usual – each selected by more than three in five businesses that were planning less far ahead (Figure 4.4).

**Figure 4.4: Reasons for planning less far ahead**

**Q. What has caused you to change your approach? Is it....**



*Base: All businesses planning less far in advance (103)*

#### *Variation by type of business*

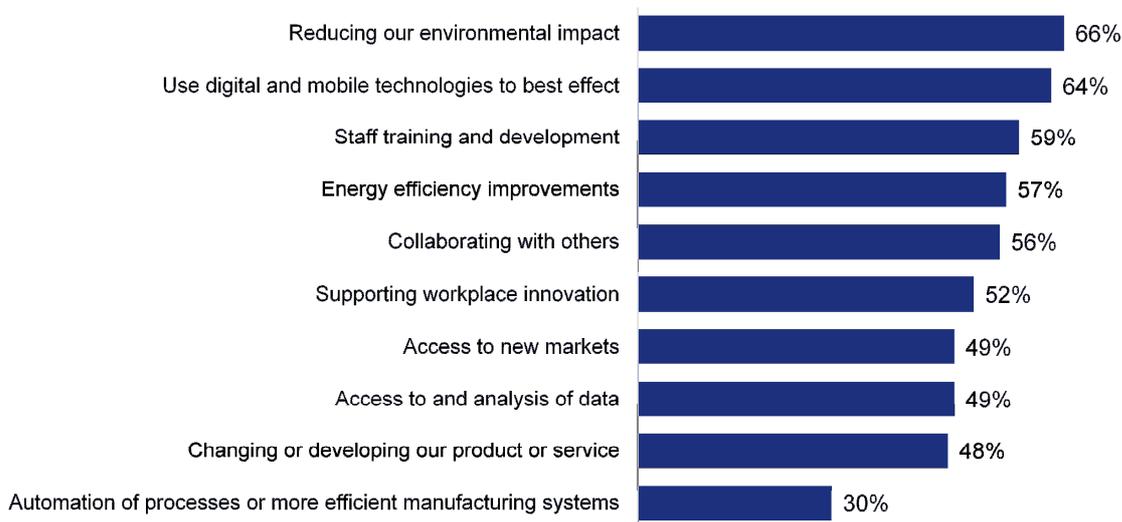
There were few differences by type of business. However, those that said their economic confidence over the last six months had decreased were more inclined to cite political uncertainty (91% compared to the average of 68%) and market uncertainty and changing demand (80% compared with 62% overall) as the reasons behind their change in approach.

#### **FACTORS CONSIDERED WHEN PLANNING**

In terms of the factors they took into consideration when planning ahead, two-thirds (66%) of businesses mentioned reducing their environmental impact, and a similar proportion considered using digital and mobile technologies to best effect (64%). Other factors selected by more than half of businesses were: staff training and development (59%), energy efficiency improvements (57%), collaboration with others (56%) and supporting workplace innovation (52%) (Figure 4.5).

**Figure 4.5: Factors considered when planning ahead**

**Q. When planning ahead, businesses need to take a number of factors into consideration. Which, if any, of the following are you currently factoring into your plans?**



Base: All businesses

*Variation by type of business*

Larger businesses (25+ employees) were more likely than average to take each of the factors into consideration, particularly: supporting workplace innovation (86% compared with 52%), staff training and development (92% vs 59%), access to new markets (73% vs 49%), access to and analysis of data (75% vs 49%), and changing or developing product or service (73% vs 48%) (Table A.8).

Those operating in Scotland *only* (which tend to be smaller businesses; see Section 6) were less likely than businesses operating in the rest of the UK or internationally to consider many of the factors, particularly access to new markets (39% Scotland only, 65% rUK and 70% internationally) (Table A.8).

Businesses who reported now planning further ahead were more likely than those who were not to select many of the factors, especially: staff training and development (81% vs 59%), reducing their environmental impact (78% vs 66%), how to use digital and mobile technologies to best effect (75% vs 64%), supporting workplace innovation (75% vs 52%) and collaborating with others (72% vs 56%) (Table A.9).

Those in the financial and business services sector were more likely than average to consider their use of digital and mobile technologies (74% vs 64%) and access to and analysis of data (58% vs 49%). The latter was also more likely on average to be taken into consideration by food and drink businesses (54%). Tourism businesses were more likely than average to consider energy efficiency improvements (79% versus 57%).

There was also variation in terms of HIE account management and optimism regarding business prospects for the year ahead. This is shown in Table 4.2, with shading indicating proportions that are significantly higher.

**Table 4.2: Factors considered by HIE account management and business optimism**

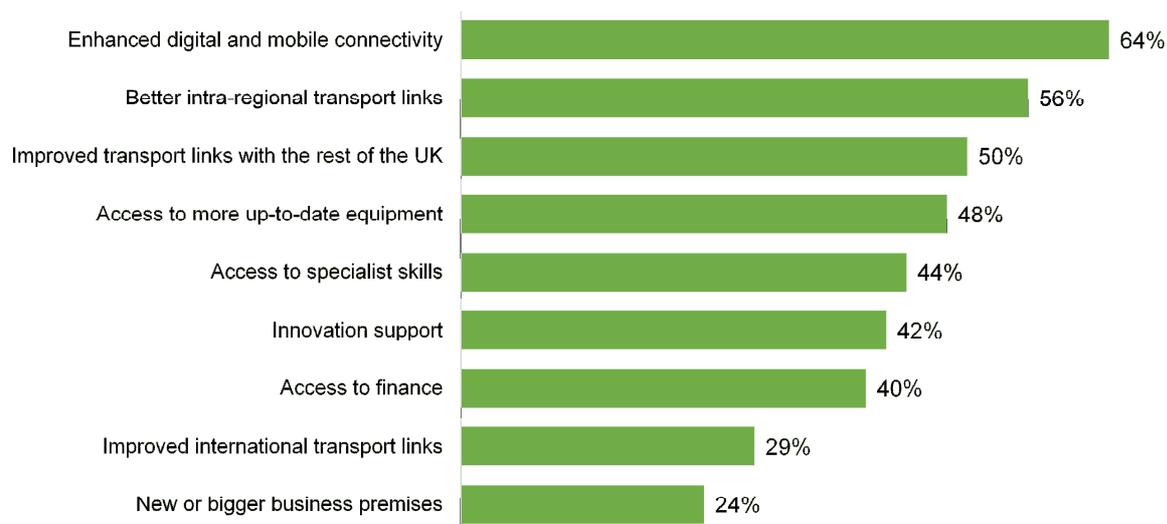
Factors considered when planning ahead	HIE account management		Business prospects in the next 12 months	
	Account managed	Non-account managed	Optimistic	Not optimistic
	%		%	
Access to new markets	79	46	53	42
How we use digital and mobile technologies to mobile technologies to best effect	66	63	67	53
Automation of processes or more efficient manufacturing systems	56	28	32	24
Access to and analysis of data	71	46	50	42
Collaborating with others	79	54	59	46
Energy efficiency improvements	66	56	57	56
Reducing our environmental impact	82	64	68	62
Supporting workplace innovation	79	49	57	39
Changing or developing our product or service	75	45	52	37
Staff training and development	87	56	68	36
<i>Base</i>	<i>108</i>	<i>893</i>	<i>756</i>	<i>209</i>

**FACTORS NEEDED TO ACHIEVE FUTURE PLANS**

When asked what factors would need to be in place for the business to achieve its future plans, almost two-thirds (64%) said enhanced digital and mobile connectivity. Transport connections, particularly intra-regional transport links (56%) and improved links with the rest of the UK (50%) were also selected by at least half of businesses, while improved international transport links was selected by just under a third (29%) (Figure 4.6).

**Figure 4.6: Factors needed to achieve future plans**

*Q. And which of the following would need to be in place for you to achieve your future plans?*



*Base: All businesses*

### Variation by type of business

Larger organisations with 11+ staff were more likely to select each of the options, especially improved transport links with the rest of the UK (64% of those with 11-24 staff and 67% of those with 25+) and international transport links (41% of those with 21-14 staff and 43% of those with 25+), along with access to specialist skills (59% respectively) (Table A.10). In contrast, those with 0-4 staff were generally the least likely to say they required any of the options, particularly: new or larger premises (20% vs overall average of 24%), access to more up-to-date equipment (43% vs 48% overall), innovation support (34% vs 42% overall), access to finance (35% vs 40% overall) and access to specialist skills (35% vs 44% overall).

Businesses operating in Scotland only were also less likely than those operating in the rest of the UK or internationally to report a need for many of these factors to be in place for their business to achieve its future plans. This is unsurprising given that businesses operating in Scotland only tend to be smaller businesses (see Section 6). These businesses were less likely to report a need for innovation support (37% of Scotland only businesses mentioned this, compared with 48% rUK and 49% international); improved transport links, whether intra-regional (49% Scotland only, 65% rUK and 67% international), links with the rest of the UK (42% Scotland only, 62% rUK and international) or international links (21% Scotland only, 40% rUK and 52% international); enhanced digital and mobile connectivity (60% Scotland only, vs 70% rUK and 68% international); or access to specialist skills (40% Scotland only, vs 49% rUK and 47% international).

In terms of variation by sector:

- food and drink businesses were more likely than average to require access to: more up-to-date equipment (54% vs 48%), finance (49% vs 40%) and better intra-regional transport links (62% vs 56%)
- each type of transport link was more important to tourism businesses than average: intra-regional (65% vs 56%), with the rest of the UK (59% vs 50%) and international (50% vs 29%)
- financial and business services organisations were more likely to require innovation support (53% vs 42%) and access to specialist skills (55% vs 44%).

As shown in Table 4.3, there were also variations by HIE account management and growth expectations. Shading indicates proportions that are significantly higher.

**Table 4.3: Factors needed to achieve future plans by HIE account management and by business growth expectations**

Factors considered when planning ahead	HIE account management		Growth expectations	
	Account managed	Non-account managed	Anticipate growth	Don't anticipate growth
	%		%	
New or bigger business premises	44	22	33	17
Access to more up-to-date equipment	54	47	56	41
Innovation support	71	39	57	29
Access to finance	61	37	52	29
Better intra-regional transport links	65	55	61	51
Improved transport links with the rest of the UK	63	48	56	44
Improved international transport links	41	27	37	22
Enhanced digital and mobile connectivity	71	63	72	57
Access to specialist skills	70	41	58	32
<i>Base</i>	<i>108</i>	<i>893</i>	<i>443</i>	<i>537</i>

## 5. WORKFORCE

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### KEY MESSAGES:

Two-thirds (65%) of businesses who had a need to recruit staff in the next 12 months were confident in their ability to access the staff they needed, while a third (34%) were not confident.

Just under two-thirds (64%) anticipated a challenge in recruiting or retaining staff. The most commonly mentioned challenge was a lack of suitably skilled candidates (64%), followed by: availability of housing in the area (45%); the location of the business being off-putting (41%); and other businesses being able to offer more attractive work packages (41%). Several of these challenges were more of a concern for large businesses (25+ staff), tourism businesses, and those located in more remote areas such as Shetland, Argyll and the Islands, and Lochaber, Skye and Wester Ross.

The majority of employers (89%) had used fair work practices as a means of helping them to attract and retain staff. The most commonly used practices were: competitive levels of pay (73%); training and skills development (69%); flexible working (68%); and the Living Wage (66%). Fewer employers reported using zero hours contracts (13%) or having trade union or other representation at work (8%). Zero hours contracts were more prevalent among tourism businesses (25%).

Among those that had used zero hours contracts or other flexible contracts, the most common reasons for doing so were: to offer greater flexibility for existing staff (84%); to make the business more attractive for new staff (62%); to allow them to draw on expertise as and when required (60%) and to respond to seasonal changes in demand (55%).

### CONFIDENCE IN ABILITY TO ACCESS STAFF

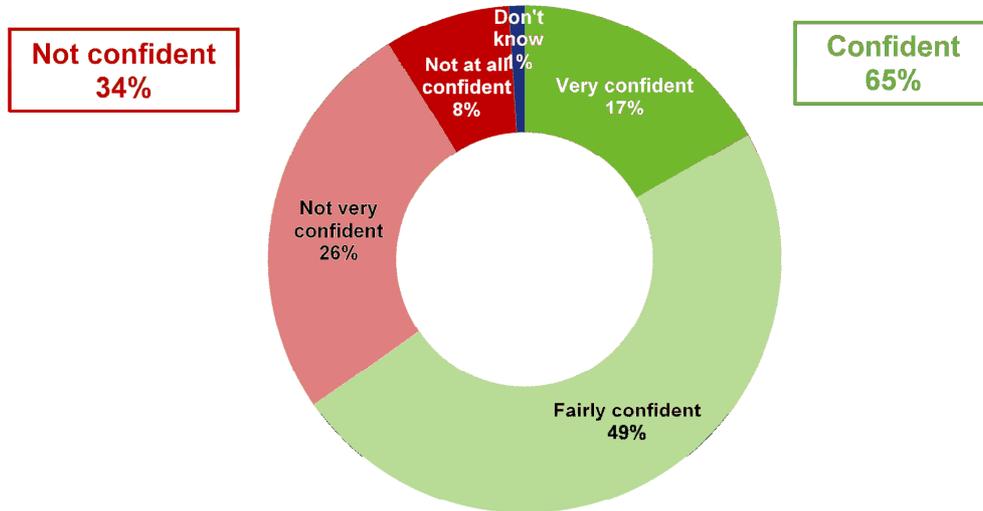
When thinking ahead about the next 12 months, two-thirds (65%) of businesses<sup>3</sup> were confident in their ability to access the staff they needed (17% very, 49% fairly confident), while a third (34%) were not confident (26% not very, 8% not at all confident) (Figure 5.1).

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<sup>3</sup> Based on all those for whom the question applied: respondents had the option of saying “not applicable” when asked this question, to account for sole traders or those that would not need to access staff, and these have been excluded from the analysis.

**Figure 5.1: Confidence in ability to access staff needed in the next 12 months**

**Q. Thinking ahead to the next 12 months, how confident are you in your ability to access the staff you need?**



Base: All businesses for whom it applied (780)

These findings suggest a slight decrease in business' confidence in their ability to access staff. In January/February 2018, a higher proportion of businesses were confident that they could recruit staff with the skills and experience they needed: 74% in relation to permanent staff and 79% in relation to temporary staff (though it should be noted that these questions were worded differently and therefore are not directly comparable).

#### *Variation by type of businesses*

Confidence was higher than average among smaller businesses, specifically those with 0-4 and 5-10 employees (69% and 68% confident respectively compared with 65% overall), while it was lower among those with 25+ employees (51% not confident compared with 34% overall).

Those whose confidence in the economy had decreased in the last six months were more likely to say they were not confident in their ability to access staff (42%, compared with 34% overall), as were those who were not optimistic about their prospects for the next 12 months (53% not confident).

### **CHALLENGES AHEAD**

Just under two-thirds (64%) of businesses<sup>4</sup> anticipated a challenge in recruiting or retaining staff. The most commonly mentioned challenge was a lack of suitably skilled candidates (64%), followed by: availability of housing in the area (45%); the location of the business being off-putting (41%); and other businesses being able to offer more attractive work packages (41%) (Figure 5.2).

<sup>4</sup> Based on all those for whom the question applied: respondents had the option of saying "not applicable" when asked this question, to account for sole traders or those who would need to recruit or retain staff, and these have been excluded from the analysis

**Figure 5.2: Challenges anticipated in recruiting and retaining staff**

**Q. What challenges, if any, do you anticipate in recruiting or retaining staff?**



*Base: All businesses for whom it applied (681)*

The challenges businesses mentioned in relation to recruiting or retaining staff generally are broadly similar to the challenges mentioned by businesses surveyed in June 2018 who had faced difficulties recruiting young talent specifically. These included: a lack of suitably skilled candidates; the location not being attractive; a lack of accommodation in the area; competitive wages offered by other businesses; and a lack of employment opportunities for partners.

*Variation by type of business*

Large businesses (those with 25+ employees) were more likely than average to anticipate challenges as a result of the availability of housing in the area (59% compared with 45% overall); lack of seasonal or temporary accommodation (52% vs 38%); and loss of non-UK EU workers (46% vs 30%). Those with 11-24 employees were more likely to see lack of childcare as a challenge (43% vs 32%) (Table A.11, see Appendix).

Certain challenges were more of a concern for tourism businesses, namely: lack of seasonal or temporary accommodation (66% compared with 38% overall); availability of housing in the area (61% vs 45%); loss of non-UK EU workers (53% vs 30%); and lack of childcare (44% vs 32%). Food and drink businesses were more likely to anticipate challenges as a result of other businesses offering more attractive work packages (53% compared with 41% overall) and an off-putting location (49% vs 41%) (Table A.12).

In terms of variation by region, businesses in Shetland and in Argyll and the Islands were both more likely than average to view their location as off-putting (66% and 52% compared with 41% overall). Lack of housing was seen as a particular challenge in Lochaber, Skye and Wester Ross (70%), the Outer Hebrides (62%) and Argyll and the Islands (60% compared with 45% overall). Those in Lochaber, Skye and Wester Ross were also more likely than average to foresee challenges as a result of lack of seasonal and temporary accommodation (68% compared with 38%) and lack of childcare (48% vs 32%). In Orkney, businesses were more likely than average to feel that others could offer more attractive work packages (64% vs 41%) (Table A.13).

There was also variation by confidence in recruiting staff, with businesses not confident in their ability to access the staff they needed more likely to feel that a lack of suitably skilled candidates (81% vs 54% of those confident), the loss of non-UK EU workers (41% vs 24%) and the location being off putting (51% vs 34%) would be challenges when it came to recruiting or retaining staff.

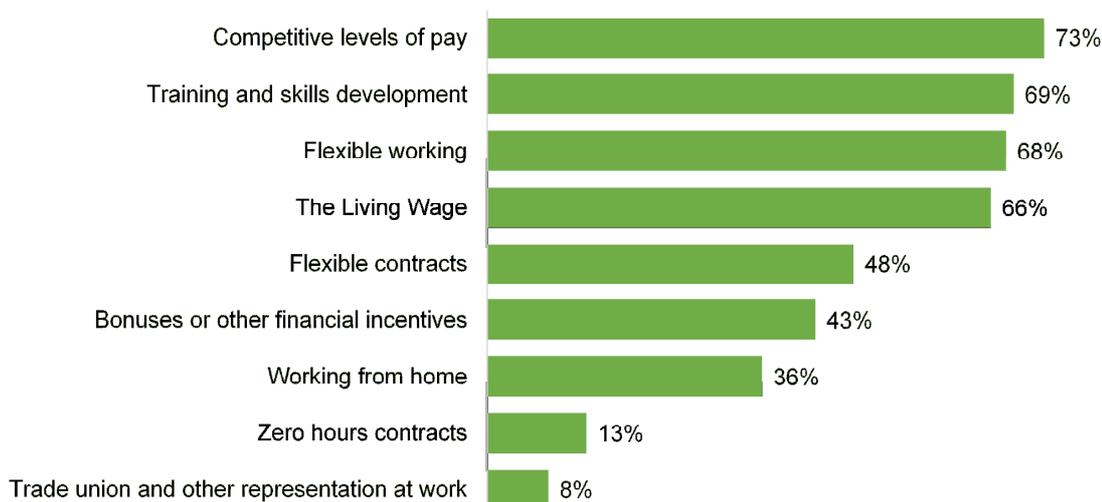
## FAIR WORK PRACTICES

### Extent of use of fair work practices

The majority of employers (89%) had used fair work practices as a means of helping them to attract and retain staff. The most commonly used practices were: competitive levels of pay (73%); training and skills development (69%); flexible working (68%); and the Living Wage (66%). Fewer than one in five employers were using zero hours contracts (13%) or had trade union or other representation at work (8%) (Figure 5.3).

**Figure 5.3: Fair work practices used**

**Q. Some businesses employ fair work practices to help them attract and retain staff. Which, if any, of these practices are you currently using?**



*Base: All businesses employing staff (806)*

The key practices mentioned were broadly similar to those seen in the June 2018 wave of the survey, where businesses were asked what steps they had taken to help retain young staff. The top three steps that had been taken were providing training opportunities, offering competitive levels of pay and using flexible working opportunities (note that in the earlier wave this was asked specifically in relation to young talent, and therefore is not directly comparable with the current wave).

### Variation by type of businesses

Larger employers (25+) were more likely than average to have used:

- training and skills development (96% compared with 69% overall);
- competitive levels of pay (91% vs 73%);

- the Living Wage (78% vs 66%);
- flexible contracts (68% vs 48%);
- bonuses or other financial incentives (66% vs 43%); and
- zero hours contracts (21% vs 13%).

Those in the financial and business services sector were more likely to have used:

- training and skills development (87% compared with 69% overall);
- competitive levels of pay (82% vs 73%);
- flexible working (79% vs 68%);
- working from home (57% vs 36%); and
- bonuses or other financial incentives (56% vs 43%).

Tourism businesses were more likely than average to have used zero hours contracts (25% compared with 13% overall).

Businesses who said they were not confident in their ability to recruit staff were more likely to have used zero hours contracts (19% compared to 11% who were confident), flexible contracts (59% vs 47%), competitive levels of pay (80% vs 73%) and training and skills development (75% vs 69%).

### **Reasons for using fair work practices**

Among those that had used zero hours contracts or other flexible contracts, the most common reason for doing so was to offer greater flexibility for existing staff (84%). Other reasons cited by more than half of businesses were: to make the business more attractive for new staff (62%); to allow them to draw on expertise as and when required (60%); and to respond to seasonal changes in demand (55%) (Figure 5.4).

**Figure 5.4: Reasons for using zero hours or other flexible contracts**

**Q. What is the main reason for introducing these more flexible arrangements?**



*Base: All employers offering zero hours or other flexible contracts (645)*

#### *Variation by type of businesses*

Larger businesses (25+ employees) were more likely than average to have used zero hours or flexible contracts to make them more attractive for new staff (80% compared with 62% overall). Small businesses (0-4 employees) were more likely than average to have used these flexible arrangements in response to weather-related challenges (41% compared with 37% overall).

Tourism businesses were more likely than average to use flexible contracts to respond to seasonal changes in demand (81% compared with 55% overall) and to help manage their expenditure (65% compared with 47%). Food and drink businesses were more likely to use these approaches in response to weather-related challenges (50% compared with 37%).

Those confident in their ability to recruit staff were more likely to cite responding to weather-related challenges (41% vs 31% of those not confident) as a reason for introducing flexible working arrangements, whilst those not confident said it was to make the business more attractive for new staff (75% compared with 61% of not confident).

HIE account managed businesses were more likely than non-account managed to be using flexible contracts as a means of offering greater flexibility for existing staff (93% compared with 83%).

## 6. RELATIONSHIPS WITH OTHER MARKETS

### KEY MESSAGES:

Most businesses (97%) sold goods or services in Scotland, while 39% sold outside of Scotland but in the rest of the UK, and a quarter (24%) did so outside of the UK.

In terms of their relationship with other markets, businesses placed greatest importance on trade links with the rest of the UK (59% important, 38% not important), followed by: membership of the European Single Market (56% important, 38% not important); membership of the customs union (54% important, 38% not important); and free movement of people across the EU (54% important, 43% not important). Opinion was divided in relation to the importance of trade links with countries outside of the EU, with 49% viewing this as important and 49% as not important.

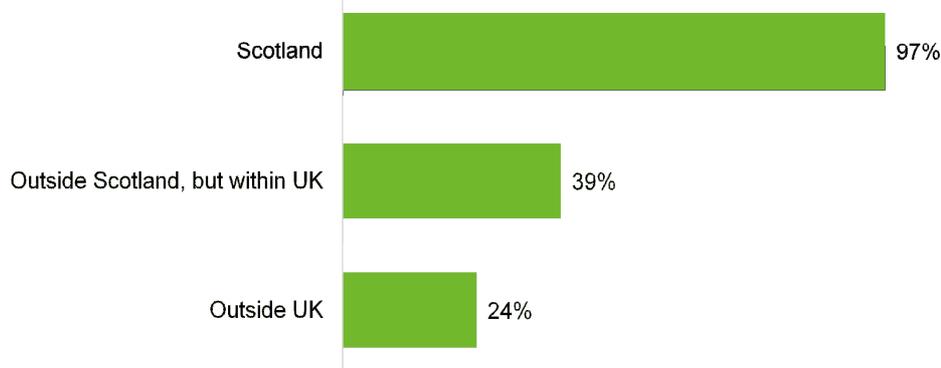
Just over half (55%) of businesses said the decision to leave the EU presented a significant risk to their business, up from 49% in February/March 2019. Less than a fifth (18%) agreed that the decision would bring significant new opportunities. Two-thirds (67%) were confident that their business could adapt to the consequences of leaving the EU, a lower proportion than in February/March 2019 (77%).

### MARKETS OPERATED IN

The majority of businesses (97%) sold goods or services in Scotland, while 58% *only* sold in Scotland and not in other markets (these are referred to as 'domestic businesses'). Two-in-five (39%) businesses sold goods or services outside Scotland, but within the UK (referred to as 'rUK businesses'), and 24% sold goods outside of the UK (referred to as 'international businesses') (Figure 6.1). These findings are in line with those seen in the previous wave.

**Figure 6.1: Markets currently operated in**

**Q. In which of these markets does your business currently sell goods and services?**



Base: All businesses

Consistent with previous waves, certain types of businesses were more likely than others to operate in each market:

- Domestic businesses were more likely to be:
  - smaller (0-10 employees) (62%) than larger businesses (54% of those with 11-24 staff and 36% of those with 25+ staff)
  - non-account managed (63%) than HIE account managed businesses (25%).
- rUK businesses were higher than average (39%) among:
  - larger businesses, particularly 25+ employees (63%)
  - HIE account managed businesses (68%) than non-account managed (36%).
- International businesses had a similar profile to rUK businesses and were higher than average (24%) among:
  - larger businesses with 11-24 employees (33%) and 25+ employees (43%)
  - tourism (38%) and creative industries (41%) businesses
  - HIE account-managed businesses (53%).

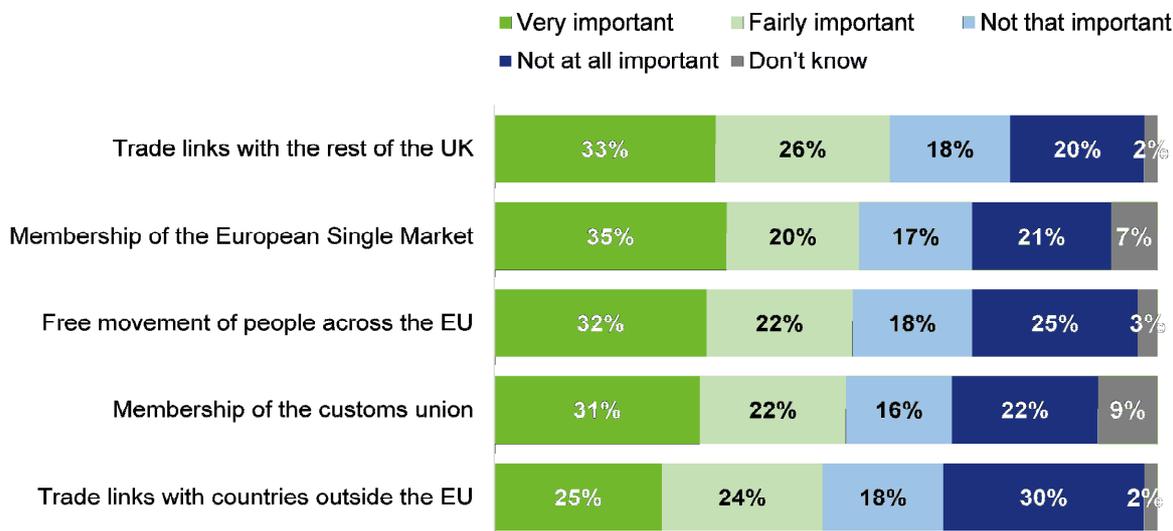
## RELATIONSHIP WITH OTHER MARKETS

Businesses were asked how important various aspects of their relationship with other markets were to the future success of their business. Opinion was mixed, with around half of businesses saying that each was important to them, while between a third and a half said each was not important (Figure 6.2).

Of the aspects covered, the greatest importance was placed on trade links with the rest of the UK (59% important, 38% not important), followed by: membership of the European Single Market (56% important, 38% not important); membership of the customs union (54% important, 38% not important); and free movement of people across the EU (54% important, 43% not important). Opinion was divided in relation to the importance of trade links with countries outside of the EU, with 49% viewing this as important and 48% as not important.

**Figure 6.2: Importance of relationships with other markets**

**Q. Thinking about your relationship with other markets, how important are the following to the future success of your business?**



Base: All businesses

*Variation by type of business*

International businesses were more likely than average to see each of these aspects as important to their future success: trade links with the rest of the UK (76% important compared with 59% overall); trade links with countries outside the EU (74% vs 49%); membership of the European Single Market (72% vs 56%); the customs union (69% vs 54%); and free movement (76% vs 54%).

Large businesses (25+ staff) were more likely than average to see trade links with the rest of the UK (71%) and free movement of people across the EU (68%) as important.

Food and drink businesses were more likely than average to view several of these aspects as important: trade links with the rest of the UK (79%); membership of the European Single Market (67%); membership of the customs union (61%); and trade links with countries outside of the EU (65%). Tourism businesses were more likely to see free movement as important (77%).

Businesses that were striving for growth were more likely to view each aspect as important: trade links with the rest of the UK (67%); membership of the European Single Market (60%); the customs union (60%); free movement (59%) and trade links with countries outside the EU (53%).

**VIEWS ON THE IMPACT OF BREXIT**

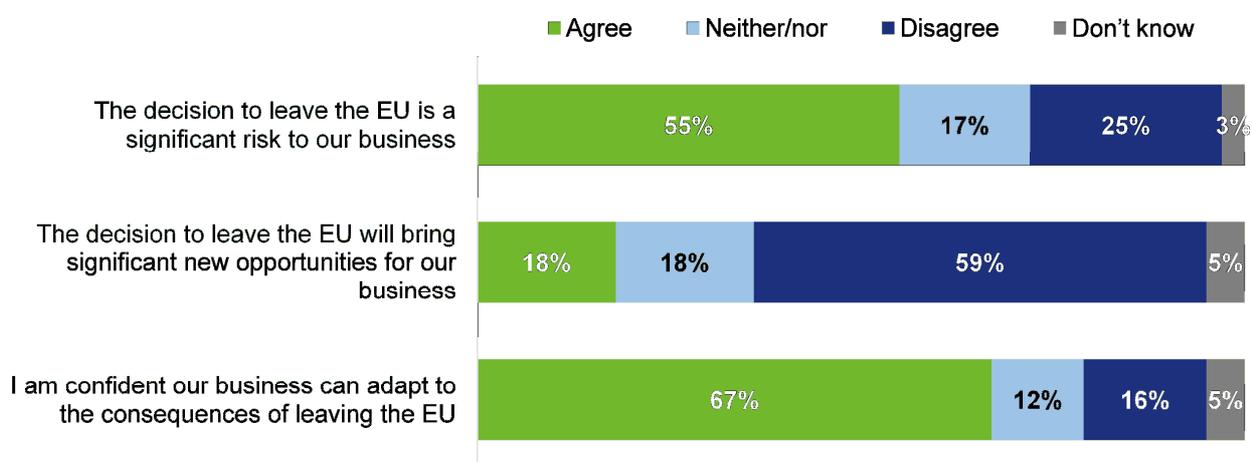
Just over half (55%) of businesses said the decision to leave the EU presented a significant risk to their business (38% strongly agree, 17% tend to agree), while 25% disagreed with this statement (11% tend to disagree, 14% strongly disagree). The proportion of businesses seeing the decision to leave the EU as presenting a significant risk to their businesses had increased since the previous wave, when 49% agreed (February/March 2019). Less than a fifth (18%) of businesses thought the decision to leave the EU would

bring significant new opportunities for their business (6% strongly agree, 12% tend to agree) while 59% disagreed (40% strongly disagree, 19% tend to disagree) (Figure 6.3).

Two thirds of businesses (67%) agreed they were confident their business could adapt to leaving the EU (32% strongly agree, 35% tend to agree), while 16% disagreed (8% strongly disagree, 7% tend to disagree). Confidence in this area was lower than that seen in February/March 2019, when 77% agreed they were confident their business could adapt and 11% disagreed.

**Chart 6.3: Views on the UK's relationship with the EU**

**Q. Overall, to what extent do you agree or disagree with the following statements about the UK's relationship with the EU?**



Base: All businesses

*Variation by type of business*

Businesses that said their optimism had decreased in the last six months and those who were not optimistic for the year ahead showed the greatest pessimism about Brexit (Table 6.1). Those who were more optimistic about the economy and about their business prospects were more likely to say they were confident in their ability to adapt to leaving the EU.

**Table 6.1: Views on Brexit by economic confidence and business optimism**

*(Shaded cells represent figures that are significantly higher than the other categories)*

Statement	Economic optimism			Business prospects for next 12 months	
	Increased	Stayed the same	Decreased	Optimistic	Not optimistic
	% Agree			% Agree	
The decision to leave the EU is a significant risk to our business	39	45	74	49	75
The decision to leave the EU will bring significant new opportunities for our business	18	19	15	18	16
I am confident our business can adapt to the consequences of leaving the EU	75	77	50	76	41
<i>Base: All businesses</i>	<i>81</i>	<i>541</i>	<i>370</i>	<i>733</i>	<i>229</i>

Other differences by subgroups included:

- creative industries (71%), international (66%) and food and drink (64%) businesses were more likely than average (55%) to view Brexit as a significant risk to their business
- at the same time, food and drink (22%) businesses were also more likely than average (18%) to say that Brexit would bring new opportunities for their business
- those that strived for growth (70%) and those that anticipated growth (74%) were more likely than average (67%) to say they were confident they could adapt to the consequences of Brexit.
- those in a fragile area were more likely than those in a non-fragile area to view Brexit as a risk (70% compared with 52%) and were less confident their business could adapt to the consequences of leaving the EU (56% confident compared with 69%).

## 7. SUMMARY

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*Confidence in the economic outlook for Scotland remained low – although businesses continued to be more positive about their own performance*

Over half (54%) of businesses reported their confidence in the economic outlook in Scotland had stayed the same over the last six months, while 37% said it had decreased and 8% said it had increased.

Businesses were more positive about their own performance, however, continuing the pattern seen in previous waves of the Business Panel: 37% said their business had performed well in the last 12 months, while 44% said it had been steady and 19% struggled. Food and drink was the sector most likely to have struggled. Additionally, larger organisations (particularly those with 25+ employees) tended to have had a better year than smaller organisations (0-4 employees), as did HIE account-managed businesses.

Businesses largely reported stability in performance in terms of training, employment and working hours. Views remained more mixed in relation to financial aspects of business performance (sales/turnover and profit margins). The proportion of businesses experiencing a decline in exports has increased since the previous survey (February/March 2019).

Almost three-quarters (73%) were optimistic about their business prospects for the year ahead, while 23% were not optimistic. While the proportion optimistic about the upcoming 12 months was up three percentage points from the low of 70% recorded last wave, it remained lower than in 2018, when 80%-81% of businesses reported optimism about their business prospects in all three survey waves conducted.

*More businesses aspired to growth than did not – and most had taken action within the last year to improve their competitive advantage*

Over half (53%) of businesses said they aspired to growth in the future, whilst a third (36%) were content with their current size and a tenth (10%) wanted to downsize. 45% expected to grow in the next year or two, while 44% expected to remain the same and 10% anticipated a contraction. For most businesses, their aspirations aligned with their expectations: 72% of those aspiring to growth also expected to grow.

Most businesses had taken a new or different approach within the last 12 months to enhance their competitive position, most commonly: investing in premises or equipment, targeting new customers or markets, and analysing data to help inform decision making.

*Almost all businesses were planning ahead, albeit to a range of timeframes – and were keen for enhanced mobile and digital connectivity and better transport links to help them achieve their future plans*

95% of businesses were planning ahead, although there was variation in the length of forward planning: a quarter (24%) said less than 12 months ahead, while a third (33%) were planning one to two years ahead, slightly fewer (30%) two to five years ahead and 7% more than five years. In general, larger businesses (25+) were planning further into the future than those employing 0-4 staff, as were HIE account managed businesses.

Over seven in ten (72%) businesses were working to their usual planning timeframe, with 11% planning less far ahead and 16% further into the future. Amongst those planning less far ahead, political uncertainty along with market uncertainty and changing demand were by far the most common reasons given.

The most common factors considered by businesses when planning ahead were: reducing environmental impact, making use of digital and mobile technologies to best effect, staff training and development, energy efficiency improvements, collaboration with others and supporting workplace innovation. Larger businesses (particularly those with 25+ staff), HIE account managed businesses and those optimistic about their business prospects for the year were most likely to be taking many of the factors into consideration.

In order to achieve their future plans almost two-thirds of businesses said they needed enhanced digital and mobile connectivity. Transport links were also important, particularly better intra-regional transport links and improved transport links with the rest of the UK. Transport links were especially important to tourism businesses.

*Two thirds of businesses were confident they would be able to access the staff they needed in the coming year, although a lack of suitably skilled candidates was seen as a key challenge*

Around two-thirds of businesses who reported a need to recruit staff in the next 12 months (65%) were confident in their ability to access the staff they needed, while a third were not confident.

Just under two-thirds (64%) anticipated a challenge in recruiting or retaining staff. The most commonly mentioned challenges were: a lack of suitably skilled candidates; availability of housing in the area; the location of the business being off-putting; and other businesses being able to offer more attractive work packages.

The majority of employers (89%) had used fair work practices as a means of helping them to attract and retain staff. The most commonly used practices were: competitive levels of pay; training and skills development; flexible working; and the Living Wage. While zero hours contracts were not commonly used (13% of all employers had used them), they were more prevalent among tourism businesses (25%).

Among those that had used zero hours contracts or other flexible contracts, the most common reasons for doing so were: to offer greater flexibility for existing staff; to make the business more attractive for new staff; to allow them to draw on expertise as and when required; and to respond to seasonal changes in demand.

*More businesses saw Brexit as a significant risk to their business than was the case six months earlier – and fewer were confident that their businesses could adapt to the consequences*

In terms of their relationship with other markets, businesses placed greatest importance on trade links with the rest of the UK, followed by: membership of the European Single Market; membership of the customs union; and free movement of people across the EU. Opinion was divided in relation to the importance of trade links with countries outside of the EU, with half viewing these as important and half not.

Just over half (55%) of businesses said the decision to leave the EU presented a significant risk to their business, an increase of six percentage points since this question was last asked of businesses in February/March 2019. Under a fifth (18%) agreed that the decision would bring significant new opportunities. Two-thirds (67%) were confident that their business could adapt to the consequences of leaving the EU, although this is fewer than in February/March 2019 (77%).

## 8. APPENDIX

### BUSINESS PERFORMANCE

**Table A.1: Business performance by growth sector<sup>5</sup>**

	Performed exceptionally well	Performed quite well	Been fairly steady	Struggled slightly	Struggled markedly	Don't know	Base
	%	%	%	%	%	%	N
<b>Overall</b>	<b>9</b>	<b>28</b>	<b>44</b>	<b>15</b>	<b>3</b>	<b>1</b>	<b>1001</b>
Tourism	8	34	35	19	3	2	124
Financial and business services	11	28	51	7	3	-	99
Creative industries	4	35	51	10	-	-	51
Non-growth sector	10	27	44	17	3	*	424
Food and drink	7	25	46	16	5	*	237
	N	N	N	N	N	N	
Energy	3	9	10	2	1	-	24
Life sciences	-	1	1	-	-	*	2

*Base: All businesses in each sector*

**Table A.2: Aspects of business performance in the last six months**

	Increased	Decreased	Stayed the same	Don't know	Base
	%	%	%	%	N
Sales or turnover	37	22	39	1	984
Working hours	27	8	65	*	991
Staff training	29	4	66	*	773
Exports	24	14	59	3	219
Profit margins	24	27	45	4	978
Employment	20	9	71	*	876

*Base: All businesses saying each aspect applied to them*

<sup>5</sup> As the base size for Energy and Life Sciences is less than 30, the number of responses (rather than percentages) are shown. As number of responses have been weighted, the base size shown for these sectors are the weighted, rather than unweighted, base.

**Table A.3: Overall assessments of business performance by growth sector<sup>6</sup>**

Growth Sector <sup>7</sup>	Assessment of business performance (mean score)	Base
Financial and business services	1.0	99
Tourism	0.7	124
Non-growth sector	0.6	424
Creative industries	0.5	51
Food and drink	0.4	237
Life Sciences	1.8	5
Energy	1.1	27

**Table A.4: Overall assessments of business performance by location<sup>8</sup>**

Location	Assessment of business performance (mean score)	Base
Lochaber, Skye and Wester Ross	0.7	128
Outer Hebrides	1.3	25
Argyll and the Islands	0.6	203
Moray	0.7	130
Inner Moray Firth	0.7	241
Orkney	0.5	81
Shetland	0.2	63
Caithness and Sutherland	0.5	96

**Table A.5: Overall assessments of business performance by size of business**

Size of business	Assessment of business performance (mean score)	Base
0-4 staff	0.3	629
5-10 staff	1.0	165
11-24 staff	1.1	115
25+ staff	1.6	91

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<sup>6</sup> Please note the small base sizes for Life Sciences and Energy.

<sup>7</sup> Although Energy had an average score of 1.3 and Life Sciences had an average score of 1.9, these do not represent a significant difference from other sectors due to the small base size for these sectors.

<sup>8</sup> Please note the small base size for the Outer Hebrides.

## BUSINESS PROSPECTS IN THE NEXT SIX MONTHS

**Table A.6: Business prospects over the next 12 months by confidence in the economic outlook**

	Optimism for future business prospects					
	Very optimistic	Fairly optimistic	Not very optimistic	Not at all optimistic	Don't know	Base
<b>Confidence in the economic outlook in Scotland</b>	%	%	%	%	%	N
Increased	47	45	4	2	1	88
Stayed the same	22	64	9	1	4	553
Decreased	4	46	36	10	4	349

**Table A.7: Optimism for future business prospects by past business performance**

	Optimism for future business prospects					
	Very optimistic	Fairly optimistic	Not very optimistic	Not at all optimistic	Don't know	Base
<b>Past business performance</b>	%	%	%	%	%	N
Performed exceptionally/quite well	33	56	7	2	2	373
Been fairly steady	10	63	20	2	5	436
Struggled slightly/markedly	5	39	39	14	4	185

## FORWARD PLANNING

**Table A.8: Factors considered when forward planning by organisation size and markets of operation**

	Organisation size				Markets of operation <sup>9</sup>		
	0-4	5-10	11-24	25+	Domestic businesses	rUK businesses	International businesses
<b>Factors considered when planning ahead</b>	%	%	%	%	%	%	%
Access to new markets	40	58	67	73	39	65	70
How we use digital and mobile technologies to mobile technologies to best effect	59	71	68	75	60	69	68
Automation of processes or more efficient manufacturing systems	24	36	44	52	26	38	36
Access to and analysis of data	42	49	66	75	44	56	58
Collaborating with others	51	62	62	72	54	59	61
Energy efficiency improvements	49	65	71	79	57	58	61
Reducing our environmental impact	59	71	85	84	66	66	73
Supporting workplace innovation	40	64	77	86	46	62	62
Changing or developing our product or service	39	61	65	73	44	55	62
Staff training and development	43	85	91	92	55	67	66
Base	629	165	115	91	571	402	255

<sup>9</sup> See markets of operation definition on page 32.

**Table A.9: Factors considered when forward planning by forward planning**

	<i>Forward planning</i>		
	<b>Further ahead</b>	<b>Less far ahead</b>	<b>About the same</b>
<b>Factors considered when planning ahead</b>	<b>%</b>	<b>%</b>	<b>%</b>
Access to new markets	69	39	47
How we use digital and mobile technologies to mobile technologies to best effect	75	63	61
Automation of processes or more efficient manufacturing systems	47	21	28
Access to and analysis of data	66	42	46
Collaborating with others	72	57	53
Energy efficiency improvements	65	57	55
Reducing our environmental impact	78	71	63
Supporting workplace innovation	75	45	48
Changing or developing our product or service	71	43	44
Staff training and development	81	45	57
<i>Base</i>	162	103	729

**Table A.10: Factors needed to achieve future plans by organisation size and markets of operation**

	<i>Organisation size</i>				<i>Markets of operation<sup>10</sup></i>		
	<b>0-4</b>	<b>5-10</b>	<b>11-24</b>	<b>25+</b>	<b>Domestic businesses</b>	<b>rUK businesses</b>	<b>International businesses</b>
<b>Factors considered when planning ahead</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
New or bigger business premises	20	31	31	36	23	27	30
Access to more up-to-date equipment	43	54	57	56	48	48	47
Innovation support	34	57	54	55	37	48	49
Access to finance	35	46	46	53	38	43	41
Better intra-regional transport links	52	56	72	65	49	65	67
Improved transport links with the rest of the UK	45	49	64	67	42	62	62
Improved international transport links	26	23	41	43	21	40	52
Enhanced digital and mobile connectivity	59	68	78	70	60	70	68
Access to specialist skills	35	58	59	59	40	49	47
<i>Base</i>	629	165	115	91	571	402	255

<sup>10</sup> See markets of operation definition on page 32.

## WORKFORCE

**Table A.11: Challenges anticipated with recruiting and retaining staff, by organisation size**

	<i>Organisation size</i>			
	<b>0-4</b>	<b>5-10</b>	<b>11-24</b>	<b>25+</b>
<b>Challenges anticipated in recruiting and retaining staff</b>	%	%	%	%
Lack of suitably skilled candidates	59	65	69	74
Loss of non-UK EU workers	30	22	31	46
Our location is off-putting	39	43	43	41
Availability of housing in the area	44	37	50	59
Lack of seasonal/temporary accommodation in this area	33	40	33	52
Other businesses can offer more attractive work packages	43	46	31	39
Lack of childcare	24	35	43	41
Lack of employment opportunities for partners	29	34	26	35
<i>Base</i>	<i>340</i>	<i>146</i>	<i>110</i>	<i>84</i>

**Table A.12: Challenges anticipated with recruiting and retaining staff, by sector**

	<i>Sector</i>						
	<b>Food and drink</b>	<b>Tourism</b>	<b>Financial and business services</b>	<b>Creative industries</b>	<b>Non-growth</b>	<b>Energy</b>	<b>Life Science</b>
<b>Challenges anticipated in recruiting and retaining staff</b>	%	%	%	%	%	N	N
Lack of suitably skilled candidates	61	65	65	66	65	11	2
Loss of non-UK EU workers	36	53	17	25	27	4	*
Our location is off-putting	49	42	33	41	37	8	1
Availability of housing in the area	45	61	42	53	42	10	1
Lack of seasonal/temporary accommodation in this area	44	66	30	44	29	4	1
Other businesses can offer more attractive work packages	53	31	38	35	39	6	1
Lack of childcare	29	44	32	41	29	6	1
Lack of employment opportunities for partners	33	35	23	41	30	2	1
<i>Base</i>	<i>139</i>	<i>85</i>	<i>66</i>	<i>32</i>	<i>299</i>	<i>20</i>	<i>5</i>

**Table A.13: Challenges anticipated with recruiting and retaining staff, by location**

	<i>Location</i>							
	<b>Argyll &amp; the Islands</b>	<b>Caithness &amp; Sutherland</b>	<b>Inner Moray Firth</b>	<b>Lochaber, Skye and Wester Ross</b>	<b>Moray</b>	<b>Orkney</b>	<b>Outer Hebrides</b>	<b>Shetland</b>
<b>Challenges anticipated in recruiting and retaining staff</b>	%	%	%	%	%	%	%	%
Lack of suitably skilled candidates	62	71	72	60	61	61	61	52
Loss of non-UK EU workers	37	28	28	38	27	19	35	22
Our location is off-putting	52	49	19	46	31	45	47	66
Availability of housing in the area	60	34	36	70	26	36	62	42
Lack of seasonal/temporary accommodation in this area	45	34	28	68	25	31	51	25
Other businesses can offer more attractive work packages	36	33	42	37	39	64	39	55
Lack of childcare	32	28	28	48	20	26	38	39
Lack of employment opportunities for partners	38	35	23	37	20	27	45	22
<i>Base</i>	<i>132</i>	<i>53</i>	<i>157</i>	<i>83</i>	<i>91</i>	<i>52</i>	<i>50</i>	<i>51</i>



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