HIE BUSINESS PANEL SURVEY

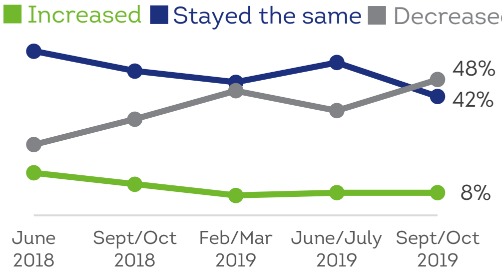
WAVE 14: RESILIENCE, BREXIT AND CLIMATE CHANGE

HIE
Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean

OPTIMISM, PROSPECTS AND PERFORMANCE

Confidence in the Scottish economy fell to the lowest level ever recorded, with net confidence* at -40. Confidence in the Highlands and Islands economy also fell, to 53% confident (down from 63% in Sept/Oct 2018). However, views on business performance and optimism about future prospects remained high .

Economic confidence: 2018-2019 trend



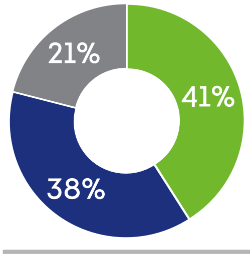
Higher than average confidence:
Tourism

Lower than average confidence:
Small businesses (0-4 staff)
Food & drink

53%

very/fairly confident about the regional economic outlook

Performance in last 12 months



More positive:
Large businesses (25+ staff)
Tourism

Less positive:
Small businesses (0-4 staff)
Food & drink

72%

very/fairly optimistic about their future prospects

FUTURE GROWTH

45% expected growth in the next year or two

45% expected stability, 7% expected contraction

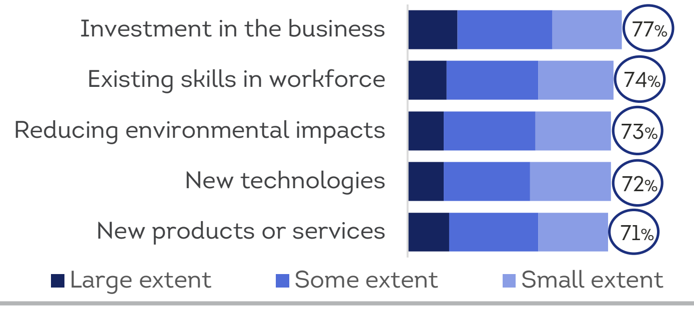
54% aspired to future growth

36% wanted stability, 10% wanted to downsize

FUTURE OPPORTUNITIES

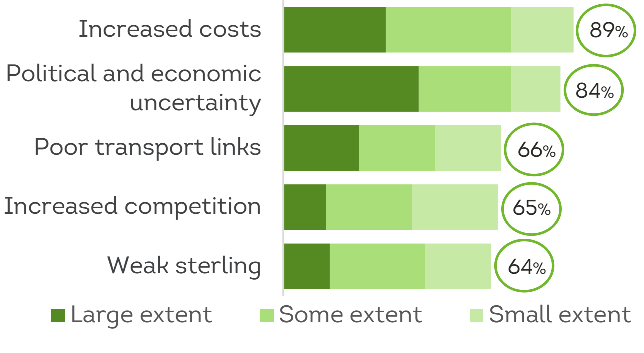
Top opportunities for the next year or two:
Loyal customer base (88%) & Increased demand (86%)

Other key opportunities

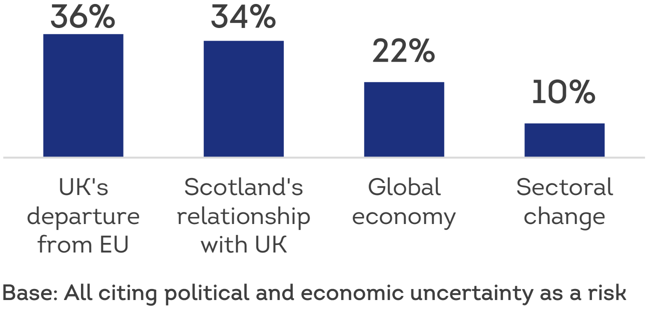


FUTURE RISKS

Top 5 risks in the next year or two



Political and economic factors considered *significant risks* to business:



Base: All citing political and economic uncertainty as a risk

Ipsos
Ipsos MORI

*The net figure is the difference between 'increased' and 'decreased' levels of confidence

BUSINESS VALUES

Which would you say are most integral to your business? (top 4)

Ensuring quality is at the heart of our goods and services	60%
Strong financial performance	46%
Ensuring a good work life balance	29%
Developing our staff	26%

INFORMATION USED FOR DECISION-MAKING

Customer feedback and financial performance data were the most relied on information sources

Sources of information used for decision-making

Customer feedback	79%
Financial performance data	68%
Research into existing or new markets	54%
New developments in technology	51%
Employee performance data	37%
Research into competitors	36%
Global trends and developments	31%

APPROACHES TO INNOVATION

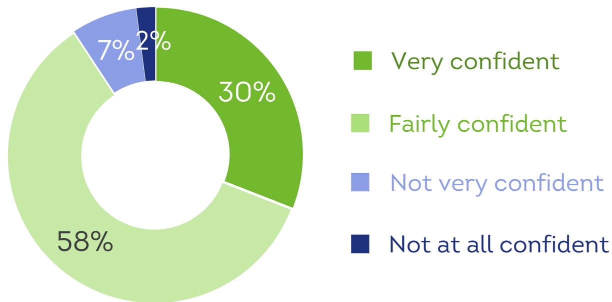
97% were already innovating in some way

Making efficiency improvements	76%
Adapting our existing product or service	64%
Targeting new customers or markets	61%
Developing new skills within the workforce	59%
Collaborating with others	55%
Using new or different types of technology	52%
Developing new products or services	44%

RESPONDING TO CHANGE

88% felt confident in their ability to adapt to changes in their working environment

Confidence in ability to respond to change



More confident
Large businesses (25+ staff)
Tourism
Those that performed well
Those expecting and striving for growth

Less confident
Small businesses (0-4 staff)
Those that had struggled
Those hoping to downsize

REASONS FOR FEELING CONFIDENT

Ability to adapt to change in the past	64%
Having the skills needed	56%
Adaptable workforce	55%
Loyal customer base	53%
Strong brand reputation	51%
Strong business performance	50%
Continually evolving what we do	49%
Continually plan ahead	47%

REASONS FOR NOT FEELING CONFIDENT

Lack of resources	30%
Lack of time	18%
Competition from other businesses	16%
Lack of skills	13%
No business continuity plan	10%
Haven't needed to respond to change in the past	6%

REDUCING OR RESPONDING TO ENVIRONMENTAL IMPACTS

"On a scale of 1 to 10, how committed would you say your business is to reducing its environmental impacts….

1 = Not committed at all — 10 = Very committed

1-4	5 or 6	7-10
9%	20%	69%

Mean overall score
7.3 / 10

Actions to reduce or respond to environmental impacts

Action	Already done	Plan to in future	Do not plan to	Don't know
Looking to minimise our waste	82%	11%	6%	
Improving the energy efficiency of our premises	62%	19%	17%	
Improving the energy efficiency of our systems and processes	45%	21%	28%	6%
Reviewing our use of transport for travel	38%	14%	42%	5%
Investigating or investing in ways to offset our carbon emissions	36%	21%	38%	6%
Reviewing our routes to market	27%	11%	49%	13%
Reviewing our use of transport for supplues and distribution	25%	13%	50%	11%

93% had already taken at least one of these actions.
Only 2% were not or did not plan to take any action

Most likely to take actions

- Large businesses (25+ staff)
- Food & drink
- Tourism

Least likely to take actions

- Financial and business services

TRAVEL AND TRANSPORTATION

97% relied on transport for their day-to-day operations

Forms of transport relied on to at least a small extent

Road	Ferry	Air	Rail
96%	56%	40%	21%

86% anticipated taking action to help reduce the environmental impacts of their travel and transportation

Action	%
Using more locally sourced supplies	62%
Investing in more energy efficient transport	47%
Collaborating to achieve efficiencies	46%
Encouraging staff to use energy efficient transport	38%
Using suppliers/distributors that use energy efficient transport	34%
Reducing staff travel	27%
Don't plan to take action	14%

Base: All reliant on transport to at least a small extent (970)

WASTE AND EMISSIONS

97% anticipated taking action to eliminate their waste and reduce their emissions

Action	%
Re-using equipment and materials for as long as possible	93%
Recycling or re-using our waste products	81%
Investing in more energy efficient equipment	62%
Using more renewable energy sources	58%
Researching more efficient ways of working	52%
Exploring how our waste products can be used by others	48%
Designing products so that they can be re-used	32%

BARRIERS TO ACTION

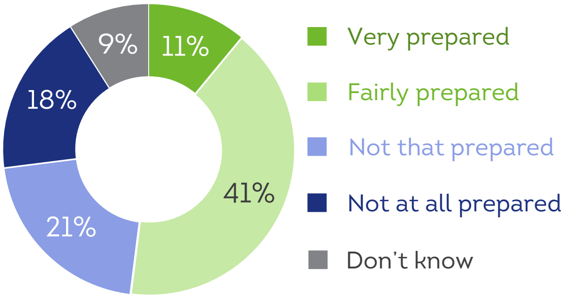
55% said they already acted in a sustainable way.
The main barriers preventing others from taking action to reduce environmental impacts were (top 4):

Cost	Not relevant to my business	Time	Lack of knowledge/ skills
50%	39%	34%	33%

The financial and business services sector were more likely to say taking action was not relevant to their type of business (51% vs 39% overall)

PREPARING FOR BREXIT

How prepared do you feel your business is for Brexit?



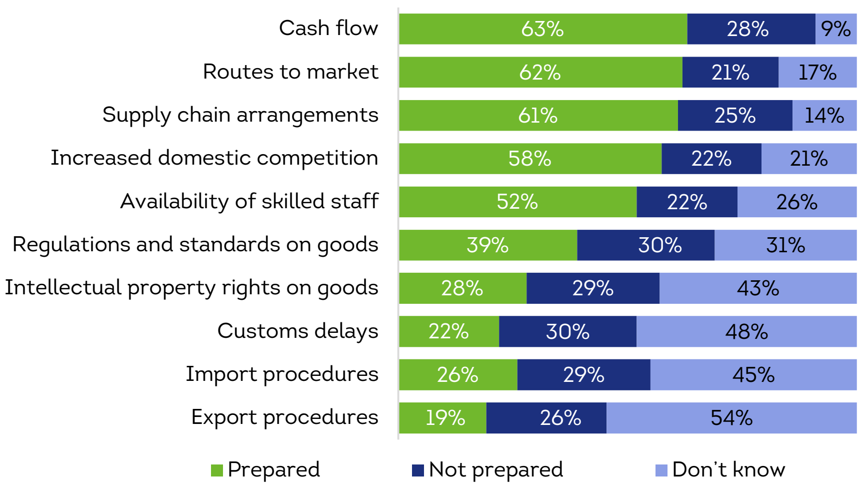
Prepared 52%

Most prepared
- Large businesses (25+ staff)
- Those that performed well
- Those optimistic about prospects
- Those expecting growth

Not prepared 39%

Least prepared
- Small businesses (0-4 staff)
- Food & drink
- Those not optimistic about prospects
- Those expecting to downsize

Level of preparedness for areas that might changes after Brexit



Food & drink businesses felt less prepared than others for changes to:
- Customs delays
- Import and export procedures
- Intellectual property rights

Tourism business felt less prepared than others for changes to:
- Availability of skilled staff

Small businesses (0-4 staff) were less prepared than average for almost all changes

REASONS FOR NOT FEELING PREPARED FOR CHANGES AFTER BREXIT

Top 4 reasons:

"We are waiting to see what will happen" **57%**

"We don't feel Brexit will impact us directly" **13%**

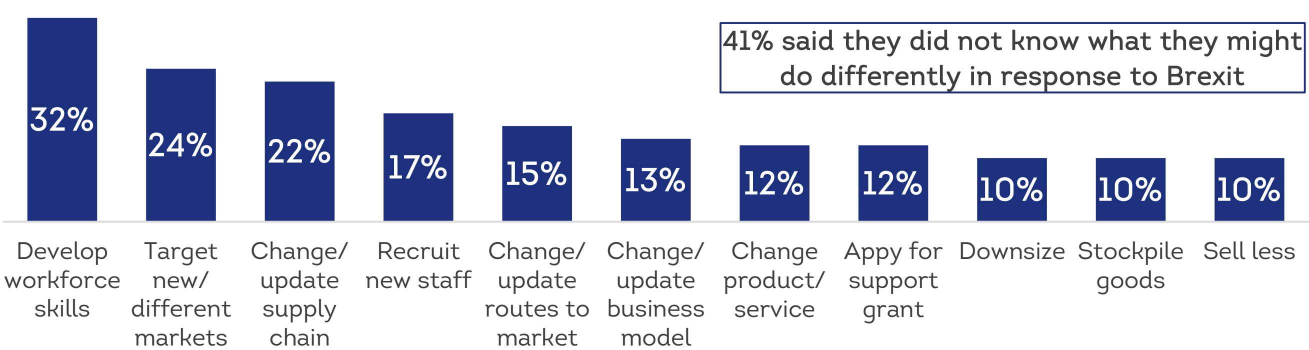
"We don't know how to prepare" **11%**

"We lack the skills needed to put actions in place" **7%**

TAKING ACTION IN RESPONSE TO BREXIT

Actions businesses planned on doing differently in response to Brexit

41% said they did not know what they might do differently in response to Brexit



NOTES: Survey fieldwork was conducted between 30th September and 30th October 2019, using telephone interviewing. In total 1,000 businesses and social enterprises participated. For more detail visit **www.hie.co.uk/business-panel.** Findings are weighted to ensure a representative sample of the regional business base.