

HIE BUSINESS PANEL

Wave 26:
November/December 2023



EXECUTIVE SUMMARY (1)

Overview

This report presents findings from the most recent wave of the Highlands and Islands Enterprise business panel survey carried out in November and December 2023.

Confidence in the economy dropped this wave, following a slight increase last wave, returning to the level seen in February/March 2023. However, businesses were more confident in the economy than at this time last year.

Business performance was mixed, and broadly in line with the previous wave. Most had either performed well or had been fairly steady, but one-in-five had struggled. Looking ahead, around half of businesses were striving for growth, while over a third were content with their current level of performance and one-in-ten were looking to downsize.

Most businesses were aiming for their sales to either remain stable or to increase in each of their markets of operation. Businesses were more ambitious about future sales in Scotland (the biggest market of operation) than in the rest of the UK or outside the UK. Reflecting on potential changes to import arrangements between the UK and the EU due to be phased in over 2024 (The Border Target Operating Model), businesses were much more likely to think these would have negative rather than positive impacts on their business. Almost a third were unclear on implications for them.

This wave, the survey explored the role of businesses in Community Wealth Building (CWB). Contributing to the local community emerged as a key value for businesses (second most important overall, after ensuring quality of goods or services). Most businesses considered their links with the local community as either equally important, or more important, than their profitable growth over the coming years.

Findings also highlighted the extent to which businesses were contributing to the five pillars of CWB*:

- On **finance**, eight-in-ten businesses were taking actions to benefit the community, of which just over half were providing financial support or donations to community groups or initiatives.
- Around one in eight businesses had an **inclusive ownership** model (being a social enterprise, employee-owned or co-operative business). Keeping wealth within the local community was a key driver for adopting, or considering, inclusive ownership models.
- On **workforce**, around a third of businesses said that providing fair work and conditions for staff was one of their most important values.
- On **spending**, over two-thirds of businesses were using or increasing their use of local suppliers, and their main reason for doing so was to support local businesses. A third of businesses were exploring different procurement opportunities in their local area.
- The survey did not explore **land and property** in detail. However, over a third were allowing the community to use their facilities, and one in five were providing or helping source housing or accommodation for staff.

Businesses recognise a range of activities in their local area that offer opportunities for them, particularly tourists and visitors coming to the area, renewable energy projects and community-led projects and developments. Most businesses were taking action to make the most of growth opportunities in their local area, including investing in equipment, investing in technology, and upskilling staff.

While contributing to the local community was clearly important to businesses, findings suggest that financial concerns still loomed large. The most immediate-term priorities for businesses were satisfying existing customer demand, surviving current financial challenges, building resilience to future financial challenges, and making cost savings.

*The five pillars of Community Wealth Building, as defined by the Scottish Government. <https://www.gov.scot/publications/building-community-wealth-scotland-independent-analysis-responses-consultation-exercise-analysis-report/pages/7/>

EXECUTIVE SUMMARY (2)

Optimism and performance

- **Confidence in the economic outlook for Scotland was down this wave:** 50% of businesses were confident (compared to 55% in May/June 2023), while 48% were not (compared with 43%). Confidence returned to the level reported by businesses in February/March 2023.
- **Reflecting on the past six months, 36% said their economic confidence had decreased, 8% said it had increased, and 55% said it had stayed the same.** Net confidence was -28, similar to that reported in May/June 2023 (-29) and higher than this time last year (-58 in October/November 2022).
- **Just over half (53%) of businesses were confident in the economic outlook for the Highlands and Islands region,** while 45% were not.
- **Views on business performance over the last six months were mixed,** with 34% saying their business had performed well, 44% saying their performance had been fairly steady and 21% saying they had struggled. Performance was broadly in line with the previous wave.
- **Over the past six months, sales or turnover performance was mixed** (37% said it had increased, 22% decreased, and 39% remained the same). Businesses had once again performed better on sales or turnover than on profit (21% said profit margins had increased, 36% decreased, and 40% remained the same).
- **Employment and exports had remained relatively stable** (70% and 66% respectively said these had stayed the same).
- **Almost half (49%) of businesses were striving for growth,** while 37% were content with their current level of performance, and 12% were looking to downsize. Growth aspirations were higher than when this question was last asked in May/June 2022.

Markets of operation

- **Almost four-in-five (79%) businesses were importers** (sourcing goods from outside Scotland), with 77% importing from the rest of the UK and 33% from outside the UK. The majority of businesses (95%) sourced goods and materials from Scotland, with 19% sourcing *only* from Scotland.
- **Half (50%) of businesses were exporters** (selling to markets outside Scotland), with 49% selling to the rest of the UK and 28% internationally. The majority (97%) of businesses sold goods or services within Scotland, with 48% selling *only* in Scotland.
- Among those operating in each market, **around half of businesses were aiming for sales to remain consistent in Scotland (50%), the rest of the UK (55%), and outside the UK (55%) over the next 12 months.** Businesses were slightly more ambitious about their future sales in Scotland (42% aimed for an increase) than in the rest of the UK (36%) and outside the UK (34%). Fewer than one-in-ten were looking to reduce their sales in any of these markets.
- Businesses were asked about changes to import arrangements between the UK and the EU due to be phased in over 2024. **One-in-five (20%) felt these changes would have mainly negative impacts on them, while 3% anticipated positive impacts and 24% no impacts.** Almost a third were unclear on potential implications.
- Among those expecting negative impacts from changes to import arrangements, top concerns were **cost increases (86%), delays to goods being delivered (78%), additional paperwork (62%) and additional time and effort required to comply with changes (62%).**

EXECUTIVE SUMMARY (3)

Business structure

- **Among employers, 69% described themselves as family-owned and 6% were employee-owned** (with employees owning a majority of the shares). 14% of businesses were women-led, 5% described themselves as a social enterprise and 5% were a co-operative (owned or controlled by its members).
- **Around one-in-eight (13%) businesses fell within one of the “inclusive ownership models”** of employee-ownership, social enterprise or co-operatives.
- **Among those that did not yet have an inclusive ownership model, very few (3%) said they were considering adopting one in future.** A minority (7%) said they were unsure and would like to know more about the concept. However, most (88%) were not considering this type of ownership model.
- Among those that already had, or would consider having an inclusive ownership model, the main reasons were: **to keep wealth in the local community (67%), to ensure their financial viability (51%), legacy and succession planning (48%), and to support growth (46%).**

Business values and priorities

- **The values deemed most important to businesses were ensuring quality of goods or services (48%) and contributing to the local community (44%).** This was followed by being environmentally sustainable (32%), providing fair pay and conditions for staff (31%) and maximising profit (28%).
- **Around six in ten businesses (59%) felt that their profitable growth was equally as important as their links to their local community.** Around one-in-five (19%) thought that their links with and impact on the local community were more important, while one-in-ten (10%) felt their profitable growth was most important.
- Social enterprises, co-operative businesses and island-based businesses were more likely to value their links with their local community over their profitable growth (45%, 41% and 25% respectively versus 19% overall).

EXECUTIVE SUMMARY (4)

Community wealth building

- **Most businesses (92%) were taking actions that reflect the tenets of community wealth building (CWB).** This typically included using or increasing use of local suppliers (69%), collaborating with local businesses (64%), and providing well paid jobs (55%).
- Among those using or increasing their use of local suppliers, the main reasons for doing so were **to support local businesses (91%), to align with their business ethos (67%), and to shorten delivery timescales (65%).** For those not using local suppliers, the main reason for this was a lack of suppliers in the area (52%).
- Among those collaborating with local businesses, the main benefits of doing so were **sharing ideas and best practice (74%), reaching new customers or markets (61%), and developing products or services (55%).**
- **Most businesses (79%) were taking some action to benefit the local community. This most commonly involved providing financial support or donations for community groups or initiatives (54%).** This typically took the form of **responding to requests for gifts and donations or events or charities (87%).**
- Other actions being taken to benefit the local community included **engaging with schools, colleges or universities around career opportunities (37%), providing expertise or delivery support to community organisations (37%) and allowing the community to use facilities (36%).**
- Among those providing or helping source accommodation for staff (17% of businesses), this most frequently involved **helping staff to relocate or find accommodation (60%) and providing accommodation on the business premises (57%).**
- Businesses were closely split on whether they would like to do more for the local community in the next 12 months: **49% said they would like to do more, while 47% would not.**
- Among those who would like to do more for their local community, **the main barriers to doing so were lack of time (63%), cost (55%) and being focussed on their day-to-day survival (49%).**
- Findings suggest that **businesses in the Highlands and Islands were more engaged in CWB activities than businesses in the South of Scotland.** For example, Highlands and Islands businesses were more likely to be taking actions that reflected the tenets of CWB (92% vs 89% in the South of Scotland), to have inclusive business models (13% vs 9%), to be taking actions to benefit the local community (79% vs 72%), and to want to do more for their local community (49% vs 41%).

EXECUTIVE SUMMARY (5)

Priorities and local opportunities

- **The top immediate-term priorities for businesses were satisfying existing customer demand (39%) and surviving current financial challenges (37%).** This was followed by building resilience to future financial challenges (29%), making cost savings (27%) and looking after their wellbeing (26%).
- **More than three fifths (64%) of businesses felt that tourists and visitors coming to the area offered them an opportunity.** Renewable energy projects were seen as an opportunity by 50% of businesses, community-led projects or developments by 50%, large construction or infrastructure projects by 41%, and companies investing in or establishing a base in the area by 40%.
- **The majority of businesses (85%) were taking action to make the most of growth opportunities in their local areas.** The top actions were investing in new or upgraded equipment (55%), investing in technology (43%) and upskilling staff (43%).
- **The majority (94%) of businesses felt that there were barriers preventing them from making the most of opportunities in their localities.** The barriers that were impacting to the greatest extent were a lack of people or skills in the area (38% to a large extent), transport infrastructure (32%), access to housing (29%), complying with regulation and legislation (28%) and access to specialist skills (26%).

Influencing decisions

- **Three-in-five (60%) businesses felt that they could influence decision-making in their local community (to at least a small extent).** Just under half (48%) felt they could influence decision-making at regional level (the Highlands and Islands) to at least a small extent, 36% in Scotland and 22% at UK level.

A. INTRODUCTION

INTRODUCTION

Introduction

This report presents findings from wave 26 of the Highlands and Islands Enterprise (HIE) Business Panel survey. Survey fieldwork was conducted between 1 November and 8 December 2023, using both online survey and telephone interviewing. In total 1,002 eligible surveys with businesses and social enterprises across the Highlands and Islands were achieved (873 by telephone, 129 online).

As well as tracking questions exploring economic optimism, business performance, markets of operation and growth aspirations, the survey explored business values, facets of community wealth building, the extent to which businesses could capitalise on emerging economic opportunity and barriers they face in doing so.

Context for this wave

At the time of fieldwork, businesses continued to face challenging economic circumstances, with higher costs for energy, labour and materials persisting. Consumer demand also remained weakened as a result of the cost-of-living crisis, although there were signs that household financial pressures were easing towards the end of 2023.

Import checks on products coming from the EU to the UK are due to be phased in over 2024 (The Border Target Operating Model). The survey explored views on the potential impacts of these changes.

Community Wealth Building is a key element of HIE's new five-year strategy to support the development of a wellbeing economy in the region. Reflecting this, HIE was keen to better understand attitudes and actions among the business community in relation to different strands of CWB.

NOTES:

*For more information about the HIE Business Panel Survey, and to view previous reports visit: www.hie.co.uk/businesspanel

*Findings of the SOSE Business Panel Surveys are available at: <https://www.southofscotlandenterprise.com/business-surveys>

About the HIE Business Panel Survey

The 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 Scotland 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 and reducing to twice per financial year from April 2023.

Since June 2021, surveys have been carried out in parallel with South of Scotland Enterprise (SOSE), with members of the SOSE Business Panel comprising of businesses in the South of Scotland region (Dumfries and Galloway and the Scottish Borders). Both surveys include a core question set although there is scope for tailored questions for each agency.*

Two methodological changes were introduced in Wave 25 (May/June 23) and continued this wave. Firstly, businesses were provided with the option of completing the survey either online or by telephone interview (this online element having previously been utilised pre-2017). Additionally, a slight change was made to the sector categories used in the design of the survey sample. In both cases precautions were taken and quality checks carried out to ensure that findings remained as comparable as possible with previous survey waves.

METHODOLOGY

Sampling

The survey sample was mainly sourced from businesses that took part in previous waves of the survey and had indicated that they were willing to be re-contacted. Additional HIE panel members and HIE-client-engaged businesses were also approached along with companies identified from the Dun and Bradstreet and Market Location business databases.

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 so that the achieved sample reflected the population of eligible organisations as defined by the Inter-Departmental Business Register (IDBR).

The sectors referenced in the report are derived from a Standard Industry Classification (SIC) 2007 code applied to each business*. The following SIC 2007 Sections were excluded from the sampling:

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

The survey was designed to be reflective of the population based on the SIC 2007 codes. Previous survey waves (prior to May/June 2023) had been designed to be reflective of the population based on areas of economic activity considered to be “growth sectors” (as set out in the Government Economic Strategy). ** The sector profile of the achieved survey sample still remained similar to that seen in previous waves (based on SIC 2007 codes).

To reflect the new sample design, while allowing comparability with previous waves, in this report businesses are referred to in two ways:

- by the standard sector groupings defined by SIC 2007 code.
- by the growth sector categories used in previous waves.

The types of business covered by each category are shown in the appendix (slide 60).

Fieldwork

Respondents had a choice between completing the survey online or by telephone. The online survey was distributed by e-mail, inviting respondents to complete the questionnaire via a unique link. The remaining surveys were carried out using telephone interviewing.

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.

NOTES:

*Full detail of SIC 2007 categories can be found at <https://www.gov.scot/publications/standard-industrial-classification/>

**Definition and details of growth sector categories are available from the Scottish Government at <https://www.gov.scot/publications/growth-sector-statistics/>

PRESENTATION AND INTERPRETATION OF THE DATA

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.

The profile of the businesses that took part in the survey covered a range of categories in the Scottish Government's six-fold Urban Rural Classification.* In this report, survey findings have been condensed into three categories: remote rural (category 6), accessible rural (5), and small towns and peripheral urban areas (2 to 4). Throughout, those in small towns and peripheral urban areas are referred to as "urban".

Weighting

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. A breakdown of the achieved profile of businesses is provided in the appendix (slide 56).

NOTES:

*The Scottish Government's six-fold Urban Rural Classification is described on the Scottish website available [here](#).

A. OPTIMISM AND PERFORMANCE

KEY FINDINGS

- Confidence in the economic outlook for Scotland was down this wave: 50% of businesses were confident (compared to 55% in May/June 2023), while 48% were not (compared with 43%). Confidence returned to the level reported by businesses in February/March 2023.
- Reflecting on the past six months, 36% said their economic confidence had decreased, 8% said it had increased, and 55% said it had stayed the same. Net confidence was -28, similar to that reported in May/June 2023 (-29), and significantly higher than this time last year (-58 in Oct/Nov 2022).
- Just over half (53%) of businesses were confident in the economic outlook for the Highlands and Islands region specifically, while 45% were not.
- Views on business performance over the last six months were mixed, with 34% saying their business had performed well, 44% saying their performance had been fairly steady and 21% saying they had struggled. Performance was broadly in line with the previous wave.
- Over the past six months, sales or turnover performance was mixed (37% said it had increased, 22% decreased, and 39% remained the same). Businesses had once again performed better on sales or turnover than on profit (21% said profit margins had increased, 36% decreased, and 40% remained the same).
- Employment and exports had remained relatively stable (70% and 66% respectively said these had stayed the same).
- Almost half (49%) of businesses were striving for growth, while 37% were content with their current level of performance, and 12% were looking to downsize. Growth aspirations were higher than in June/July 2022 (the last time this question was asked)

Confidence in Scotland's economy was down:

50% were confident

48% were not

Over the past six months

34% performed well

44% performed steadily

21% struggled

49% were striving for growth

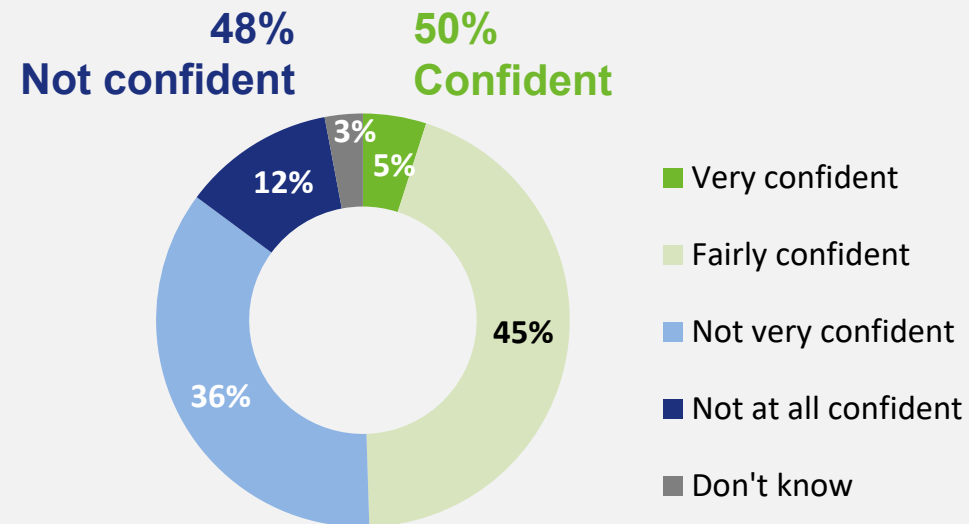
37% were content with current performance

12% were looking to downsize

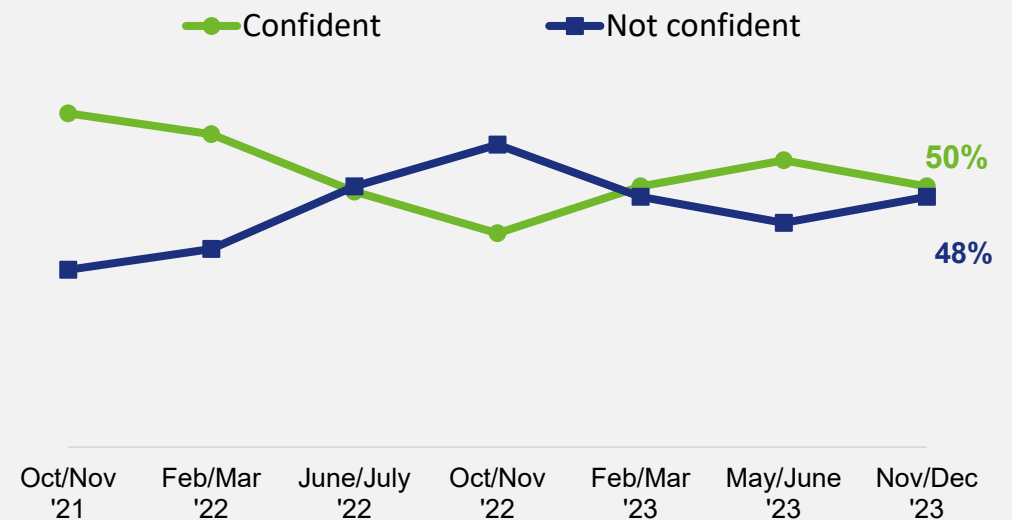
ECONOMIC OUTLOOK FOR SCOTLAND

Confidence in the economic outlook for Scotland decreased this wave: 50% of businesses were confident (compared to 55% in May/June 2023), while 48% were not (compared with 43%). Confidence returned to the level reported by businesses in February/March 2023.

Q. How confident are you in the economic outlook for Scotland over the next 12 months?



Base: All businesses (1,002)



Businesses in the Highlands and Islands were more confident in the economic outlook for Scotland than those in the South of Scotland (where 42% were confident, 56% not confident).

More confident than average

- Performed well in the past six months (64% confident).

Less confident than average

- IT, finance, and real-estate (61% not confident).
- Struggled in the past six months (75%).
- Looking to downsize (65%).

ECONOMIC CONFIDENCE OVER PAST 6 MONTHS

Reflecting on the past six months, 36% said their confidence had decreased, 8% said it had increased, and 55% said it had stayed the same.

Net confidence* was -28, similar to the previous wave (-29). Following a period of low confidence, levels were back in line with those last seen in Feb/March 2022 (-26).

As in the previous wave, net confidence was higher than in the South of Scotland (-35).

More likely to report increased confidence:

- Performed well in past six months (15%).

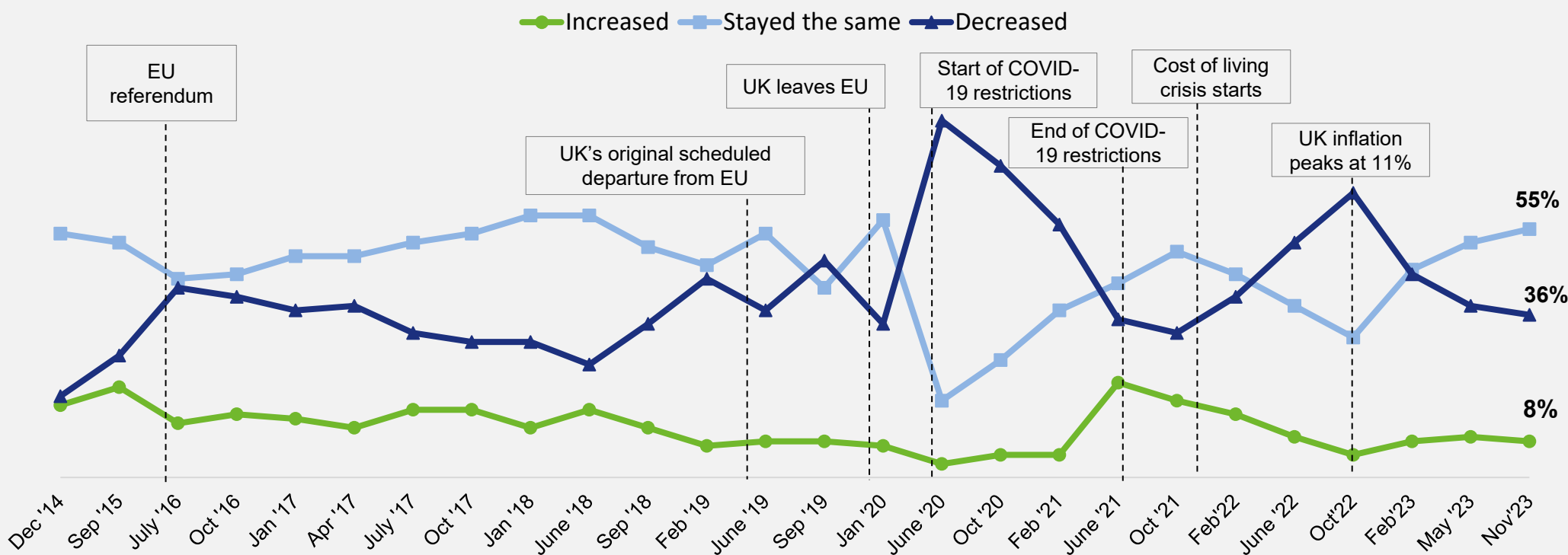
More likely to report decreased confidence:

- Struggled in past six months (63%).
- Looking to downsize (53%).

More likely to say confidence stayed the same:

- Performed well (63%) or steadily (59%) in past six months.
- Content with current performance (62%).

Q. Over the past six months, has your level of confidence in the economic outlook in Scotland increased, decreased or stayed the same?



Base: All businesses (Nov/Dec 2023: 1,002)

NOTES:

*The net figure is the difference between 'increased' and 'decreased' assessments at each wave. Net scores are positive when positive assessments exceed negative

ECONOMIC OUTLOOK FOR THE HIGHLANDS AND ISLANDS

Just over half (53%) of businesses were confident in the economic outlook for the Highlands and Islands region, while 45% were not. This was slightly higher than the overall confidence in the economic outlook for Scotland (50% confident, 48% not).

Confidence was lower than in June 2021 (the last time this question was asked), when 67% of businesses were confident and 31% were not.

Businesses in the Highlands and Islands were more confident in the economic outlook for their region, than businesses in the South of Scotland (where 45% were confident, 53% were not).

Confidence in the regional economy was closely linked with business performance (as was confidence in the economic outlook for Scotland, on the previous slide).

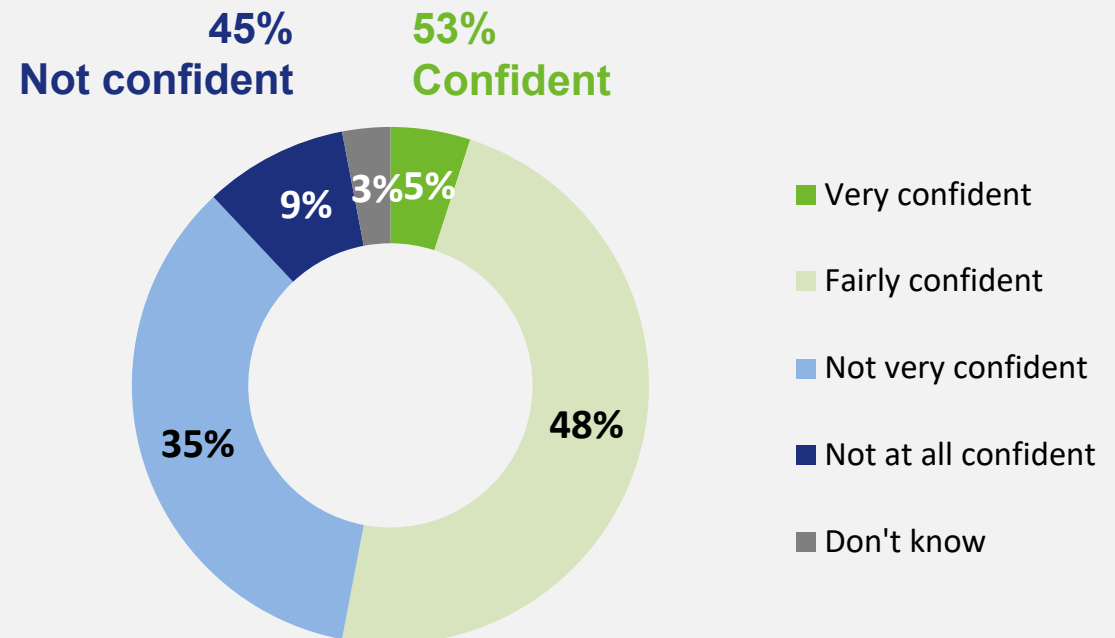
More confident than average

- Performed well in the past six months (67%).
- Content with their current level of performance (59%).
- Those in Orkney (64%).

Less confident than average

- Struggled in the past six months (71%).
- Looking to downsize (61%).
- Those in Shetland (58%).

Q. How confident are you in the economic outlook for the Highlands and Islands over the next 12 months?



Base: All businesses (1,002)

PERFORMANCE

Views on business performance over the last six months were mixed, with 34% saying their business had performed well, 44% saying their performance had been fairly steady and 21% saying they had struggled.

Performance was broadly in line with the previous wave in May/June 2023 (when 33% had performed well, 24% had struggled, and 43% had steady performance).

Performance was slightly higher than the levels seen in the South of Scotland this wave (where 29% had performed well, and 27% struggled).

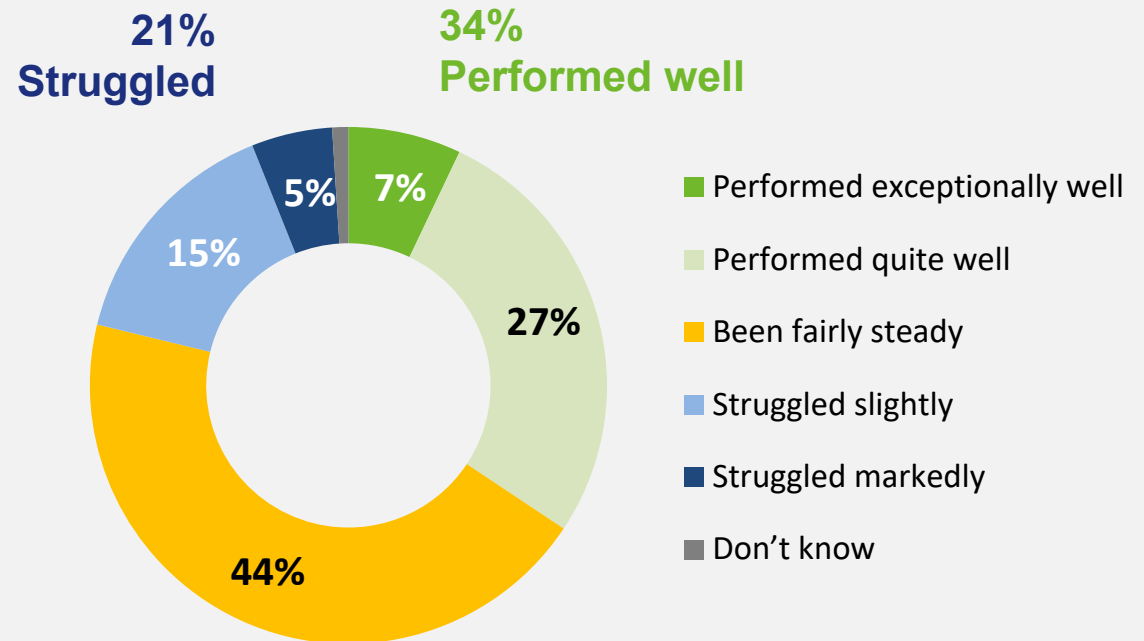
More likely to have performed well

- Financial and business services growth sector (49%).
- Tourism growth sector (43%).
- Striving for growth (39%).

More likely to have struggled

- Looking to downsize (31%).

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



Base: All businesses (1,002)

ASPECTS OF BUSINESS PERFORMANCE

Over the past six months, sales or turnover performance was mixed (37% said it had increased, 22% decreased, and 39% remained the same). Businesses had once again performed better on sales or turnover than on profit (21% said profit margins had increased, 36% decreased, and 40% remained the same). Employment and exports had remained relatively stable (70% and 66% respectively said these had stayed the same).

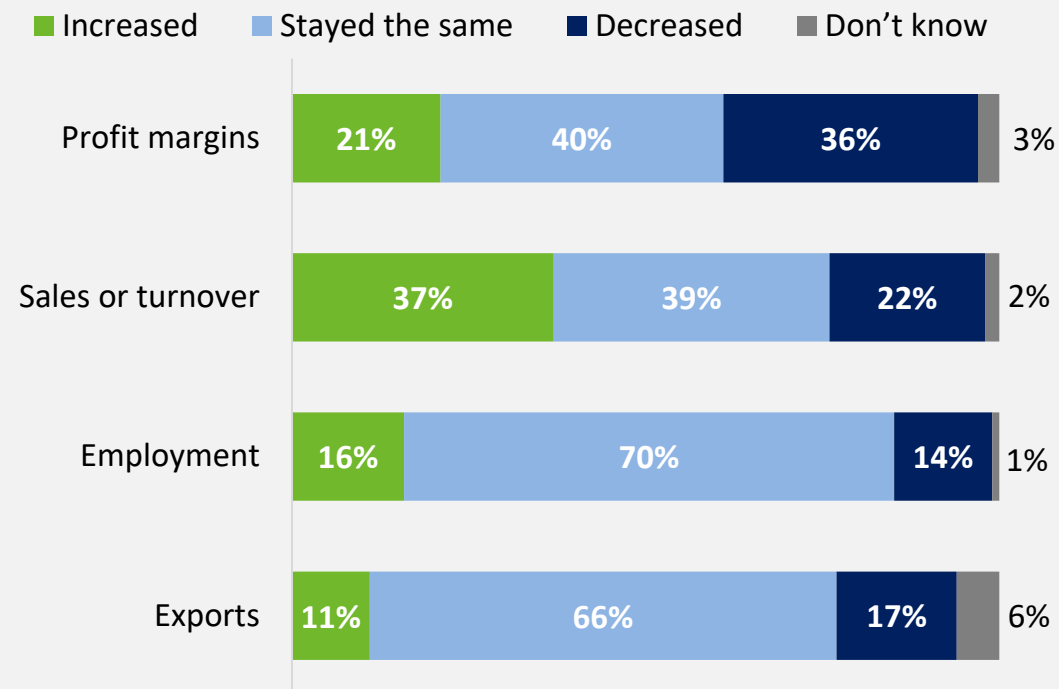
Increases were more common among:

- 25+ staff – sales or turnover (55%), employment (41%).
- Urban businesses – sales or turnover (42%), employment (21%).
- Striving for growth – sales or turnover (45%), employment (22%).

Decreases were more common among:

- 0-4 staff – sales or turnover (25%).
- Accommodation and food service activities – profit margins (55%).
- Tourism growth sector – profit margins (51%).
- Struggled in past six months – profit margins (78%), sales or turnover (64%), employment (31%), exports (32%).
- Looking to downsize – profit margins (52%), sales or turnover (42%), employment (28%).

Q. Please tell me if the following has increased, stayed the same or decreased over the last six months?



Base: All businesses to whom each applied: Profit margins (979), Sales or turnover (989), Employment (889), Exports (330).

GROWTH ASPIRATIONS

Almost half of businesses (49%) were striving for growth, while 37% were content with their current level of performance. Around one in eight (12%) were looking to downsize.

Growth aspirations were higher than in June/July 2022 (the last time this question was asked) when 45% were striving for growth, 42% were content, and 12% were looking to downsize.

More likely to be striving for growth:

- 25+ staff (71%).
- Manufacturing (71%).
- Arts and entertainment (66%).
- Urban businesses (59%).
- HIE-client-engaged (79%).
- Social enterprises (65%).

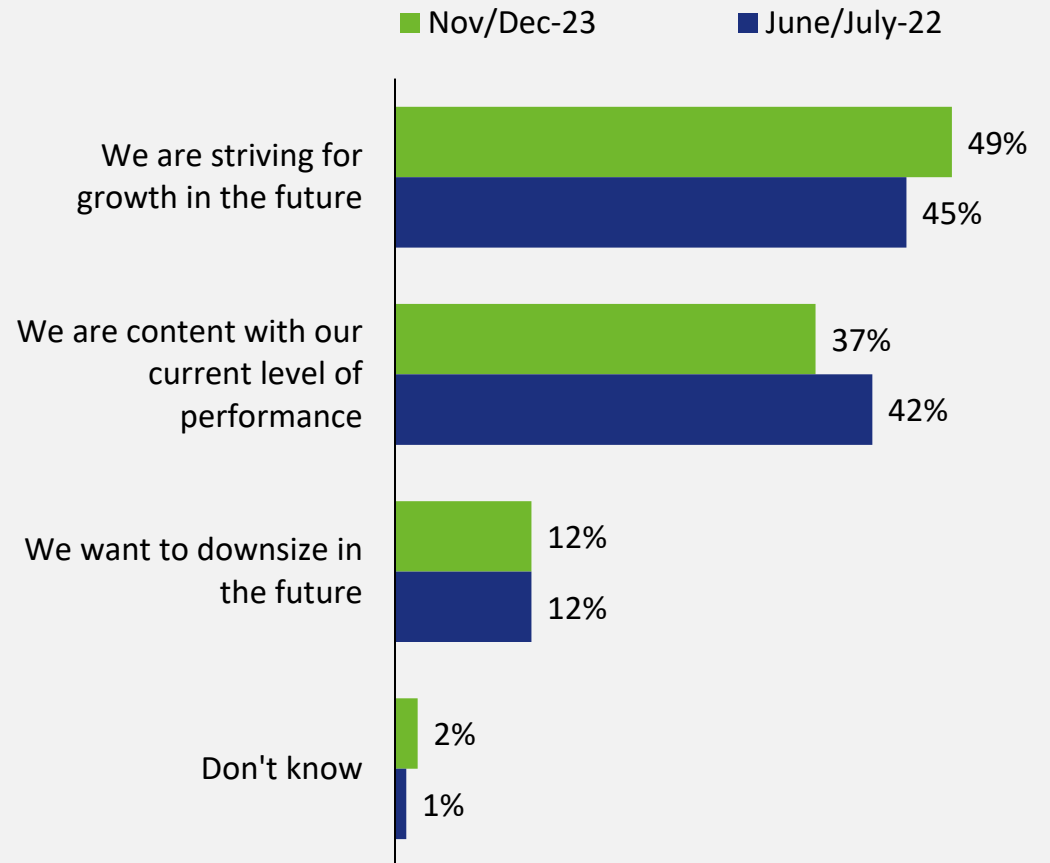
More likely to be content with current level of performance

- 0-4 staff (40%).
- Remote rural business (41%).

More likely to be looking to downsize:

- 0-4 staff (17%).
- Construction (20%).
- Primary industries (18%).
- Struggled in past six months (18%).
- Not confident in economic outlook for Scotland (17%) or the region (17%).

Q. Which of the following best describes your current aspirations for your business?



Base: All businesses Nov/Dec 2023 (,1002) | All businesses June/July 2022 (1,043)

B. MARKETS

KEY FINDINGS

- Almost four-in-five (79%) businesses were importers (sourcing goods from outside Scotland), with 77% importing from the rest of the UK and 33% from outside the UK. The majority of businesses (95%) sourced goods and materials from Scotland, with 19% sourcing *only* from Scotland.
- Half (50%) of businesses were exporters (selling to markets outside Scotland), with 49% selling to the rest of the UK and 28% internationally. The majority (97%) of businesses sold goods or services within Scotland, with 48% selling *only* in Scotland.
- Among those operating in each market, around half of businesses were aiming for sales to remain consistent in Scotland (50%), the rest of the UK (55%), and outside the UK (55%) over the next 12 months. Businesses were slightly more ambitious about their future sales in Scotland (42% aimed for an increase) than in the rest of the UK (36%) and outside the UK (34%). Fewer than one-in-ten were looking to reduce sales in Scotland (8%), the rest of the UK (6%) or outside the UK (8%).
- Businesses were asked about changes to import arrangements between the UK and the EU due to be phased in over 2024. One-in-five (20%) felt these changes would have mainly *negative impacts*, while 3% anticipated *positive impacts* and 24% *no impacts*. Almost a third (31%) were not sure what the changes would mean for them, and around a fifth (18%) felt these would not be applicable to their business.
- Among those expecting *negative impacts* from changes to import arrangements, top concerns were cost increases (86%), delays to goods being delivered (78%), additional paperwork (62%) and additional time and effort required to comply with changes (62%).

79% were importers

50% were exporters

34% were aiming for an increase in sales outside the UK

20% expected UK/EU import arrangements to have negative impacts on them (3% positive, 31% not sure)

IMPORT MARKETS

79% of businesses were importers*, with 77% importing from the rest of the UK and 33% from outside the UK. The majority of businesses (95%) sourced goods and materials from Scotland, with 19% sourcing *only* from Scotland.

Findings were in line with those seen in the previous wave. The proportion of those importing from outside the UK has remained at a similar level (of between 31% and 34%) since Oct/Nov 22, lower than the level seen in June/July 2021 (39%).

As seen in the previous wave, the proportion of businesses importing from the rest of the UK was lower in the Highlands and Islands (77%) than in South of Scotland (83%). Both areas had similar proportions of businesses importing from outside the UK (31% in South of Scotland, 33% in the Highlands and Islands).

Variation (more likely than average to source from each market)

Within Scotland:

- Accommodation and food services (99%).
- Primary industries (98%).

Importing overall:

- 25+ staff (90%).
- Manufacturing (91%).
- Creative industries growth sector (90%).
- Wholesale and retail (85%).
- Accommodation and food services (85%).

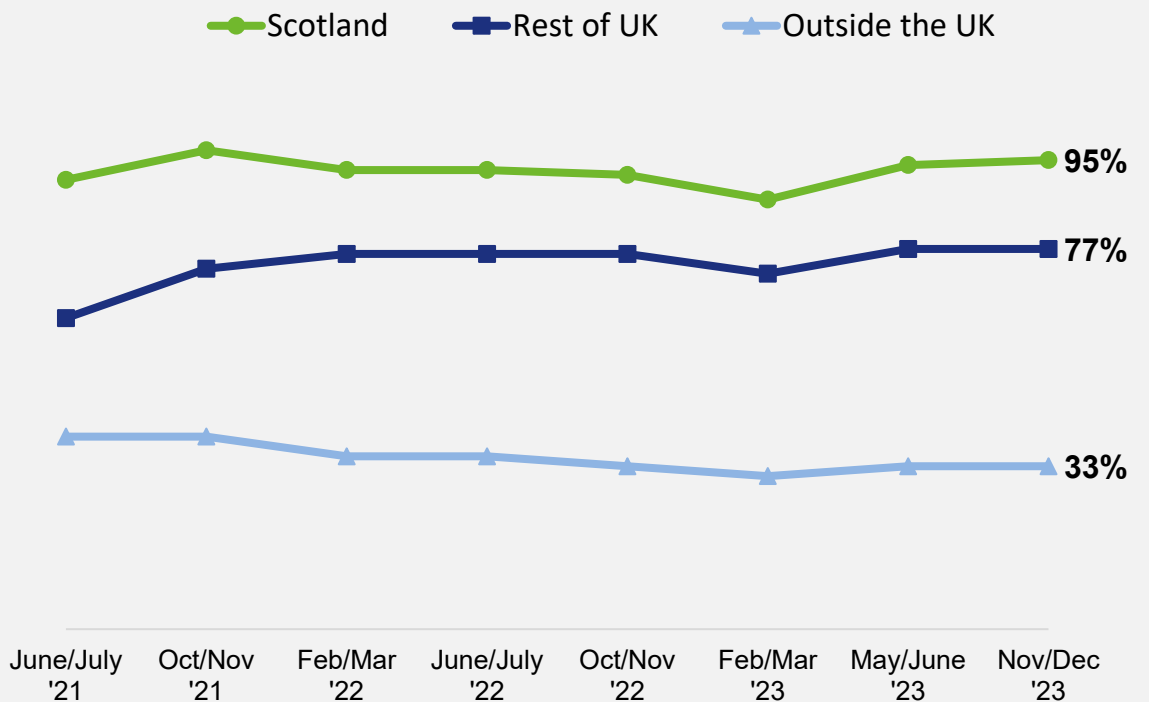
Rest of the UK:

- Manufacturing (87%).
- Creative industries growth sector (87%).
- Accommodation and food services (84%).

Outside the UK:

- 25+ staff (49%).
- Manufacturing (54%).
- Wholesale and retail (43%).
- HIE-client-engaged (55% vs 31% of non-client-engaged).
- Urban areas (39%).

Q. From which of these markets do you currently source goods and materials?



Base: All businesses (1,002)

NOTES

*In this report, "importers" are defined as those that source goods or materials from any market outside of Scotland

EXPORT MARKETS

Half (50%) of businesses were exporters,* with 49% selling to the rest of the UK and 28% internationally. The majority (97%) of businesses sold goods or services within Scotland, with 48% selling *only* in Scotland.

The proportion of exporters has been broadly the same since June/July 2022 (apart from a slight dip in May/June 2023) and remained lower than the level seen in June/July 2021 (61%). The proportion selling outside the UK increased slightly from 25% in the previous wave to 28% this wave.

As in the previous wave, the proportion of businesses selling to the rest of the UK was lower in the Highlands and Islands (49%) than in South of Scotland (63%). However, the proportion selling outside the UK was higher (28% in the Highlands and Islands, compared with 19% in the South of Scotland).

Variation (more likely than average to sell to each market)

Exporters overall:

- Manufacturing (78%).
- Creative industries growth sector (72%).
- Accommodation and food services (69%).
- Tourism growth sector (67%).
- Professional, scientific and technical (63%).
- HIE-client-engaged (67% vs 48% non-client engaged).

Rest of the UK

- Professional, scientific and technical (61%).

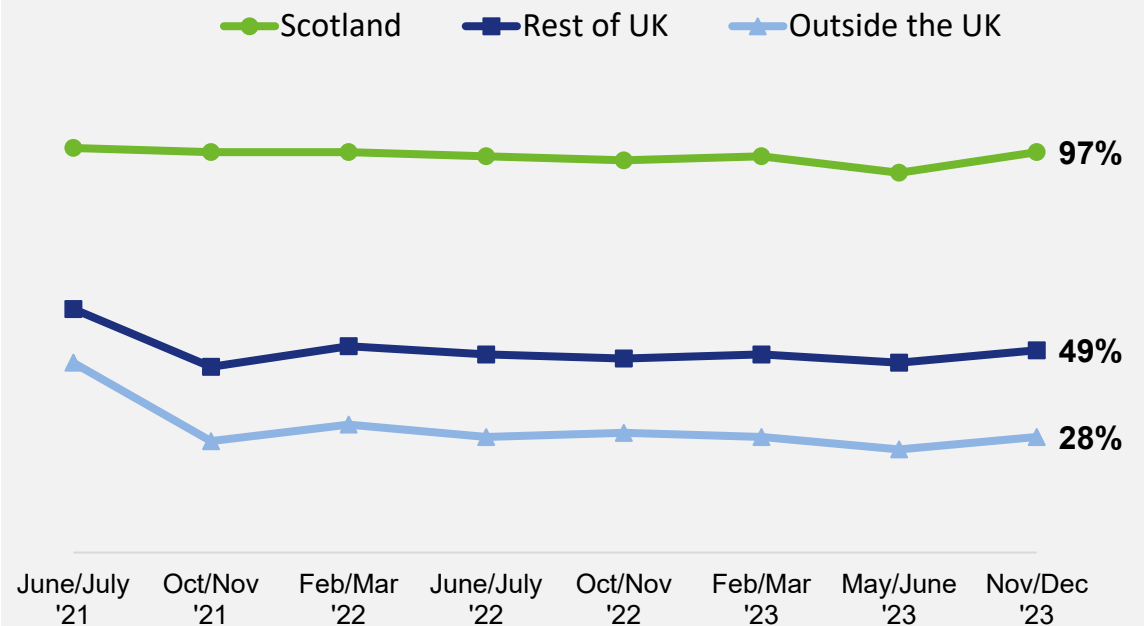
Outside the UK

- Arts, entertainment and other services (45%).
- HIE-client-engaged (43% vs 27% of non-client-engaged).

Both the rest of the UK and internationally

- Manufacturing (77% and 49%).
- Creative industries growth sector (71% and 49%).
- Accommodation and food services (69% and 63%).
- Tourism growth sector (67% and 62% respectively).
- Those striving for growth (59% and 35%).

Q. In which of these markets do you currently sell goods or services?



Base: All businesses (1,002)

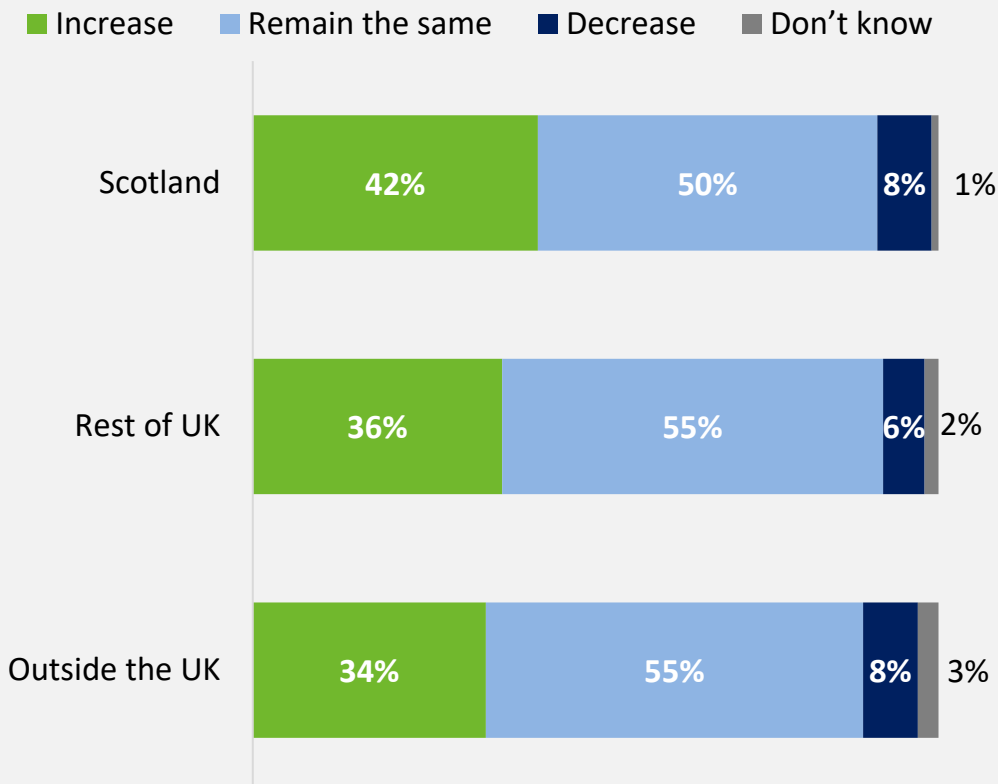
NOTES

*In this report, "exporters" are defined as those that sell goods or services to any market outside of Scotland

SALES ASPIRATIONS

Among those operating in each market, around half were aiming for sales to remain consistent in Scotland (50%), the rest of the UK (55%), and outside the UK (55%) over the next 12 months. Businesses were slightly more ambitious about their future sales in Scotland (42% aimed for an increase) than in the rest of the UK (36%) and outside the UK (34%).

Q. Are you aiming for your sales in these markets to increase, decrease or remain about the same over the next 12 months?



Base: All businesses to whom each applied: Scotland (984), Rest of UK (674), Outside the UK (499)

Those most likely to aim for increased sales in multiple markets were **manufacturing businesses**, and **those striving for growth**. On the other hand, **construction businesses**, **those that had struggled** and those **looking to downsize** were most likely to aim to reduce sales in more than one market.

More likely to aim for increased sales

- 25+ staff – in Scotland (59%).
- Manufacturing – in Scotland (62%), rest of UK (59%) and outside the UK (58%).
- Arts and entertainment – in Scotland (55%).
- Wholesale and retail – in Scotland (53%).
- Accommodation and food services – outside the UK (45%).
- Performed well – in Scotland (52%).
- Striving for growth – in Scotland (65%), rest of UK (54%) and outside the UK (50%).

More likely to aim for steady sales

- 0-4 staff – in Scotland (55%) and rest of UK (60%).
- Primary industries – in Scotland (65%) and rest of UK (66%).
- In remote rural areas – in Scotland (56%) and rest of UK (60%).
- Had steady performance – in Scotland (57%).
- Content with current performance – in Scotland (73%), rest of UK (78%) and outside the UK (73%).

More likely to aim to reduce sales

- Construction – in Scotland (16%) and rest of UK (19%).
- Struggled – in Scotland (17%) and rest of UK (13%).
- Looking to downsize – in Scotland (35%), rest of UK (29%) and outside the UK (43%).

VIEWS ON CHANGES TO IMPORT ARRANGEMENTS

Businesses were asked about changes to import arrangements between the UK and the EU due to be phased in over 2024. One-in-five (20%) felt these changes would have mainly negative impacts, while 3% anticipated positive impacts and 24% no impacts. Almost a third (31%) were not sure what the changes would mean and around a fifth (18%) felt these would not be applicable to their business.

Views were more negative than average among those currently **importing from outside the UK:**

- 33% expected negative impacts.
- 4% expected positive impacts.
- 17% expected no impacts.
- 36% were not sure what these changes would mean for their business.
- 6% felt this was not applicable to their business.

Further variation:

More likely to anticipate **negative** impacts:

- Manufacturing (31%).
- Selling to markets outside the UK (26%).
- Struggled in last six months (28%).

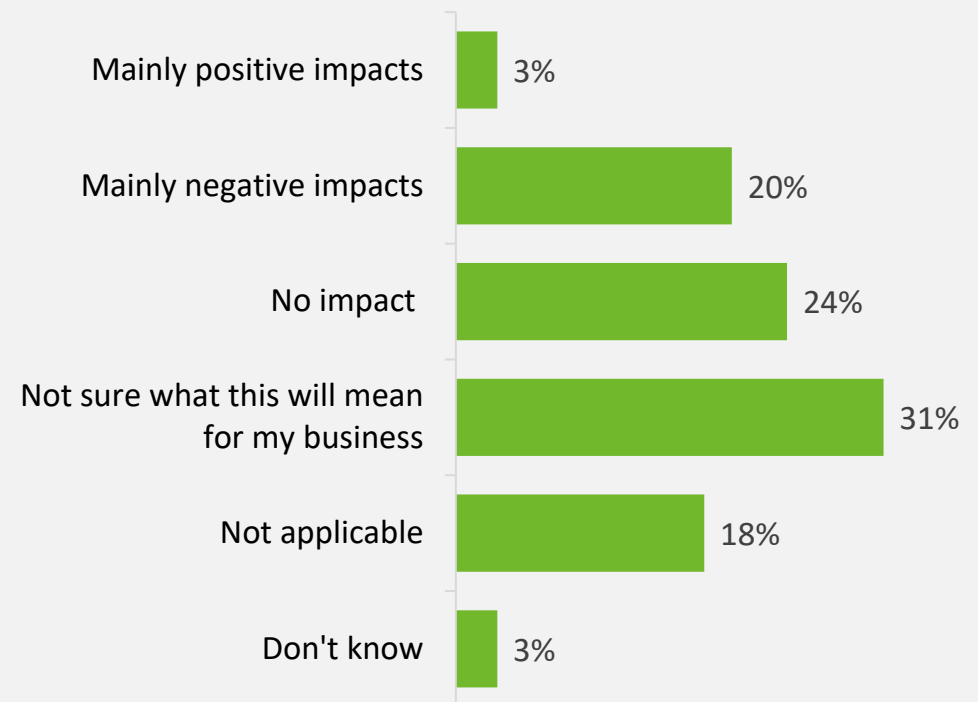
More likely to anticipate **no impact**:

- Financial and business services growth sector (35%).
- Creative industries growth sector (34%).
- Professional, scientific and technical (32%).

More likely to say changes were **not applicable**:

- Arts and entertainment (29%).

Q. Changes to import arrangements between the UK and the EU are likely to come into place next year. What sorts of impacts do you expect this to have on your business?



Base: All businesses (1,002)

NEGATIVE IMPACTS OF CHANGES TO IMPORT ARRANGEMENTS

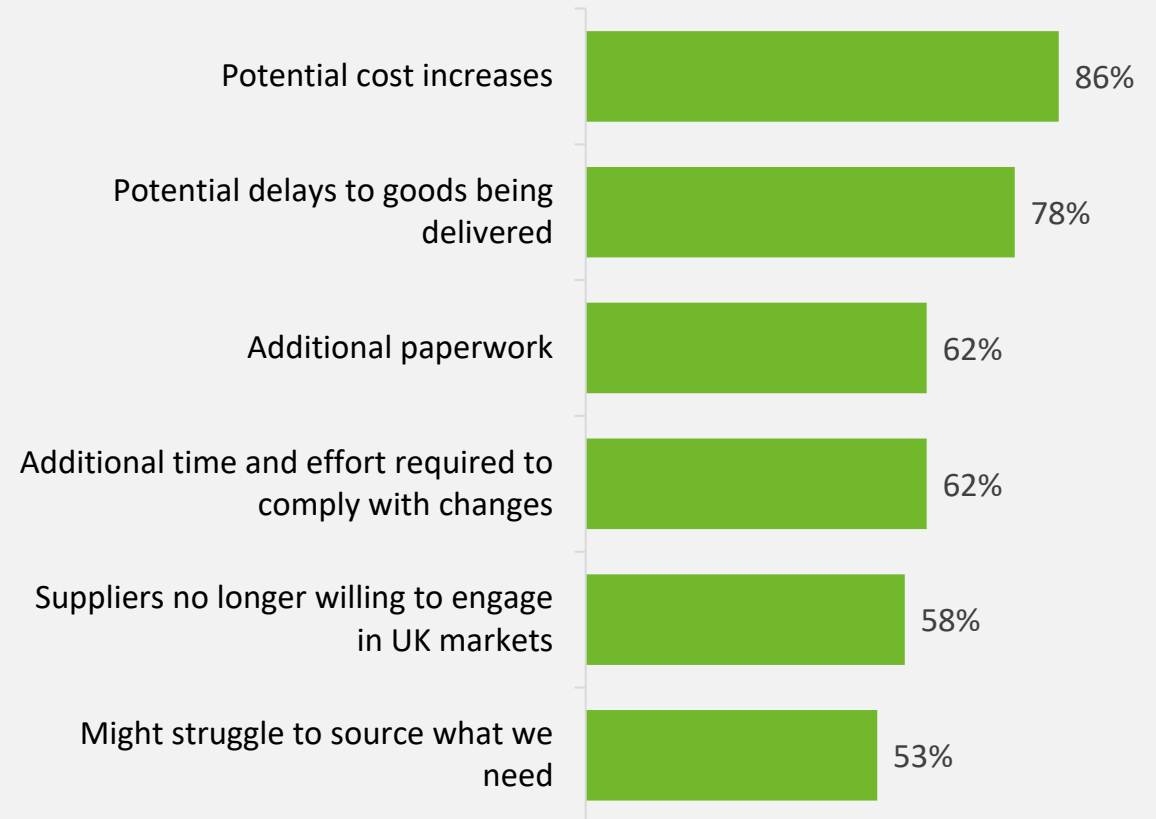
Among those expecting *negative impacts* from changes to import arrangements, top concerns were cost increases (86%), delays to goods being delivered (78%), additional paperwork (62%) and additional time and effort required to comply with changes (62%).

Those currently **importing from outside the UK** were more likely than average to mention most of the negative impacts listed (see next slide).

Further variation (higher than average)

- Wholesale and retail – might struggle to source what we need (71%).
- Striving for growth – potential delays to goods being delivered (88%).
- Selling to markets outside the UK – additional paperwork (80%), additional time and effort (78%), and suppliers no longer willing to engage in UK markets (68%).

Q. What negative impacts do you expect those changes to have on your business?



Base: All expecting negative impacts from changes to import arrangements (196)

NEGATIVE IMPACTS OF CHANGES TO IMPORT ARRANGEMENTS – BY MARKETS IMPORTED FROM

In the table below, shaded cells indicate statistically significant differences compared with the average.

		Markets imported from		
	Average (%)	Scotland (%)	Rest of UK (%)	Outside the UK (%)
Negative impacts				
Potential cost increases	86	86	87	87
Potential delays to goods being delivered	78	79	82	89
Additional paperwork	62	62	65	78
Additional time and effort required to comply with changes	62	62	66	76
Suppliers no longer willing to engage in UK markets	58	58	61	67
Might struggle to source what we need	53	53	55	62
<i>Base: All anticipating negative impacts from the changes</i>	196	191	175	102

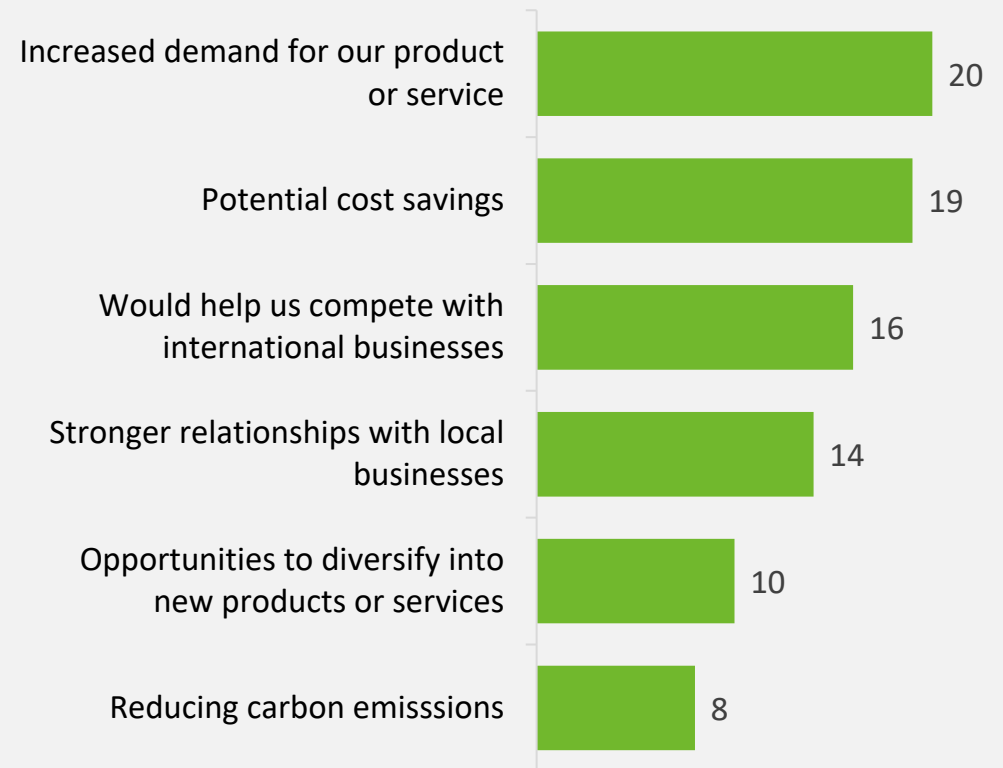
POSITIVE IMPACTS OF CHANGES TO IMPORT ARRANGEMENTS

Among those anticipating positive impacts from changes to import arrangements, the most common of these were: increased demand for their product or service, potential cost savings, being more able to compete with international businesses, and stronger relationships with local businesses.

Due to the low number of businesses answering this question, findings are shown in numerical form rather than as percentages.

There was no significant variation in findings within this group (reflecting the small base size).

Q. What positive impacts do you expect those changes to have on your business? (N)



Base: All expecting positive impacts from changes to import arrangements (28)

C. BUSINESS STRUCTURE

KEY FINDINGS

- Among employers, 69% described themselves as family-owned and 6% were employee-owned (with employees owning a majority of the shares). 14% of businesses were women-led, 5% described themselves as a social enterprise and 5% were a co-operative (owned or controlled by its members).
- Around one-in-eight (13%) businesses fell within one of the “inclusive ownership models”* of employee-ownership, social enterprise or co-operatives.
- Among those that did not yet have an inclusive ownership model, very few (3%) said they were considering adopting one in future. A minority (7%) said they were unsure and would like to know more about the concept. However, most (88%) were not considering this type of ownership model.
- Among those that already had, or would consider having an inclusive ownership model, the main reasons for that were: to keep wealth in the local community (67%), ensure their financial viability (51%), legacy and succession planning (48%), and to support growth (46%).

13% had an inclusive ownership model

The main reason for adopting an inclusive ownership model was to keep wealth in the local community (67%)

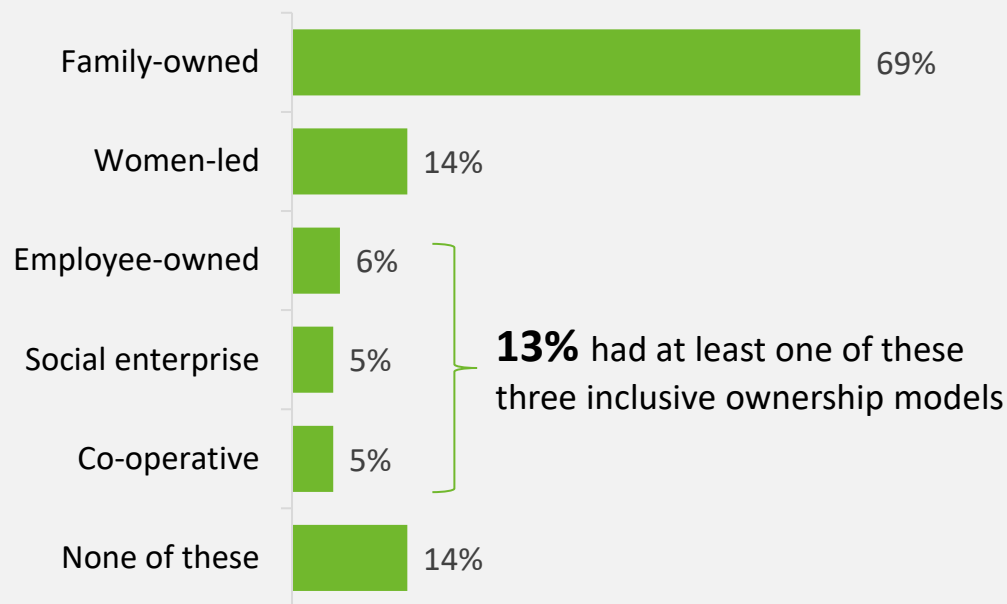
BUSINESS STRUCTURE

Among employers, 69% described themselves as family-owned and 6% were employee-owned (with employees owning a majority of the shares). 14% of businesses were women-led, 5% described themselves as a social enterprise and 5% were a co-operative (owned or controlled by its members).

Findings were similar to the previous wave (June/July 2023) when 66% were family-owned, 12% women-led, 7% employee-owned and 6% social enterprises. This was the first wave that asked about co-operative ownership.

The proportion of businesses with inclusive ownership models was higher in the Highlands and Islands than in the South of Scotland (13% vs 9%).

Q. Which of the following, if any, describes your business?



Note: Businesses could select more than one of these options

Base: For family or employee-owned– all employers (774); for all others - all businesses (1,002).

More likely to be:

Family-owned

- 1-4 staff (78%).
- Accommodation and food services (85%).
- Construction (85%).
- Food and drink growth sector (79%).
- Remote (73%) and accessible (76%) rural.

Women-led

- Arts and entertainment (30%).
- Accommodation and food services (24%).
- Creative industries growth sector (24%).
- Wholesale and retail (22%).

Employee-owned

- 25+ staff (11%).

Social enterprises

- Arts and entertainment (23%).
- Creative industries growth sector (15%).
- IT, finance and real estate (14%).
- Manufacturing (10%).
- HIE-client-engaged (16%)

Co-operative

- Arts and entertainment (13%).

INCLUSIVE OWNERSHIP MODELS

Among those that did not yet have an inclusive ownership model, very few (3%) said they were considering adopting one in future. A minority (7%) said they were unsure and would like to know more about the concept. However, most (88%) were not considering this type of ownership model.

Among those that already had, or would consider having an inclusive ownership models, the main reasons for that were: to keep wealth in the local community (67%), ensure their financial viability (51%), legacy and succession planning (48%), and to support growth (46%).

Certain reasons were more common among businesses with specific types of inclusive model:

- **Employee-owned** – legacy and succession planning (67%), and to reduce the risk of the business being taken over (49%).
- **Social enterprise** – for ethical reasons (59%).

Businesses in the Highlands and Islands were more likely than those in the South of Scotland to cite keeping wealth in the local community as a reason (67% vs 49%).

Q. What are/would be the main reasons for adopting that business model?



Base: Those who were, or who planned to be, an employee-owned, social enterprise, or co-operative business (167)

D. BUSINESS VALUES

KEY FINDINGS

- The values deemed most important to businesses were ensuring quality of goods or services (48%) and contributing to the local community (44%). This was followed by being environmentally sustainable (32%), providing fair pay and conditions for staff (31%) and maximising profit (28%).
- Around six in ten (59%) businesses considered their profitable growth and their links to the local community to be equally important. Around one in five (19%) thought their links to the local community were more important than their profit, while one in ten (10%) said their profitable growth was most important.
- Social enterprises, co-operatives and island-based businesses were more likely to value their links with their local community over their profitable growth (45%, 41% and 25% respectively versus 19% overall).

The most important business values were **ensuring quality of goods/services (48%)** and **contributing to the local community (44%)**

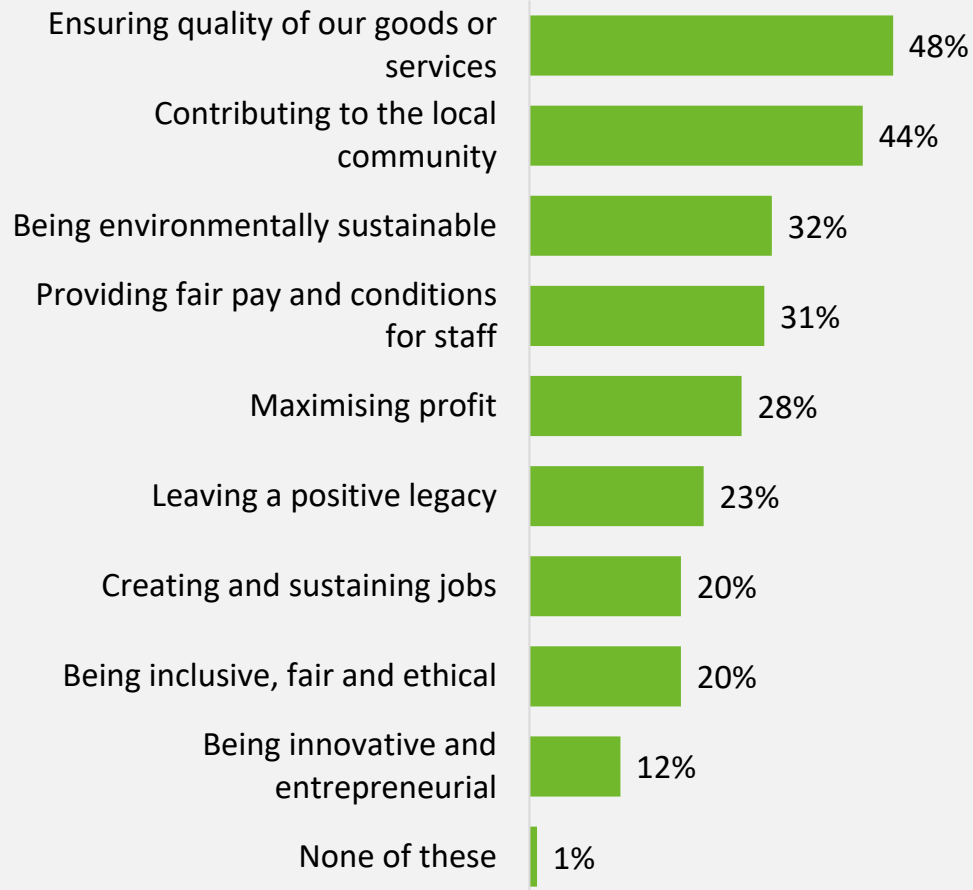
59% said that profitable growth and links with the community were **equally important**

BUSINESS VALUES

The top values deemed most important to businesses were ensuring quality of their goods or services (48%) and contributing to the local community (44%). This was followed by being environmentally sustainable (32%), providing fair pay and conditions for staff (31%) and maximising profit (28%).

Businesses in the Highlands and Islands were more likely than those in the South of Scotland to that say contributing to the local community (44% vs 33%) and providing fair pay and conditions (31% vs 24%) were important.

Q. Which two or three of the following values would you say are most important for your business?



Base: All businesses (1,002)

Variation (higher than average):

Size

- 25+ staff – fair pay and conditions (59%), creating and sustaining jobs (32%).

Sector

- Arts and entertainment – contributing to the community (63%), being inclusive, fair and ethical (32%).
- Professional, scientific and technical activities – quality of goods or services (59%), being inclusive, fair and ethical (31%).
- Primary industries – being environmentally sustainable (51%), maximising profit (37%), leaving a positive legacy (32%).
- Transport and storage – creating and sustaining jobs (34%).
- IT, finance and real estate – being innovative and entrepreneurial (28%).

Rurality

- Remote rural – being environmentally sustainable (37%).
- Accessible rural – being environmentally sustainable (43%), innovative and entrepreneurial (21%).

Growth aspiration

- Striving for growth – fair pay and conditions (39%), creating and sustaining jobs (26%).

Business structure

- Social enterprises – contributing to the community (81%), being inclusive, fair and ethical (46%).
- Co-operatives – being inclusive, fair and ethical (43%).
- Family-owned – fair pay and conditions (42%), creating and sustaining jobs (25%).
- Women-led – being inclusive, fair and ethical (29%).

BUSINESS PRIORITIES

Around six in ten (59%) businesses considered their profitable growth and their links to the local community to be *equally important*. Around one in five (19%) thought their links to the local community were more important than their profit, while one in ten (10%) said their profitable growth was most important.

Businesses in the Highlands and Islands were more likely than those in the South of Scotland to prioritise their links with and impact on the local community (19% vs 12%) and less likely to prioritise profitable growth (10% vs 17%).

More likely to prioritise:

Profitable growth

- Importing to (14%) and exporting from (14%) outside the UK.

Links with their local community

- Arts and entertainment (39%).
- Social enterprises (45%), and co-operatives (41%).
- Island businesses (25%).

Both as equally important

- 25+ staff (75%).
- Accommodation and food services (68%).
- Striving for growth (67%).

None of these

- 0-4 staff (14%).
- Construction (19%).
- Looking to downsize (32%).

Q. Thinking about the next 2-3 years, which of these statements most closely reflects your overall priorities?



Base: All businesses (1,002)

E. COMMUNITY WEALTH BUILDING

KEY FINDINGS

- Most businesses (92%) were taking actions that reflect the tenets of community wealth building. This typically included using or increasing use of local suppliers (69%), collaborating with local businesses (64%), and providing well paid jobs (55%).
- Among those that were using or increasing their use of local suppliers, the main reasons for doing so were to support local businesses (91%), to align with their business ethos (67%), and to shorten delivery timescales (65%). For those not using local suppliers, the main reason for this was a lack of suppliers in the area (52%).
- Among those collaborating with local businesses (64%), the main benefits of doing so were sharing ideas and best practice (74%), reaching new customers or markets (61%), and developing products or services (55%).
- Most businesses (79%) were taking some action to benefit the local community. This most commonly involved providing financial support or donations for community groups or initiatives (54%). This typically took the form of responding to requests for gifts and donations or events or charities (87%).
- Other actions being taken to benefit the local community included engaging with schools, colleges or universities around career opportunities (37%), providing expertise or delivery support to community organisations (37%) and allowing the community to use facilities (36%).
- Among those providing or helping source accommodation for staff (17% of businesses), this most frequently involved helping staff to relocate or find accommodation (60%) and providing accommodation on the business premises (57%).
- Businesses were closely split on whether they would like to do more for their local community in the next 12 months: 49% said they would like to do more, while 47% would not.
- Among those who would like to do more for their local community, the main barriers reported were lack of time (63%), cost (55%) and being focussed on their day-to-day survival (49%).

92% were taking actions that reflect the tenets of community wealth building

79% were taking action to benefit the local community.

The most common action was providing financial support or donations (54%).

49% wanted to *do more* for the local community. Time and cost were the main barriers.

ACTIONS RELEVANT TO COMMUNITY WEALTH BUILDING (1)

Most businesses (92%) were taking actions that reflect the tenets of community wealth building. This typically included using or increasing use of local suppliers (69%), collaborating with local businesses (64%), and providing well paid jobs (55%).

More likely to be taking action:

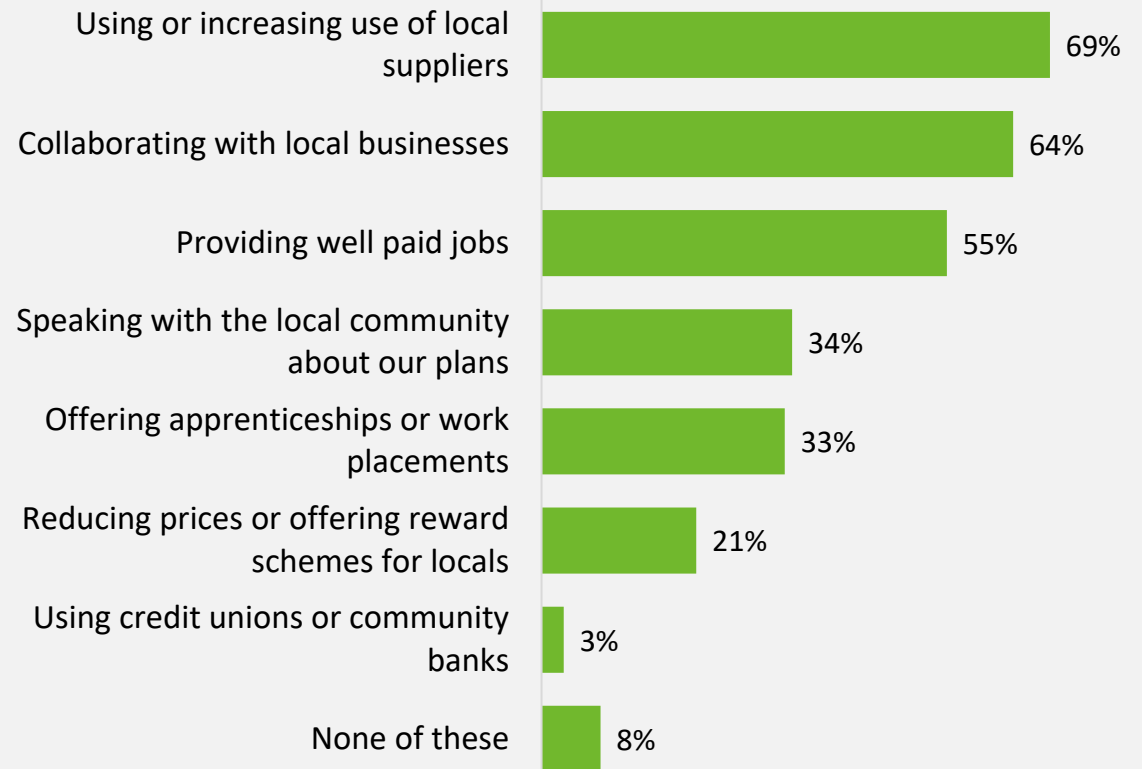
- 25+ staff (99% taking any of these actions).
- HIE client-engaged (98%).
- Those striving for growth (95%).

More likely to be taking none of these actions:

- 0-4 staff (11%).
- Those looking to downsize (17%).

Variation in the businesses taking specific actions is shown on the next slide.

Q. Which of the following actions, if any, is your business taking in relation to its operations?



Base: All businesses (1,002)

Businesses in the **Highlands and Islands** were more likely than those in the **South of Scotland** to be taking any actions (92% vs 89%) and to be taking the specific actions listed on the right:

- Providing well-paid jobs (55% vs 48% in the South of Scotland).
- Speaking with the local community about plans (34% vs 22%).
- Offering apprenticeships or work placements (33% vs 25%).
- Reducing prices or offering reward schemes for locals (21% vs 15%).

REASONS FOR USING LOCAL SUPPLIERS

Among those that were using or increasing their use of local suppliers (69% of businesses), the main reasons for this were to support local businesses (91%), to align with their business ethos (67%), and to shorten delivery timescales (65%).

Variation (higher than average):

Sector

- Primary industries – to shorten delivery timescales (75%), and less complex paperwork (46%).
- Wholesale and retail – better quality goods or services (72%).
- Accommodation and food services – part of the business ethos (79%) and better quality goods or services (68%).
- Food and drink growth sector – to shorten delivery timescales (74%) and less complex paperwork (43%).
- Tourism growth sector – part of their business ethos (81%).

Location

- Argyll and the Islands – unable to source from elsewhere (21%).

Relationship with HIE

- HIE client-engaged – to reduce their carbon emissions (79%).

Q. What are your main reasons for using local suppliers?



Base: All businesses using local suppliers (681)

REASONS FOR NOT USING LOCAL SUPPLIERS

Among those that were *not* using or increasing their use of local suppliers (32% of businesses), the main reason for this was a lack of suppliers in the area (52%), followed by having a very specialist requirement (37%), suppliers being unable to meet demand (18%) and high cost (14%).

Variation (higher than average):

- Wholesale and retail sector– lack of suppliers in the area (66%).
- Food and drink growth sector – negative working relationships (11%).
- Island businesses – quality issues (8%).
- Importers – lack of suppliers in the area (59%), having a very specialist requirement (43%), and suppliers unable to meet demand (21%).

Q. What are your main reasons for not using local suppliers?



Base: All businesses not using local suppliers (321)

BENEFITS OF COLLABORATION

Among those collaborating with local businesses (64%), the main benefits of doing so were sharing ideas and best practice (74%), reaching new customers or markets (61%), and developing products or services (55%).

Variation (higher than average):

Sector

- Primary industries – addressing staff shortages or skills gaps (53%), and access to equipment or premises (57%).
- Manufacturing – developing products or services (71%).
- Wholesale and retail – reaching new customers or markets (70%).
- Administrative and support services – expanding procurement opportunities (57%).
- Food and drink growth sector – access to equipment or premises (60%) and addressing staff shortages or skills gaps (53%).

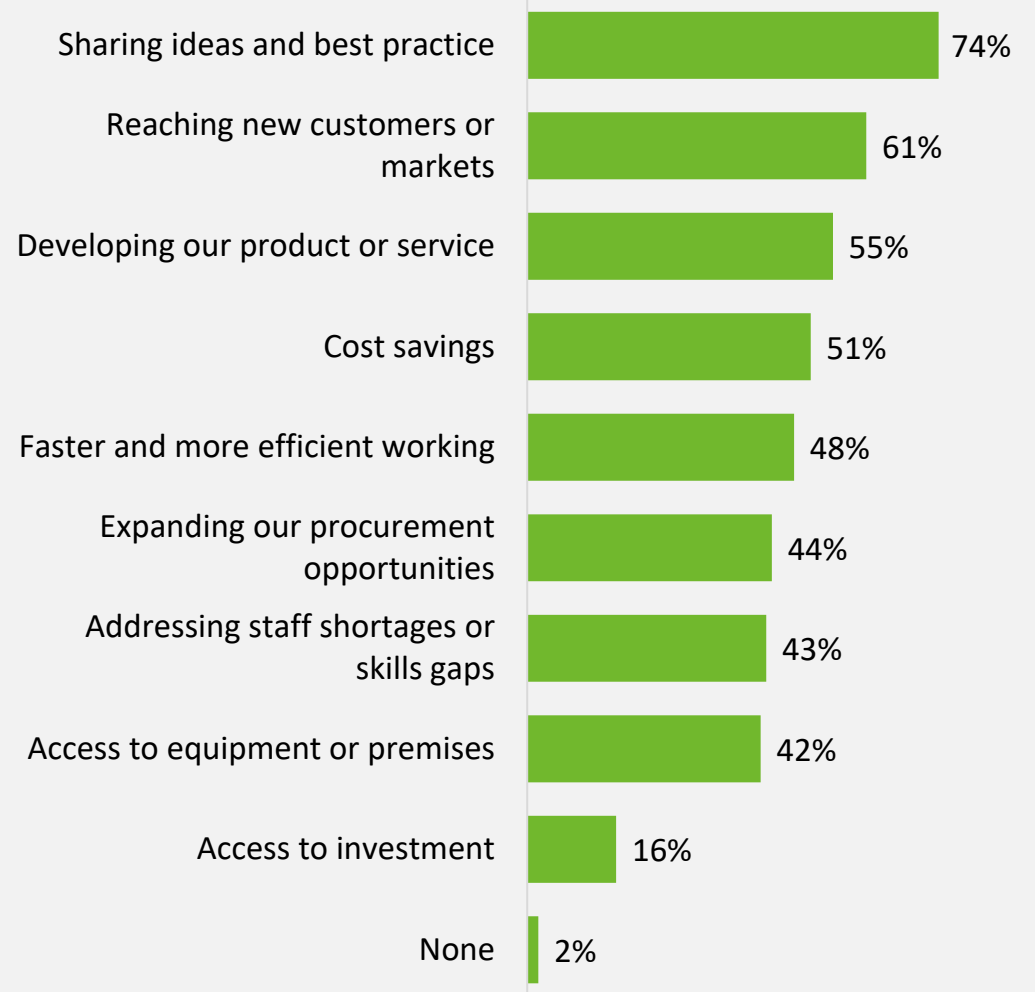
Location

- Remote rural – addressing staff shortages or skills gaps (47%).

Growth aspiration

- Striving for growth – reaching new customers or markets (67%), developing products or services (66%), and expanding procurement opportunities (49%).

Q. What benefits does collaborating offer you?



Base: All businesses that were collaborating (638)

COMMUNITY BENEFITS (1)

Most businesses (79%) were taking some action to benefit the local community. This most commonly involved providing financial support or donations for community groups or initiatives (54%), followed by engaging with schools, colleges or universities around career opportunities (37%), providing expertise or delivery support to community organisations (37%) and allowing the community to use facilities (36%).

More likely to be taking action:

- 25+ staff (100% were taking at least one action).
- Co-operatives (97%).
- Arts and entertainment (91%).
- Financial and business services growth sector (89%).
- Wholesale and retail (88%).
- Striving for growth (86%).
- Performed well in the past six months (83%).
- Social enterprises (83%).

Less likely to be taking action:

- Looking to downsize (33% taking none of these actions).
- Construction (31%).
- Creative industries growth sector (31%).
- 0-4 staff (29%).

Variation in the types of businesses taking specific actions is shown on the next slide.

Q. Which of the following actions, if any, is your business taking to benefit the local community?



Base: All businesses (1,002)

Businesses in the **Highlands and Islands** were more likely than those in the **South of Scotland** to be taking any action (79% vs 72%) and to be taking the specific actions listed on the right:

- Providing financial support or donations (54% vs 42% in South of Scotland).
- Engaging with schools, colleges or universities (37% vs 30%).
- Providing expertise or delivery support (37% vs 25%).
- Supporting staff to volunteer (32% vs 22%).
- Making excess produce or bi-products available (19% vs 13%).
- Providing or helping source accommodation for staff (17% vs 11%).

FINANCIAL SUPPORT FOR THE COMMUNITY

More than half of businesses (54%) were providing financial support or donations for the community. This typically took the form of responding to requests for gifts and donations or events or charities (87%). Just over half were sponsoring local sports teams or groups (56%) or collecting donations for local charities or initiatives (52%).

Variation (higher than average):

Sector

- Primary industries – investing in local facilities (40%).
- Manufacturing – sponsoring local sports teams or groups (72%).
- Wholesale and retail – collecting donations (69%).
- Accommodation and food services – responding to requests for gifts and donations (94%) and collecting donations (67%).
- Food and drink growth sector – responding to requests for gifts and donations (96%) and investing in local facilities (38%)
- Tourism growth sector – responding to requests for gifts and donations (95%) and collecting donations (62%).

Location

- Urban businesses – sponsoring local sports teams or groups (62%).

Size

- 25+ staff – sponsoring local sports teams or groups (77%).

Relationship with HIE

- HIE-client-engaged – setting up funding schemes for the community to apply to (22%).

Q. What specific types of financial support or donations for the community do you provide?



Base: All providing financial support or donations to the community (545)

SUPPORTING STAFF WITH HOUSING AND ACCOMMODATION

Among those providing or helping source accommodation for staff (17% of businesses), this most frequently involved helping staff to relocate or find accommodation (60%) and providing accommodation on the business premises (57%).

More likely to:

Provide accommodation on the business premises:

- 0-4 staff (67%).
- Food and drink growth sector (83%).
- Primary industries (75%).
- Accommodation and food services (72%).
- Remote rural businesses (63%).

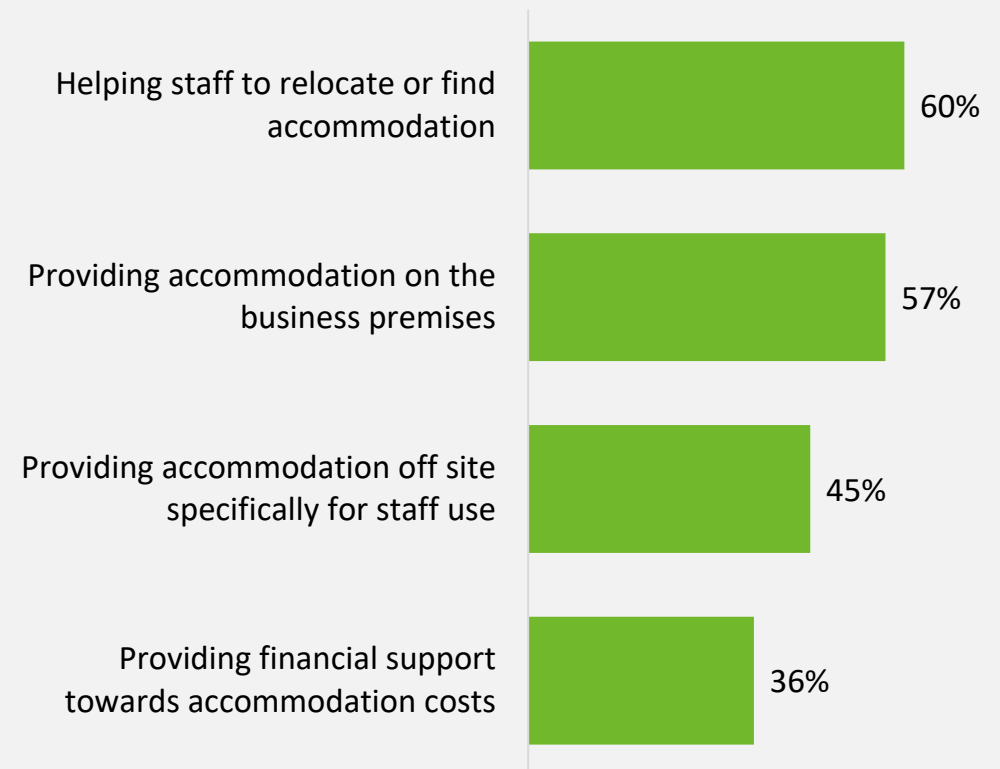
Provide accommodation off site specifically for staff use:

- Island locations (59%).

Provide financial support towards accommodation costs:

- Those striving for growth (44%).

Q. What form does providing or helping source housing or accommodation for staff take?



Base: All providing housing or accommodation (154)

DOING MORE FOR THE LOCAL COMMUNITY

Businesses were closely split on whether they would like to do more for their local community in the next 12 months: 49% said they would like to do more, while 47% would not.

Highlands and Islands businesses were more likely than those in the South of Scotland to want to do more for their local community (49% vs 41%).

The desire to do more for the local community was linked to the values, priorities, and actions that businesses were already taking. Those more likely to want to do more were:

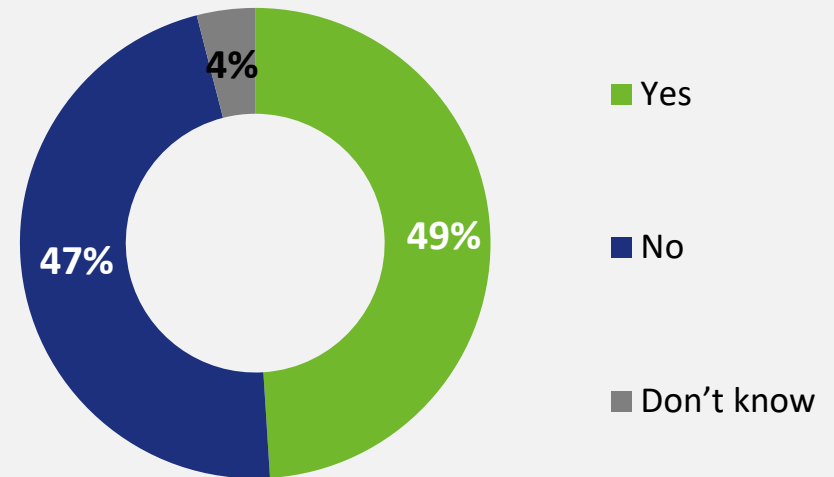
- Those that most valued:
 - Being inclusive, fair and ethical (57% said yes).
 - Being environmentally sustainable (56%).
- Those already taking the following actions:
 - Providing expertise and delivery support (60%).
 - Allowing the community to use facilities (59%).
 - Engaging with schools, colleges and universities (59%).
 - Supporting staff to volunteer (58%).
- Those whose most immediate priorities were:
 - Growing their workforce (64%).
 - Finding new market opportunities (57%).

Further variation:

More likely to want to do more:

- Arts and entertainment sector (62% said yes).
- Social enterprises (79%).
- HIE-client-engaged (67%).
- Businesses in the Outer Hebrides (65%).
- Those striving for growth (59%).

Q. In the next 12 months, would you like to do more for your local community than you already do?



Base: All businesses (1,002)

Less likely to want to do more:

- 0-4 staff (51% said no).
- Financial and business services growth sector (59%).
- Those looking to downsize (61%).

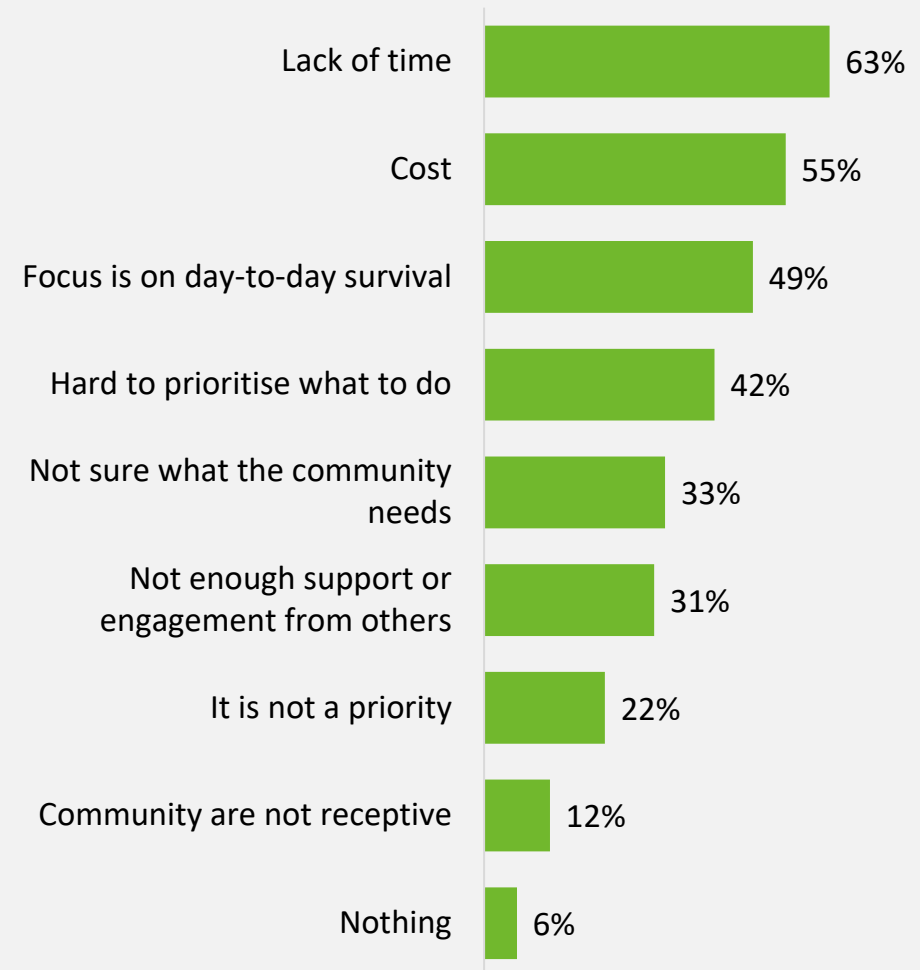
BARRIERS TO DOING MORE FOR THE LOCAL COMMUNITY

Among those who would like to do more for their local community, the main barriers to doing so are lack of time (63%), cost (55%) and being focussed on their day-to-day survival (49%).

Variation (higher than average):

- **Wholesale and retail sector** – cost (68%).
- **Professional, scientific, and technical sector** – lack of time (81%), focus is on day-to-day survival (65%).
- **Those that had struggled in the past six months** – cost (78%), focus is on day-to-day survival (72%), not enough support or engagement from others (43%).
- **Those who said their profitable growth was more important than their community links** - not sure what the community needs (44%).

Q. Which of the following, if any, might prevent you from doing more for your local community?



Base: All businesses that would like to do more for the community (497)

F. PRIORITIES AND PLACE-BASED OPPORTUNITIES

KEY FINDINGS

- The top immediate-term priorities for businesses were satisfying existing customer demand (39%) and surviving current financial challenges (37%). This was followed by building resilience to future financial challenges (29%), making cost savings (27%) and looking after their wellbeing (26%).
- More than three fifths (64%) of businesses felt that tourists and visitors coming to the area offered them an opportunity. Renewable energy projects were seen as an opportunity by 50% of businesses, community-led projects or developments by 50%, large construction or infrastructure projects by 41%, and companies investing in or establishing a base in the area by 40%.
- The majority of businesses (85%) were taking action to make the most of growth opportunities in their local areas. The top actions were investing in new or upgraded equipment (55%), investing in technology (43%) and upskilling staff (43%).
- The majority (94%) of businesses felt that there were barriers preventing them from making the most of opportunities in their localities. The barriers that were impacting to the greatest extent were a lack of people or skills in the area (38% to a large extent), transport infrastructure (32%), access to housing (29%), complying with regulation and legislation (28%) and access to specialist skills (26%).

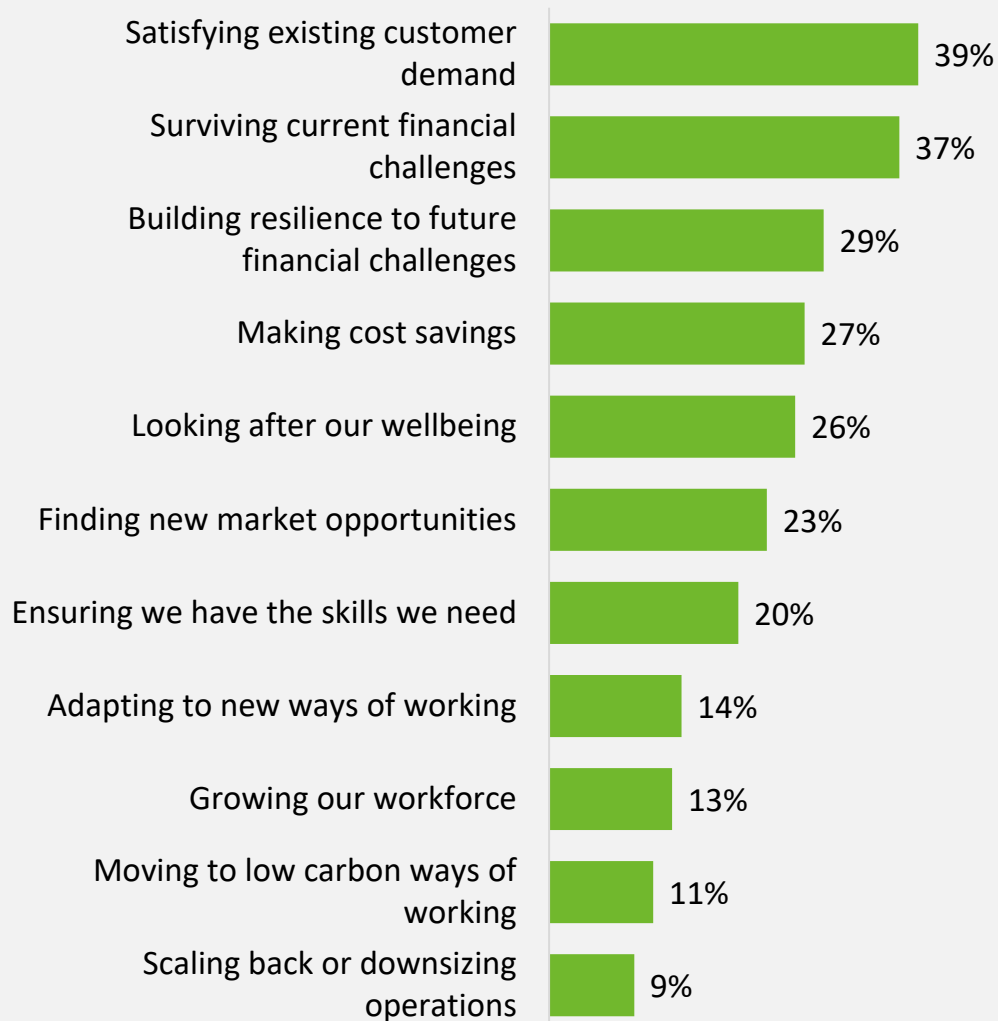
The top immediate-term priorities for businesses were satisfying existing customer demand (39%) and surviving current financial challenges (37%).

85% were taking action to make the most of growth opportunities in their local area

PRIORITIES

The top immediate-term priorities for businesses were satisfying existing customer demand (39%), surviving current financial challenges (37%), building resilience to future financial challenges (29%), making cost savings (27%) and looking after their wellbeing (26%).

Q. Which two or three of these are the most immediate priorities for your business right now?



Base: All businesses (1,002)

Findings differed slightly from those in the South of Scotland, where the top priority was surviving current financial challenges (42% vs 37% in the Highlands and Islands).

Variation (higher than average):

Size

- 25+ staff – building resilience (43%), skills (39%).

Sector

- Professional, scientific and technical – satisfying customer demand (52%).
- Accommodation and food services – surviving current financial challenges (48%), cost savings (33%), low carbon ways of working (17%).
- Food and drink growth sector – cost savings (36%).
- Tourism growth sector – surviving current financial challenges (46%), cost savings (33%).
- Manufacturing – building resilience (40%).

Performance

- Performed well – satisfying customer demand (45%), skills (26%).
- Struggled – surviving current financial challenges (57%), new market opportunities (29%).

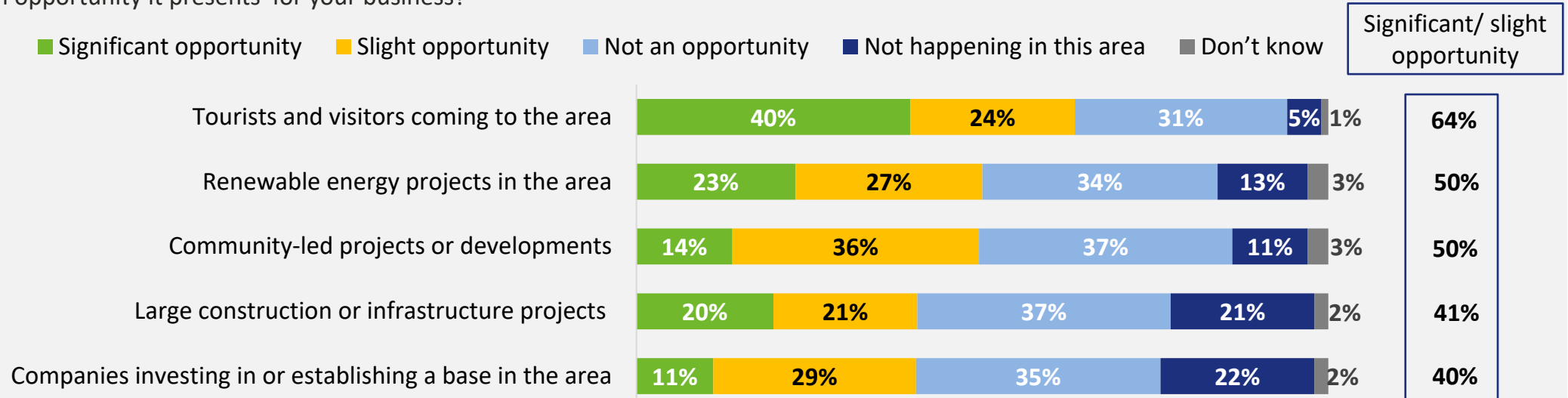
Growth aspiration

- Striving for growth - New market opportunities (35%), building resilience (33%), skills (23%), growing workforce (16%).

LOCAL OPPORTUNITIES (1)

More than three fifths (64%) of businesses felt that tourists and visitors coming to the area offered them an opportunity. Renewable energy projects were seen as an opportunity by 50% of businesses, community-led projects or developments by 50%, large construction or infrastructure projects by 41%, and companies investing in or establishing a base in the area by 40%.

Q. The following are examples of activities that may, or may not, be happening in your local area. For each one, please tell me how much of an opportunity it presents for your business?



Base: All businesses (1,002)

Businesses in the **South of Scotland** were less likely than those in the **Highlands and Islands** to say that any of the activities listed presented a significant/slight opportunity:

- Tourists and visitors (49% in South of Scotland).
- Renewable energy projects (46%).
- Community-led projects or development (42%).
- Companies investing or establishing a base (35%).
- Large construction or infrastructure projects (28%).

Variation (more like to say these were significant/slight opportunities):

Tourists and visitors coming to the area:

- Tourism growth sector (98%).
- Accommodation and food services (97%).
- Arts and entertainment (89%).
- Wholesale and retail (82%).
- Transport and storage (71%).

Renewable energy projects:

- IT, finance and real estate (63%).
- Professional, scientific and technical (56%).
- Striving for growth (57%).

Community-led developments

- IT, finance and real estate (67%).
- Social enterprises (74%) and co-operatives (66%).
- Striving for growth (55%).

Construction and infrastructure projects:

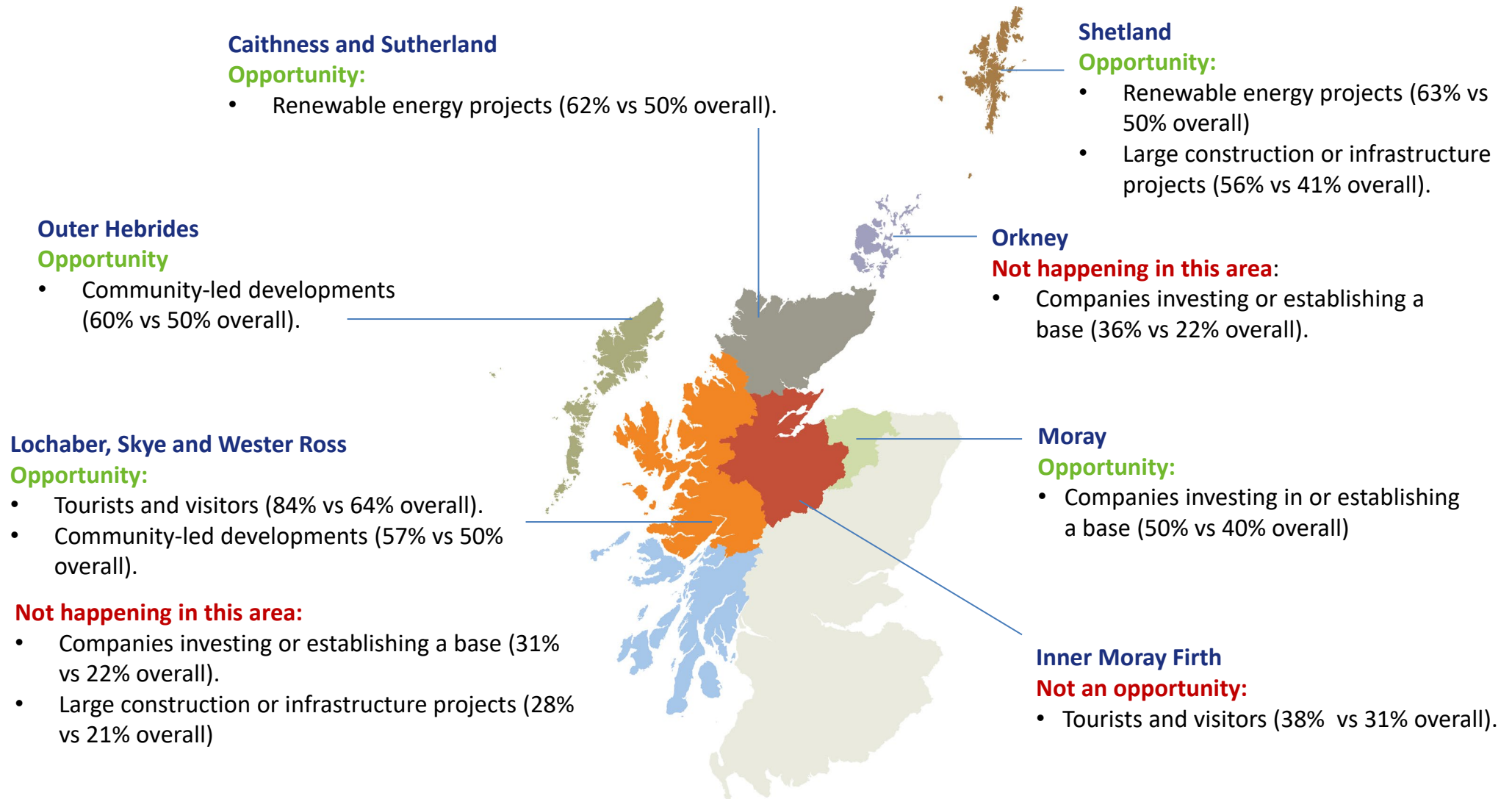
- Striving for growth (47%).

Companies investing/establishing a base:

- Professional, scientific and technical (50%).
- Wholesale and retail (44%).
- Urban areas (52%).

LOCAL OPPORTUNITIES (2)

Perceptions of local opportunities varied across the HIE region. The areas shown were more likely than average to identify opportunities for their business, or to say that these were not an opportunity for their business or not happening in their area.



GROWTH OPPORTUNITIES (1)

The majority of businesses (85%) were taking action to make the most of growth opportunities in their local areas. The top actions were investing in new or upgraded equipment (55%), investing in technology (43%) and upskilling staff (43%).

Q. Which, if any, of the following are you doing to make the most of growth opportunities existing in your local area?



Base: All businesses (1,002)

Compared with the South of Scotland, businesses in the region were more likely to be upskilling staff (43% vs 33%), recruiting young people (37% v 29%), and recruiting new staff (30% vs 22%).

More likely to be taking action:

- 11-24 (97%) and 25+ staff (97%).
- Performed well (89%).
- Striving for growth (93%).

More likely to be taking none of these actions:

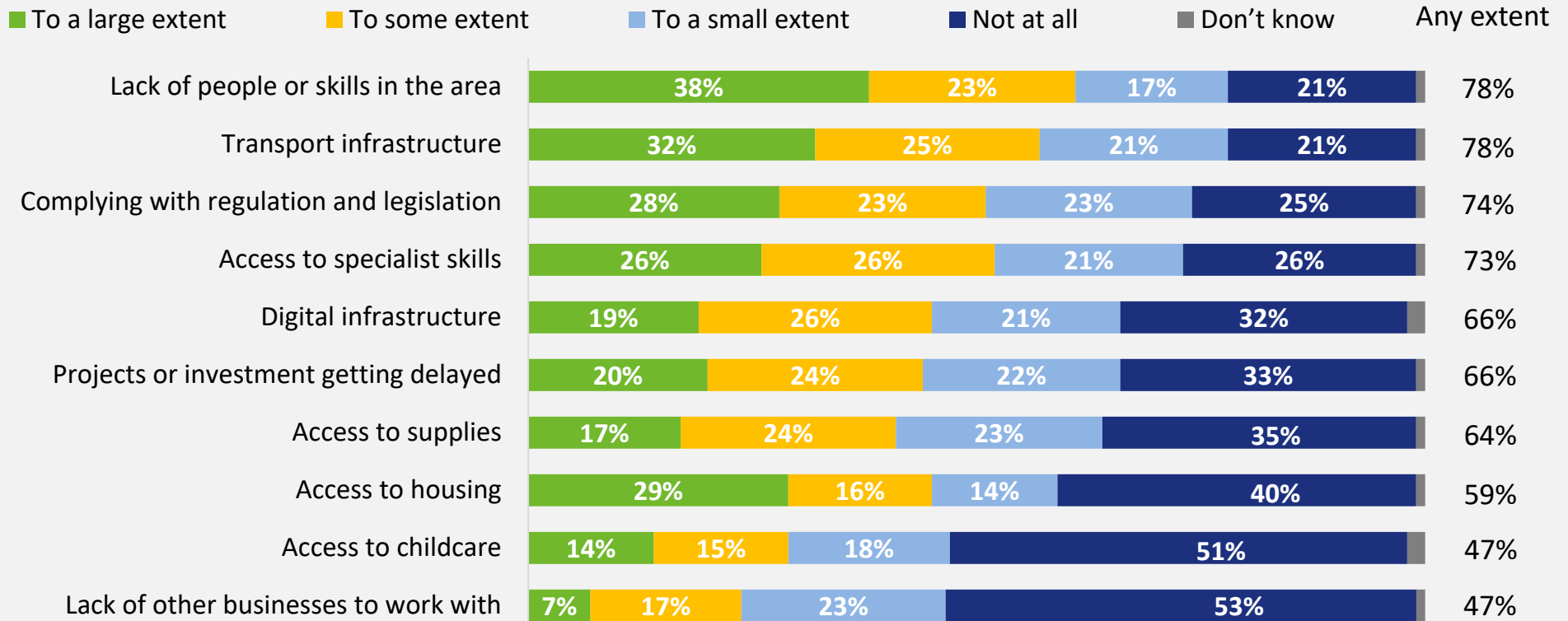
- 0-4 staff (21%).
- Primary industries (21%).
- Food and drink growth sector (20%).
- Looking to downsize (34%).

Variation in the businesses taking specific actions is shown on the next slide.

BARRIERS TO GROWTH OPPORTUNITIES (1)

The majority (94%) of businesses felt that there were barriers preventing them from making the most of opportunities in their localities. The barriers that were impacting to the greatest extent were a lack of people or skills in the area (38% to a large extent), transport infrastructure (32%), access to housing (29%), complying with regulation and legislation (28%) and access to specialist skills (26%).

Q. To what extent do the following prevent you from making the most of opportunities that exist in your local area?



Base: All applicable for each businesses

Highlands and Islands businesses were more likely than those in the South of Scotland to cite the following barriers:

- Lack of people or skills in the area (78% vs 72%).
- Transport infrastructure (78% vs 61%).
- Access to specialist skills (73% vs 67%).
- Access to housing (59% vs 41%).

Variation by sector (more likely to say 'to a large extent')

- **Accommodation and food services** - Transport infrastructure (40%), access to housing (39%) and complying with regulation and legislation (37%).
- **IT, finance and real estate** - Transport infrastructure (48%), digital infrastructure (32%).

BARRIERS TO GROWTH OPPORTUNITIES (2)

Barriers preventing businesses from making the most of local opportunities varied by location, with remote rural, island, and specific HIE area office locations being more likely to face certain barriers. The areas shown were more likely than average to say that these barriers existed to a large extent.

Remote rural areas:

- Transport infrastructure (36% vs 32% overall).
- Digital infrastructure (22% vs 19%).
- Access to housing (34% vs 29%).

Island locations

- Transport infrastructure (40% vs 32% overall).
- Access to housing (35% vs 29%).
- Access to childcare (21% vs 14%).

Outer Hebrides

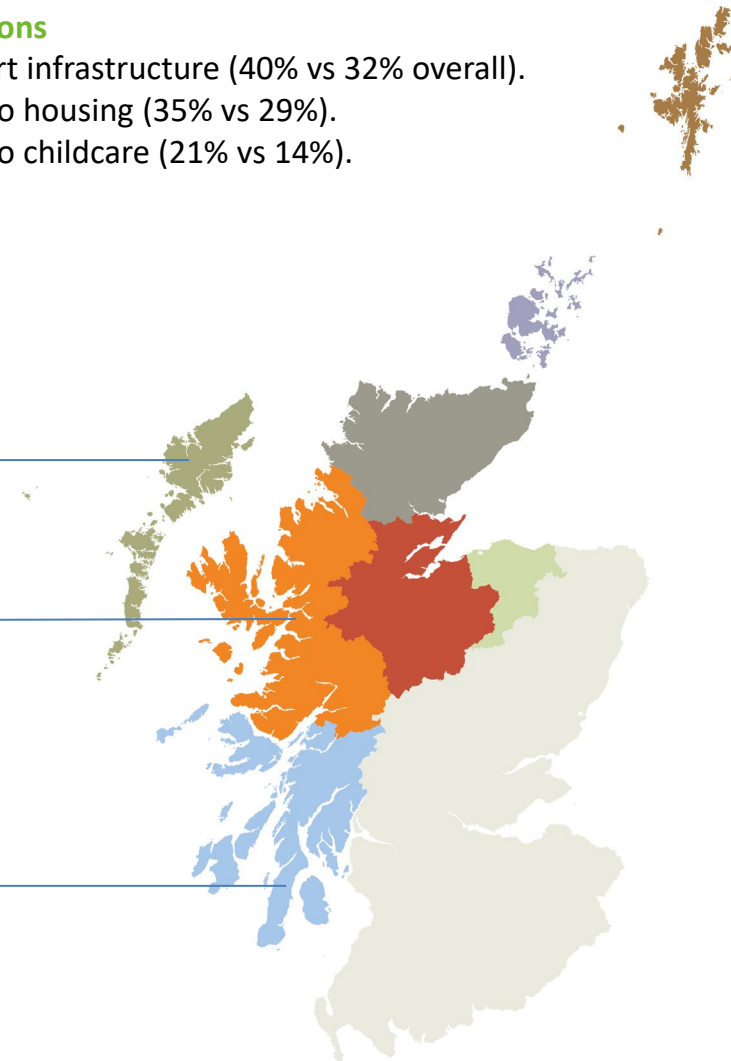
- Transport infrastructure (46% vs 32% overall).
- Access to childcare (32% vs 14% overall).
- Projects or investments getting delayed (31% vs 20% overall).

Lochaber, Skye and Wester Ross

- Access to housing (48% vs 29% overall).
- Access to childcare (24% vs 14% overall).

Argyll and the Islands

- Transport infrastructure (48% vs 32% overall).
- Access to housing (45% vs 29% overall).
- Digital infrastructure (29% vs 19% overall).
- Projects or investments getting delayed (29% vs 20% overall).
- Access to supplies (25% vs 17% overall).

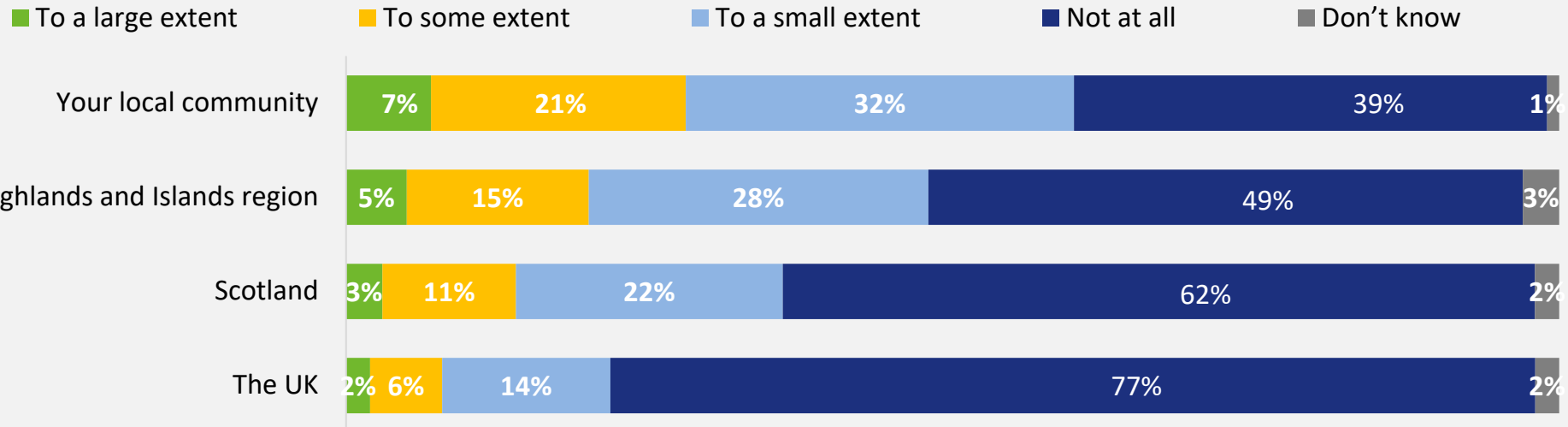


Base: All those for whom each was relevant

INFLUENCING DECISION-MAKING

Three-in-five (60%) businesses felt that they could influence decision-making in their local community (to at least a small extent). Just under half (48%) felt they could influence decision-making at regional level (the Highlands and Islands), 36% in Scotland and 22% at UK level.

Q. To what extent do you feel your business can influence decision-making in....



Base: All businesses to whom each applied

Variation (higher than average):

Local community:

To at least a small extent

- 25+ staff (77%).
- Island locations (68%).
- Shetland (67%).
- Orkney (65%).
- HIE-client-engaged (78%).
- Social enterprises (90%).

Not at all

- 0-4 staff (44%).
- Construction (57%).
- Inner Moray Firth (48%).

Highlands and Islands:

To at least a small extent

- HIE-client-engaged (66%).
- Social enterprises (70%).

Not at all

- 0-4 staff (54%).
- Construction (62%).
- Wholesale and retail (61%).

F. APPENDIX

SECTOR CATEGORIES INCLUDED IN THE SURVEY SAMPLE

SIC 2007 categories

The sector categories referred to in the report, and examples of the types of sectors covered by these categories, are summarised below.

Sector title uses in report	Types of sectors covered
Primary industries	Agriculture, forestry, fishing; Mining and quarrying; Electricity, gas and air supply; Water and sewerage
Manufacturing	Manufacturing
Construction	Construction
Wholesale and retail	Wholesale and retail sales and repairs
Transport and storage	Transport activity and storage of goods used for transport activities
Accommodation and food services	Accommodation and food service activities
IT, finance and real estate	IT, telecommunications, financial services, insurance, and real estate
Professional, scientific and technical	Legal, accounting, advertising, architectural and scientific research.
Administrative and support services	Office administration, human resources, services to buildings and landscapes, travel, and security services.
Arts and entertainment	Creative and arts activities; Libraries, museums and cultural activities; Sports and recreation.

Growth sector categories

The growth sector categories referred to in the report, and the types of SIC 2007 sectors they partially cover are summarised below.

Growth sector category	SIC 2007 categories partially covered
Creative industries	Manufacturing; Wholesale and retail; Professional, scientific and technical; Administrative and support services; Arts and entertainment.
Energy	Primary industries; Manufacturing; Professional, scientific and technical.
Financial and business services	IT, finance and real estate; Professional, scientific and technical; Administrative and support services;
Food and drink	Primary industries; Manufacturing.
Life sciences	Manufacturing. Professional, scientific and technical;
Tourism	Accommodation and food services; Administrative and support services; Arts and entertainment.

PROFILE OF BUSINESSES INTERVIEWED (WEIGHTED)

Size (no of employees)	%
Sole trader	22
1-4	41
5-10	17
11-24	11
25+	9

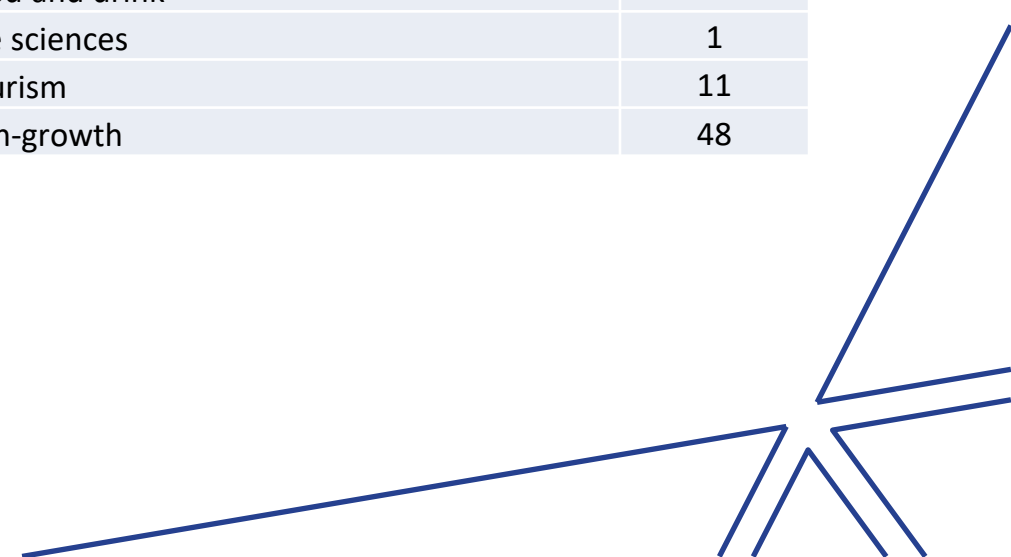
Location	%
Argyll and the Islands	17
Caithness and Sutherland	11
Inner Moray Firth	26
Lochaber, Skye and Wester Ross	11
Moray	11
Orkney	10
Outer Hebrides	8
Shetland	6

Relationship with HIE	%
Client-engaged	8
Non-client-engaged	92

Urban/rural	%
Remote rural	60
Accessible rural	9
Other (urban)	31

Sector (SIC 2007 categories)	%
Primary industries	26
Manufacturing	5
Construction	13
Wholesale and retail	12
Transport and storage	3
Accommodation and food services	11
IT, finance and real estate	5
Professional, scientific and technical	11
Administrative and support services	6
Arts and entertainment	6

Growth sector	%
Creative industries	6
Energy	1
Financial and business services	8
Food and drink	25
Life sciences	1
Tourism	11
Non-growth	48



IPSOS STANDARDS & ACCREDITATIONS

Ipsos' standards & accreditations provide our clients with the peace of mind that they can always depend on us to deliver reliable, sustainable findings. Moreover, our focus on quality and continuous improvement means we have embedded a 'right first time' approach throughout our organisation.



ISO 20252 – is the international market research specific standard that supersedes BS 7911 / MRQSA & incorporates IQCS (Interviewer Quality Control Scheme); it covers the 5 stages of a Market Research project. Ipsos was the first company in the world to gain this accreditation.



MRS Company Partnership – By being an MRS Company Partner, Ipsos endorse and support the core MRS brand values of professionalism, research excellence and business effectiveness, and commit to comply with the MRS Code of Conduct throughout the organisation & we were the first company to sign our organisation up to the requirements & self regulation of the MRS Code; more than 350 companies have followed our lead.



ISO 9001 – International general company standard with a focus on continual improvement through quality management systems. In 1994 we became one of the early adopters of the ISO 9001 business standard.



ISO 27001 – International standard for information security designed to ensure the selection of adequate and proportionate security controls. Ipsos was the first research company in the UK to be awarded this in August 2008.



The UK General Data Protection Regulation (UK GDPR) & the UK Data Protection Act 2018 (DPA) – Ipsos is required to comply with the UK General Data Protection Regulation and the UK Data Protection Act; it covers the processing of personal data and the protection of privacy.



HMG Cyber Essentials – A government backed and key deliverable of the UK's National Cyber Security Programme. Ipsos was assessment validated for certification in 2016. Cyber Essentials defines a set of controls which, when properly implemented, provide organisations with basic protection from the most prevalent forms of threat coming from the internet.



Fair Data – Ipsos is signed up as a 'Fair Data' Company by agreeing to adhere to ten core principles. The principles support and complement other standards such as ISOs, and the requirements of Data Protection legislation.

This work was carried out in accordance with the requirements of the international quality standard for market research, ISO 20252 and with the Ipsos Terms and Conditions

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