DRAFT BUDGET 2015-16: INCREASING EXPORTS

JOINT SUBMISSION FROM SCOTTISH ENTERPRISE AND HIGHLANDS AND ISLANDS ENTERPRISE

Scottish Enterprise and Highlands and Islands Enterprise are pleased to provide this written evidence in response to the submissions received to the initial call for evidence.

This is a joint submission on behalf of Scottish Enterprise and Highlands and Islands Enterprise, recognising the close working between the two enterprise agencies on exports and, in particular, the role of Scottish Development International as the trade and investment arm of both.

To support this, we have included a brief summary of the strategic context for the export target and then addressed the issues raised in the submissions received by the Committee following the general call for evidence.

We have focused on the overall themes that emerged from the submissions, in particular those mentioned by more than one respondent, rather than responding point-by-point.

1. STRATEGIC CONTEXT FOR NATIONAL INDICATOR ON EXPORTS

The Scottish Government has set an ambitious export target:

‘50% Increase in International Exports by 2017’

The overall priorities which this addresses form a core part of the Government’s Economic Strategy as detailed below:

The Government Economic Strategy (International Trade & Investment extracts)

We are ambitious for Scotland's companies and are confident in their ability to compete successfully in global markets. In March 2011 we published Scotland's International Trade and Investment Strategy which set out the opportunities and priorities for increasing Scotland's trade and investment performance.

In order to promote international trade and investment we will:

- Set an ambitious target for Scottish businesses to deliver a 50% increase in the value of international exports by 2017;
- Support growth companies to extend their exports, particularly into fast growing markets. As part of this, the Scottish Investment Bank will prioritise lending to support SMEs with international ambitions and our Export Support Initiative will continue to deliver advice and support to SMEs with significant export potential;
• Widen our export support to encourage more businesses to become active exporters. Scottish Development International (SDI) will work with partners to support 8,000-10,000 more businesses develop the skills to go international by 2015;

• Support the continued international ambitions of our universities and colleges, recognising both the £0.5 billion per annum export contribution that international students already make by studying in Scotland, as well as the commercial opportunities from their truly global research excellence and educational strengths;

• Focusing on attracting strategic inward investment which enhances the competitiveness of our growth sectors (for example by promoting Scotland as a destination of choice for low carbon opportunities).

The approach, objectives and priorities are detailed in ‘Scotland’s Trade and Investment Strategy 2011-15’. The Scottish Government’s International Framework and country plans also inform the approach to ensure trade and investment objectives will be delivered in a way which fully complement the wider international objectives of the Scottish Government.

The Committee’s inquiry is timely as we are starting to consider the next steps required to boost Scotland’s international competitiveness and develop from ‘Scotland’s Trade and Investment Strategy’ which finishes at the end of 2015.

**Table: Scotland’s Trade and Investment Strategy 2011-15**

(Link: [Scotland’s Trade and Investment Strategy 2011-15](#))

<table>
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<th>Objective</th>
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| **Increasing International Trade** | • More Scottish businesses trading internationally  
|                           |   • Greater support for Growth businesses  
|                           |   • International exploitation of Scotland’s education sector             |
| **Attracting inward investment** | • Greater focus on strategic inward investment  
|                           |   • Embedding companies, encouraging expansion and developing supplier links  
|                           |   • Low carbon opportunities                                               |
| **Promoting Scotland**    | • Focus on growth opportunities in sectors  
|                           |   • Ensuring a global footprint focused on opportunity  
|                           |   • Emerging markets                                                       |
| **‘Team Scotland’ delivery** | • Customer focused delivery  
|                           |   • Aligning the work of the public and private sector  
|                           |   • Wider promotion of Scotland                                           
|                           |   • Influencing and providing business intelligence                        
|                           |   • Harnessing the potential of international networks                    
|                           |   • Integrated business planning                                            |
The export target is a six year target (baseline 2010). To meet the 50% target an average of 7.0% growth annually is required, equating to 14.5% over two years. Exports have increased by 13.9% from £22.8bn, putting Scotland broadly on track to meet this target.

However there is absolutely no room for complacency and as Scotland continues to develop its Team Scotland approach, our international competitors are also increasingly focusing on, and prioritising, trade and investment to boost their own economic performance.

We are committed to playing our full part in meeting the headline target of 50% export growth. While realising that this could be achieved through deepening and extending the international reach of existing exports, we are just as committed to the additional requirement of increasing the number of new exporters and that this requires a distinct policy response which will bring long term benefits to the competitiveness of the Scottish economy.

2. THEMED RESPONSES

2.1 ECONOMIC CONTEXT

Quotes from respondents:

- ‘A growing recognition that too narrow a number of sectors and companies are delivering Scotland’s exports’ (SCDI)
- ‘CBI believes that we need to rebalance the UK economy by resurrecting business investment and net trade’ (CBI)
- ‘It is also widely accepted that Scotland’s export base is to narrow’ (STUC)
- ‘The international success story’ of the oil and gas supply chain in Scotland (Oil & Gas UK)
- ‘Food & drink is now Scotland’s fastest growing export sector’ (Salmon Producers’ Association)
- ‘Failure to properly crack emerging markets can hardly be explained by lack of government support but rather industrial structure’ (STUC)
- ‘We estimate that between 9% and 12% of non-exporting firms in the sample are potential exporters’ (ERC)

Commentary

We would agree with both the challenges and opportunities highlighted. Overall we are seeing positive global growth forecast at 4.0% in 2015 and even more positive growth in global trade (5.3%) signalling that the world economy is both growing and becoming more open (note: both for exports and imports).

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1 IMF World Economic Outlook, July 2014
However this growth is slowest in Scotland’s traditional export markets with EU forecast at 1.5% and US 3%, and fastest growing in more distant markets (e.g. China 7%, India 6%, Middle East 5%). Current exports to these faster growing markets are small, for example BRIC countries account for just over 5% of Scotland’s international exports.

Overall we need to see a greater diversification of the export base in terms of the number of exporters, the sectors exporting and less concentration on our traditional exports. This requires both an increase in competitiveness and greater overall international ambition.

However it is clear our most competitive sectors e.g. Oil & Gas, Food & Drink, and Universities are highly competitive and globally successful, as are some of our most ambitious companies mentioned in the responses e.g. ResDiary, SggurEnergy, Gaia-Wind.

We have also seen many SMEs rise to the challenge, for example the expansion of Stag Bakeries from Stornoway and Brewdog from Aberdeenshire, both now exporting to multiple markets across the world.

So Scotland can and does compete with the best, and we are channelling our support to further develop international competitiveness and make this closer to being the norm rather than the exception.

2.2 THE ROLE OF COMPETITIVENESS

Quotes from respondents:

- ‘Increased exports will only work with policies that support improved employment opportunities and quality of public services’ (Unison)
- ‘A supportive and globally competitive business environment......is critical to maintaining the Scottish supply chain and thus exports’ (Oil and Gas UK)
- ‘SCDI welcomes the consensus which has been apparent following the recession around the importance of internationalisation in driving economic growth’ (SCDI)
- ‘Specific actions to support exporting must continue to complement wider economic development activity’ (STUC)

Commentary

There is strong recognition that international competitiveness is key to sustainable economic growth, vital to the task of creating jobs and increasing equality and well-being. It is this competitiveness which drives international exports, deeper forms of internationalisation like joint ventures or outward investment, and attracts investment and talent. In policy terms international engagement should be seen not as an end in itself, but more as a vehicle to delivering greater economic growth. Greater international competitiveness is a key requirement for this to happen.

There is also much more to international competitiveness than simply increasing overseas exports or the number of markets we are involved in, or the mechanisms
through which it happens. It is a reflection of how competitive we are, both at home and abroad, and is affected by our culture and mind-sets, our ambition, our innovation, how we are perceived and how we perceive ourselves. It relates to how ‘open’ we are as a society and economy, and how internationally-minded, innovative and dynamic our people and companies are.

On some measures, Scotland is not as international, or as internationally competitive as the best-performing nations, for example on metrics including international trade, the export orientation of businesses and underlying business innovation performance. We see our exports concentrated among a few companies, sectors and markets and our SMEs, in general, are less internationally-focused and less innovative than those of our competitors.

Scotland has maintained its leading position on Foreign Direct Investment (FDI), along with a relatively good position on skills and an improving position on connectivity. However, these do not fully translate into a strong position on productivity, competitiveness and, subsequently economic growth.

Scotland also compares less favourably with other countries in terms of the factors and characteristics that underpin international competitiveness:

- The international ambition within our population, businesses and institutions is concentrated in a relatively small “competitive core”.
- International connectivity, while improving, lags behind other small European countries.
- Concerns over the ‘international mindset’ of the future workforce and the ability to attract ‘top talent’, despite the strong international reputation of our universities.

Overall however, Scotland’s ranking in terms of its international reputation is very good with Scotland ranked 15th of 50 countries in the 2010 Nation Brand Index.

2.3 INNOVATION AND EXPORTING

Quotes from respondents:

- ‘Our own research and that of others suggests a particularly strong and reinforcing synergy between innovation and exporting. Exposure to export markets is important in realising the potential of innovative and high growth firms.’ (ERC)
- ‘Help to stimulate innovation, for example, through health spending and procurement which supports growth of Scotland’s life sciences sector’ (SCDI)
- ‘To encourage small company entry and innovation in food products’ (Salmon Producers’ Organisation)

Commentary

The importance of innovation to competitiveness is clear – it accounts for half of the global productivity growth in developed nations over the last decade.
‘SMEs which have a track record of innovation are four times more likely to export, more likely to export successfully, and more likely to generate sustainable growth from exporting than non-innovating firms’

Around 20% of innovative Scottish SMEs are exporters compared to less than 5% of non-innovators. The link between innovative firms and increased international sales has been reinforced by SE’s Account Management evaluation which found that 81% of the companies increasing their international sales also increased their innovation spend.

Scotland’s innovation challenge is well known. We need more companies participating in innovation, and those who do tend to focus on incremental cost reduction rather than developing new products that build turnover and export growth, a factor which is likely to be a significant underlying cause in not maximising our potential performance in international trade.

While we are well aware of the problem facing Scotland’s innovation performance, the solution has proved elusive. However, recently, a consolidated view on what needs to be done has emerged: more focus on working with companies seeking to develop significant revenues from successful innovation and stimulating greater demand for innovative products and services. An example is Lingo24, which won Scottish exporter of the year. They use cutting edge proprietary software to provide translation services and now have over 4,000 professionally qualified linguists across the world, speaking 600 languages with clients in 50 countries.

We are making greater efforts to fully align our innovation support to our trade support. Account Management is the key approach we adopt to achieve this where we work with businesses on their specific growth aspirations and tailor support to achieve that growth. Expanding internationally often requires a company to redesign its product/service. For example in the last year (2013/14) we provided intensive support to 228 companies on international projects which they forecast will generate over £1.2 billion in additional international sales in the next three years.

Public procurement, which accounts for some 17% of GDP in the European Union, offers an enormous potential market for stimulating innovation. The challenge is how to influence the acceleration of the procurement agenda by opening up significant public sector budgets to innovative procurement practices while building the capabilities of the companies to ensure they benefit from this. This includes making much more of publicly-funded research in universities as a basis for stimulating innovation by start-ups and SMEs. We continue to work with SMEs to build their capacity and have recently established a Customer Led Procurement Initiative which will help drive increased innovation and de-risk the difficult step in the innovation process of securing a first customer.

2.4 ROLE OF GOVERNMENT – MARKET FAILURE

Quotes from respondents:

- ‘It is clear that businesses in Scotland are under-performing in terms of exporting, but whether or not this can be classified as market failure is another matter’ (SCC)
Comments

Public sector support to increase competitiveness and support exports should focus on areas of market failure. Where market failure is not evident then the private sector should be left to provide the service.

BIS research\(^2\) demonstrates exporting is a driver of economic growth. Exporting SMEs are on average more productive, more innovative and more resilient than non-exporters. However, there remain a number of market failures specifically relating to information failures and knowledge spillovers which together contribute to a sub-optimal level of export (and more generally international) activity.

In terms of exporting, there are two main sources of market failure which can lead to an inefficiently low level of engagement in exporting. These are (1) information failures and (2) externalities:

1. **Imperfect information**: means that SMEs may be unaware of the benefits of exporting or may have an inaccurate perception of the associated costs. Market entry barriers may not be understood and for some businesses there is a lack of awareness of the social networks that underpin international trade and investment flows. Market-related barriers to exporting may lead firms to underestimate the associated benefits of exporting, not recognising the opportunities that exist, and therefore they may not enter export markets.

2. **Positive externalities**: Entering new overseas markets often requires the development of networks and relationships, and this can be a long term process involving significant technical and cultural competencies combined with high degrees of trust. For individual companies, developing networks and relationships can involve costs which may be beyond many in the short term, so public support is justified. Government can play a key role in developing networks and relationships in overseas markets by accessing senior private and public sector decision makers. They have a reputation for impartiality and being an honest broker, so businesses trust these networks and relationships. The development of networks and contacts that can be accessed by other businesses brings a collective benefit to both export-active and export-latent businesses. As well as reducing the costs to firms of entering new export markets, these ‘spillovers’ (positive externalities) positively influence other firms’ perceptions of the benefits of exporting.

These are specifically ‘export’ related market failures. Wider market failures related to, for example: access to finance, innovation, and skills investment also need to be addressed through public sector support (although in many cases the key market failure is information or externality-based). For an individual company this support needs to be coordinated e.g. a company accessing a new market may need support redesigning the product for that market.

\(^2\) BIS Analysis Paper – SMEs: the Key Enablers of Business Success and the Economic Rationale for Government Intervention (Dec 2014)
2.5 VISIBILITY OF SUPPORT AND CLUTTERED LANDSCAPE

Quotes from respondents:

- ‘A common comment from the Oil and Gas UK membership is that the landscape for export support is cluttered’ (Oil and Gas UK)

- ‘Effective use of all possible channels to raise the visibility of export support is needed to ensure information and support reaches companies at the grassroot level’ (SCDI)

- ‘SCC is of the view that Scottish Government spend can increase the exporting activity of businesses in Scotland through a number of channels, including continued and increased investment in Business Mentoring Scotland’ (SCC)

- ‘Make available realistic allowances to Scottish companies to enable them to make use of research services available by UKTI… all too often we have enquired of UKTI for particular research to be carried out as an OMIS report and been shocked at the charges quoted for the activity’ (ResDIARY)

Commentary

SDI is the trade and investment arm of the Scottish Government, Scottish Enterprise and Highlands and Islands Enterprise. SDI also works closely with Business Gateway (and Local Authorities) to provide export trade and investment support to their clients and acts on behalf of UKTI in Scotland. Any feedback from customers and partners where they could see the potential for greater coordination is much appreciated as we look to further develop and improve our services.

Export Advisors in Scotland are co-located in local offices with SE and HIE staff to ensure a seamless service is offered to customers, including in-depth trade and investment and sectoral knowledge.

We regularly meet with business and industry organisations to promote a joined-up approach to business support that meets the particular needs of specific sectors and types of business. We are committed to supporting and working with any Scottish business that wants to trade internationally, providing a range of products and services that can be accessed by businesses at all stages of growth, development and international ambition.

For example in Food & Drink we are working closely with Scotland Food & Drink and key trade bodies (Quality Meat Scotland, Scottish Salmon Producers Organisation, Scottish Bakers, Scotch Whisky Association, Dairy UK Seafood Scotland) to drive forward Scottish exports through a new Export Plan. This includes a more focused approach to export activity, concentrating combined support in 15 priority markets and the appointment of an additional ten food and drink in-market specialists in seven of the highest priority markets.

Companies at an early stage of development and not yet in a position to engage in international markets, can access a comprehensive catalogue of services and information via SE, HIE and Business Gateway. This includes online self help tools,
practical guides to exporting, industry overviews, regulations and a programme of services to encourage and help early stage exporters, including workshops and one to one advice, practical support and access to the support of overseas offices.

SDI aims to reach out to the entire business base in Scotland to raise awareness of the benefits of exporting and encourage companies to learn about, and take the first steps towards, trading overseas. In 2013/14 we supported over 2,700 companies to access international markets, this was a 29% increase from the year before and over double the number we assisted in 2010/11. As part of this, we have expanded our overseas network of regional offices to 28 compared to 20 three years ago. This includes new offices in China, India, Brazil, the Middle East and Africa.

2.6 SMALL BUSINESS

Quotes from respondents:

- ‘SMEs that export grow more than twice as fast as those that do not’ (ERC)
- ‘We estimate between 9% and 12% of non-exporting firms in the sample are potential exporters’ (ERC)
- ‘SMEs report particular difficulties in obtaining export finance’ (CBI)
- ‘We must widen the base of companies which are globally connected’ (SCDI)
- ‘In the global context tourism should be regarded as perhaps one of the world’s leading export products’ (VisitScotland)
- ‘To develop small companies to have the confidence to export’ (Salmon Producers’ Org)

Commentary

Small business has been a focus for SE and HIE, in particular the Smart Exporter programme (partially funded through ESF). Smart Exporter supports companies with the latent potential to export using a three stage ‘ACE’ model:

- **Awareness**: aiming to raise understanding of exporting, and the opportunities, practicalities and benefits
- **Capability**: aiming to increase technical knowledge and understanding of how to approach exporting from a strategic and tactical point of view
- **Exploitation**: aiming to help companies make their first steps to market

In the last four years we have provided assistance on more than 8,300 occasions to around 4,500 different companies.³ An example is McLean’s Highland Bakery who used an International Strategy workshop and technical support offered through HIE and SDI as well as attending a trade show in Germany. A third of their overseas sales come from shortbread as a result of this packaged support.

³ The period end 30 September 2014 so these figures have been rounded as projections.
From October 2014, HIE and SE will build upon the success of Smart Exporter, delivering a new improved programme that recognises the shift in mindset and business culture needed to encourage non-exporters to start exporting and, crucially, encourages and helps small scale exporters to grow their overseas sales.

This new programme will increase its focus on market entry support. It will offer a range of additional services, such as courses to help companies finesse their overseas selling propositions for specific market places, support to adapt products and packaging for overseas customers, support on sourcing and managing supply chains for new markets and specific advice, working alongside UKTI, on access to the Export Finance Programme.

The programme will place a number of advisors in the market to identify and work with new companies and bring them into the network of support available. Along with reaching out to any company from any sector, the advisors will have a sector focus enabling them to operate in the context of sector initiatives e.g. from the food & drink or oil & gas sectors.

Partnership working is crucial to the success of the programme. Close working with Business Gateway is key, as are relationships with Local Authority services, Chambers of Commerce, UKTI and other relevant providers.

2.7 ROLE OF INWARD INVESTORS

Quotes from respondents:

- ‘Funding to encourage a firm set up a base in Scotland should be followed by support to link into the domestic supply chain and local work force’ (Oil and Gas UK).

- ‘Universities have a strong role in attracting inward investment into Scotland, as one of the key pull factors’ in terms of talent, generation, world class research and cluster effect’ (Universities Scotland).

Commentary

Inward investors account for over a third of Scottish private sector employment and turnover. Inward investors tend to be larger than domestic businesses, have higher productivity, pay more; they carry out 60% of Scottish business R&D.

By nature (apart from retail operations), inward investors tend to be export orientated and base themselves in Scotland due to the competitiveness of the environment and access to the European market. Evidence also suggests that inward investors have a positive impact on the productivity levels of domestic businesses. This can be driven by:

- ‘knowledge spillovers’ where domestically owned businesses improve their products and processes e.g. as a result of staff moving between companies, through supply chain contacts;

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• increased competition and domestic companies imitating inward investors’ technology and work practices thus increasing their productivity;

• Building higher education institute capabilities and courses, and developing infrastructure.

Scotland’s track record in attracting inward investment is exceptional. It has maintained its position as second region in the UK for attracting investment projects (only beaten by the London/South East). In terms of employment generated by foreign direct investment, Scotland was ranked either first or second in each of the last four years (2010 to 2013). Just as importantly Scotland secured 33% of all R&D projects into the UK in 2013 (top region). On this measure Scotland has been ranked first in four out of the last five years.

Currently Scotland faces some significant challenges, not least:

• the overall European climate for investment and global flows of FDI remains subdued;

• increased competition from near neighbours (e.g. rest of UK), the rest of Europe (e.g. Germany) and the ‘globalisation’ of FDI so that further away places become competitors (e.g. Mexico);

• policy issues (e.g. review of state aid rules).

Scotland continues to have significant opportunities contributing to its competitive advantage. Specific skills, research excellence, natural assets and value for money are crucial in winning inward investment projects.

Last year (2013/14) we secured a total of 78 significant inward investment projects. Combined these planned projects will either create or safeguard over 7400 jobs, including more than 2500 high value jobs for the Scottish economy.

We continue to develop our approach to sales and marketing with specific propositions which are developed based on demonstrable Scottish strengths and capabilities and making much greater use of social media channels to better target our work.

2.8 CONNECTIVITY

Quotes from respondents:

• ‘SCDI believes that improving access between Scotland’s city regions, rail networks, airports and ports is vitally important to the competitiveness and internationalisation of the Scottish economy’ (SCDI)

• ‘Connectivity from Scotland to the South-East and onto international markets is consistently raised by members as a key barrier to increasing their export base’ (CBI).

5 Ernst and Young European Investment Monitor.
Commentary

Given the important contribution aviation makes to the Scottish Economy and to Scotland’s growth ambitions, SE and HIE have continued developing aviation activities both as:

- an industry including airport business development and our support to the aerospace and maintenance, repair & overhaul facilities (MRO), and
- the basis for internationalisation of our growth sectors, attraction of inward investment and supporting in-bound tourism through, for example, new long-haul air route development, new flights to hub airports and a strengthening of air services to short-haul destinations in Europe for both passenger and cargo services.

This activity is carried out through a Team Scotland approach with both public and private sector partners including Transport Scotland, VisitScotland and the airports.

There is focus on prioritising the retention and attraction of those services which can have the greatest impact on Scotland’s sustainable economic growth. While Scotland’s international air connectivity is dominated by passenger services, decisions on support should also consider increased or changing demand for freight movement. In engaging with airlines we will be alert to ancillary investment opportunities such as maintenance, repair and overhaul facilities (MROs) and contact centres.

The Team Scotland approach continues to ensure proactive engagement with airlines and airports on route development opportunities. Team Scotland partners have supported the following strategically important new routes:

- Edinburgh: Chicago, Philadelphia, Doha, Abu Dhabi
- Glasgow: Helsinki, Isle of Man
- Inverness: Amsterdam

Efforts to ‘land’ a direct route to China are continuing, with Team Scotland including our China Team heavily engaged with Chinese Airlines on developing a case for services from Scotland. We also recognise the importance of maintaining good quality air links via London Heathrow for all of Scotland, and welcome the attention now being given to these issues by the Airports Commission and London airports. We will be pleased to work with the National Connectivity Task Force established by Heathrow Airport as it considers how regional access can be improved.

As part of a Team Scotland we continue to attend both the European and World Routes Conferences where they will meet with a range of airlines to build on existing relationships as well as develop new ones. The announcement that Aberdeen will host the European Routes Conference 2015 was made in Marseille in March 2014. This event will be sponsored by Team Scotland and will provide another opportunity to showcase Scotland to the aviation industry.
2.9 ACCESS TO FINANCE

Quotes from respondents:

- ‘Our exporting members, particularly small and medium-sized businesses report particular difficulties obtaining export finance’ (CBI)
- ‘SCDI is supportive of the Scottish Investment Bank as a means to improve access to finance for potential exporters, particularly around SMEs’ (SCDI)
- ‘There is also a need to encourage greater collaboration between public sector agencies and private businesses.... for example, by making links with the finance sector to highlight private sector funding available for exporting’ (SCDI)
- ‘Businesses must first receive funding from an associated partner before receiving public sector funds. SCC would question this use of the budget as addressing market failure’ (SCC)

Commentary

Access to finance is often a barrier to companies who export, particularly as exporting poses a series of additional financial challenges e.g. risk of non-payment, working capital, foreign exchange risk. In the last Global Connections Survey, 4% of respondents cited ‘access to finance in general’ as a barrier while 3% mentioned ‘export credit insurance’ and 3% ‘export finance’.

SE and HIE are working with the banking sector to support the access to finance needs of Scottish SMEs with growth and export potential. For example, financial readiness specialists, many of whom have a banking background and deeply understand the sector, work with companies to help them develop investable propositions, including bank finance. At an industry level we also identify new EU wide initiatives aimed at increasing bank support to SMEs and ensure these are highlighted to Scottish Financial Enterprise.

The Scottish Co-Investment Fund is addressing market failure in the supply of risk capital to early stage companies with growth and export potential. Evaluations have endorsed the fund’s approach i.e. allowing private sector partners to identify companies seeking support and making the investment decision on behalf of the public sector to addressing market failure. They have consistently found high levels of additionality - in other words, the fund invests in companies which would otherwise be unable to secure funding. SE/HIE welcomes approaches from all companies which can demonstrate growth and export ambition/potential and offer additional value to the Scottish economy.

SE and HIE have worked closely with UK Export Finance (a UK Government Agency) in the last two years to launch a new suite of products aimed at SMEs. As part of this, two members of UK Export Finance work with SE/HIE alongside finance readiness advisors. The specialist’s role is to:

- work closely with the Financial Readiness Specialists and cross refer leads;
• identify and develop relationships with key intermediaries e.g. banks;
• deliver bespoke information, guidance and advice to exporters;
• increase the knowledge and understanding of export finance;
• provide guarantees to banks covering working capital, performance bonds and confirmed letters of credit.

2.10 INTERNATIONAL MINDSET

Summary points made:

• ‘Scottish businesses need a workforce with the skills to operate internationally, including communications and language ability, team work and leadership and intercultural awareness’ (SCDI)
• ‘SCC has gathered evidence that also highlights a deep attitudinal change is required in order to substantially increase the number of businesses willing and able to export’ (SCC)
• ‘We would encourage the Committee to consider the link between the current youth employability and skills agenda, informed most recently by the final report from the Commission for Developing Scotland’s Young Workforce, and the current budget proposals focused on boosting exports’ (Scottish Youth Parliament)
• ‘Over the longer term there are substantial advantages to be had from the ‘soft-power’ Scotland accrues from its network of hundreds of thousands of alumni around the world’ (Universities Scotland)

Commentary

In an environment where the ‘centre of gravity’ of the world economy is in many ways moving further away from us, language and international mindset remain a challenge – both supply and company demand. There is a greater need to manage different risks and develop deeper and wider cultural understanding. We need to ensure we develop a more international mind-set and culture across Scotland.

Globally competitive economies must be capable not only of attracting and retaining highly skilled, high potential individuals, but also nurturing and developing them at home. It’s clear that while the precise mix varies, a range of competencies are increasingly sought after by leading companies with global reach including:

• excellent academic qualifications;
• strong STEM (science, technology, engineering and maths) capabilities in order to adapt to changing technologies, business models and markets;
• a global mindset and outlook, ideally achieved via deep immersion in other cultures;
• strong relationship and emotional intelligence skills facilitating collaboration across cultural boundaries;

• diverse leadership, and leadership that promotes diversity;

• innovation, creativity and entrepreneurial skills.

The above is echoed by the UK Foresight Report on the future of manufacturing which sets out a vision of successful firms becoming more adaptable to rapid technological change, more responsive to changing global markets and closer to customers.

The capacity of firms to innovate, grow and trade internationally relies strongly on their ability to deploy the skills and knowledge of their people. But competitiveness is much broader than the level and stock of skills within an economy. It is also related to an economy’s ability to attract and retain mobile, global talent and its systems of developing employable and adaptable people and talent with the right attitudes and outlook.

Culturally we are less exposed to overseas influences than our competitors, with just 4% of Scotland’s population born overseas and just 1% students studying overseas. However Scotland continues to attract a net balance of migrants, although the number has fallen since 2006. The Curriculum for Excellence is providing a stronger grounding in many of the skills’ demanded by globally-ambitious companies, highlighting the crucial importance of early years’ education.

Scottish Enterprise
Highlands and Islands Enterprise
September 2014