

## Board Meeting

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| Date of Meeting     | Monday 29 October, 2018                    |
| Paper Title         | Enterprise and Skills Board Strategic Plan |
| Agenda Item         | 17   |
| Paper Number        | BM1-Q                                      |
| Responsible Officer | Robin Ashton, GCRB Executive Director      |
| Status              | Disclosable                                |
| Action              | For consideration/agreement                |

### 1. Report Purpose

- 1.1 To provide an overview of the attached Enterprise and Skills Strategic Plan - *Working Collaboratively for a Better Scotland*.

### 2. Recommendations

- 2.1 The Board is invited to **consider** the attached Enterprise and Skills Strategic Plan and its potential impact on regional working and strategic ambitions and **agree** to support implementation of the plan.

### 3. Enterprise and Skills Strategic Plan - Working Collaboratively for a Better Scotland

- 3.1 Members will recall that at the recent August Board Development Day, Stephen Boyle presented an overview of the work of the new Enterprise and Skills Board and highlighted both the focus of the Board on addressing Scotland’s relatively poor performance in terms of productivity and the forthcoming publication of its first strategic plan.
- 3.2 On 17 October, 2018, the Enterprise and Skills Strategic Board published its strategic plan – Working Collaboratively for a Better Scotland. Attached as Annex A, the Plan outlines a series of actions for Scotland’s five enterprise and skills agencies and a blueprint to Government, aimed at driving productivity and inclusive growth. Fourteen agency actions and 18 recommendations for Government are outlined around four interconnected missions: Skills for the Future; Business Models and Workplace Innovation; Business Creation and Growth and Exports.
- 3.3 The plan places a strong focus on skills and recognises the important role played by colleges and universities, in delivering inclusive economic growth. In particular, the plan seeks to:

- Embed a culture of lifelong learning at all stages of an individual’s career, including a stronger emphasis on work-based learning to better respond to the current and future skills needs of industry and learners with a recommendation to Government to redesign and expand interventions in this area such as the Individual Training Account. The plan recommends that Government use funding for colleges, universities and training providers to provide more agile support for employees.
- Ensure there is a demand-led skills system that is flexible and highly responsive to industry and learner needs. The 5-stage skills alignment model should be fully implemented creating a one system approach for learners and employers.
- Define the ‘meta skills’ required to thrive in the future economy as the basis for future skills provision.
- Accelerate implementation, and set a timescale for delivery of the Learner Journey Review recommendations, in particular where these reduce duplication and accelerate the pace that people can proceed through the school, college, university and apprenticeship systems, creating more effective pathways to productive employment.
- Recognise that from primary schools, through secondary schools, in colleges, universities and within the workplace, pupils, learners, employees and those seeking work should be able to access high quality, well informed, independent careers advice on demand.
- Exploit the potential of digitalisation and new technologies, including those that support the transition to a carbon-neutral economy. Digital literacy is flagged as being central to developing enterprise and education across Scotland. The plan calls for the agencies to make use of new data sources and predictive analytics to improve big data, and calls for measures to encourage greater uptake of digital skills and technologies by business and education.

#### **3.4** Other actions set out in the plan include:

- A new focus on ‘Innovating Workplaces’ challenging Industry to adopt progressive new business practices and workplace innovation models in recognition of the benefits Fair Work can bring to inclusivity and productivity.
- A focus on improving leadership and management skills key to growth, with the potential to increase businesses’ productivity by between 10–30%. Driving this will be more entrepreneurial and ambitious leadership creating more diverse and socially inclusive workplaces, increased employee engagement, better paid jobs and improve the overall performance of Scottish workplaces. This includes the adoption of increased Fair Work criteria being associated with business support.
- Developing a suite of programmes designed to focus on the potential of mid-sized companies to scale up and internationalise, alongside private partners.
- Helping companies to export through a national exporting service – a ‘one Scotland approach’ to export delivery, organisations and services, strengthening national and regional partnerships and enhanced digital support services to engage more companies and address known barriers to exporting, including sales skills.

- 3.5** Considering implementation of the strategic plan, the Enterprise and Skills Board have stated that they will promote the development of processes and culture to ensure delivery of commitments, to improve performance and to deepen collaboration, and it will continue to look ahead to future opportunities.
- 3.6** A new performance framework has also been established by the Enterprise and Skills Board to monitor the impact and outcomes of agency activities, as well as to assess how the agencies themselves work together. The framework will also take account of the importance of regional differences, differences between equalities groups and sustainability.
- 3.7** The GCRB Board is invited to **consider** the attached Enterprise and Skills Strategic Plan and its potential impact on regional working and strategic ambitions and **agree** to support implementation of the plan.

#### **4. Risk Analysis**

- 4.1** The strategic plan envisages a future skills system which more agile, responsive and flexible, and better matches the needs of both industry and learners. There will be risks to GCRB if it does not perform effectively with regards these ambitions.

#### **5. Equality Implications**

- 5.1** No equality implications are identified.

#### **6. Legal Implications**

- 6.1** No legal implications are identified.

#### **7. Financial Implications**

- 7.1** No financial implications are identified.

#### **8. Strategic Plan Implications**

- 8.1** Many of the ambitions of the Glasgow Region Strategic Plan for College Education are echoed in the Enterprise and Skills Board plan, such as a focus on providing a responsive and inclusive curriculum which meets economic and social needs. There are some aspects of the Enterprise and Skills plan such as the priority given to in-work learning and a focus on digital skills which are not as prominent in the Glasgow Region Strategic plan and it will therefore be important these are appropriately integrated within regional strategic and operational planning.
- 8.2** As the Scottish Funding Council is one of the five agencies which sit under the Enterprise and Skills Board, it is important that GCRB contributes to the aims of the attached strategic plan. It will also be important that GCRB engages effectively with any new structures as

they are developed and is able to both appropriately reflect national priorities and successfully communicate Glasgow's strategic aspirations and related operational needs.



# **WORKING COLLABORATIVELY FOR A BETTER SCOTLAND**

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Strategic plan

**ENTERPRISE & SKILLS  
STRATEGIC BOARD**

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# CHAIR'S FOREWORD

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The Enterprise and Skills Strategic Board exists to improve the enterprise and skills system in Scotland. This Strategic Plan provides clarity around strategic direction to our agencies and a blueprint to Government to turn up the dial on productivity and drive inclusive and sustainable economic growth.

To build a picture of what Scotland needs from its enterprise and skills system, the starting point for the Board was to look at Scotland's assets, examine the current and future needs of business and learners, consider the plans and policies already in place through Government and look at where other partners – local authorities, public and private sector organisations, social enterprises and others – are already delivering great work.

This Strategic Plan is not just about looking at new areas or initiatives. It is also about doing what we do better – with business and learners at the heart – to create a system which is simpler and easier to navigate. The approach has been to look at how public and private sector partners, local, regional and national, can provide place-centric, industry-focused assistance that will drive inclusive growth.

The goal has to be greater collaboration not just between the enterprise and skills agencies themselves, but right across the system. The Board has made some recommendations around how we can collectively strengthen outputs and outcomes with partners, while retaining clear roles and responsibilities about delivery.

The focus is on productivity, but also equality, wellbeing and sustainability. The Board has considered how programmes and activities can be delivered more cohesively to make Scottish companies more resilient in the face of a changing global landscape: how they can scale up, grow and globalise and prepare for future opportunities such as automation and digitalisation, and challenges such as climate change.

Profound demographic change will alter the character of the country and the nature of the economy. In 25 years, there will be around a quarter of a million more Scots, but there will be far fewer people of traditional working age and a drop in the numbers who would typically be in school, apprenticeship, college and university. We will need and buy different types of goods and services, and in turn that will affect the demand for and supply of workers.

The Board has considered how our colleges, universities and training providers can ensure that our skills provision is even more agile, responsive and flexible, and better matches the needs of both industry and learners, now and in the future, acknowledging this changing demographic.

The customer will be at the centre. Advice will be easier to access. A main online entry portal will be in place in 2019 to signpost business to where support can be best sourced across the system. Information and help will be delivered more cohesively through the establishment of 'agency-fluid teams' with bespoke support drawn from across the agencies, and able to act more responsively and proactively to help companies reach their potential, regardless of where they are based in Scotland.

The agencies have already begun to align their activities, coordinating how and when they plan, allowing them to spot opportunities for collaboration and to remove overlaps. The Board and agencies will measure progress towards more effective collaboration.

The Strategic Plan goes beyond securing alignment and greater collaboration among the agencies. Over the summer, the Board examined evidence around a number of areas with the potential to drive economic growth. As a result, four initial, interconnected 'missions' were pursued: deep dives into themes that, supported by detailed evidence presented by the newly established Analytical Unit, demonstrated that, by concentrating efforts in these areas, a positive shift in productivity can be achieved.

The Board has developed actions and recommendations around the four missions, covering Business Models and Workplace Innovation; Future Skills; Business Creation and Growth; and Exporting. Improving productivity and growth were central considerations but other economic and social objectives around business, citizens and society were equally critical.

For instance, we know that technology, Brexit and automation are disrupting traditional business models and working environments. To respond to these challenges, there needs to be increased resilience at workforce, sectoral and economy level.

The Board reviewed compelling evidence that those investing in high performance workplace practices show productivity premiums of up to 30%, yet these approaches are not common across most Scottish businesses and organisations. There is a clear need to create interventions that improve management quality and leadership skills.

The widespread adoption of innovative business models and best practice in the workplace will increase resilience by creating a business culture in Scotland that is open to change, agile, and focused on continuous improvement. More importantly, developing more entrepreneurial and ambitious leadership will create more diverse and socially inclusive workplaces which deliver on Fair Work, increased employee engagement, better paid jobs, and improve the overall performance of Scottish workplaces.

The identified action for the agencies is to deliver an 'Innovating Workplaces' campaign to promote and deliver more progressive business models and innovation for all sizes of enterprise at whatever stage of growth. This action will include increased Fair Work conditionality for business support.

Other key outputs include:

- Developing a suite of programmes designed to focus on the potential of mid-sized companies to scale up and internationalise, alongside private partners such as CAN DO Scale and other private sector groups/bodies.
- Embedding a culture of lifelong learning at all stages of an individual's career, including a stronger emphasis on work-based learning, to enable Scotland to better respond to the current and future skills needs of industry and learners. This includes a recommendation to Government to re-design and expand interventions in this area such as the Individual Training Account and the Flexible Workforce Development Fund.
- Helping companies to export through a 'national exporting service' – a one Scotland approach to export delivery organisations and services, strengthening national and regional partnerships and enhanced digital support services to engage more companies and address knowledge barriers to exporting, including sales skills.
- Ensuring that we have a demand led skills system that is flexible and highly responsive to industry and learner needs. This must be underpinned by robust evidence on employer demand, predictive analytics on future skills needs and access to lifelong careers advice that addresses the future realities of constant change, ever evolving occupations and the critical requirement for lifelong learning. From primary schools, through secondary schools, in colleges, universities and within the workplace, pupils, learners, employees and those seeking work should be able to access high quality, well informed, independent careers advice on demand.

Supporting all of that is a focus on the potential of digitalisation and new technologies, including those that support the transition to a carbon-neutral economy. Digital literacy has to be embedded in enterprise and education across Scotland. The Board and agencies will make use of new data sources and predictive analytics to improve our own understanding, as well as to encourage greater uptake of digital skills and technologies



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## CHAIR'S FOREWORD

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The Strategic Plan is a plan for the longer term, with a 20-year horizon, but given the fluidity of geopolitical and economic circumstances, it will be updated regularly to ensure it is fit-for-purpose and able to flex in response to ever changing global conditions.

This is a time for our businesses and learners to co-invest in the system. In particular, the business community cannot sit on the sidelines, but must engage to ensure the relevance and effectiveness of the interventions delivered by the agencies

It goes without saying that I am grateful to all those who have already engaged with this work and provided input. Members of the Board have spoken to a great many people over recent months, and the views received have proved valuable in helping shape our thoughts. A key strength of the Board is its ability to pull together a 'coalition of the willing' across traditional partisan lines, allowing us to shine light on the big social and economic challenges we all face, and to develop creative solutions to address them.

Success will, of course, be shown through the outcomes that we now deliver. However, the process of developing this Plan, and the value of the challenging discussions between the collective of Board Members and the agencies has, in itself, been a catalyst for change. A culture of collaboration, support and open dialogue has been clearly developing. I am certain that this will lead to transformational change in the way the agencies approach the design of interventions, their engagement with industry, and the way they work together.

It is not the Board that sets policy, it is the Government. It is not the Board that 'does', it is the agencies. Shifting the dial on productivity and inclusive growth will require everybody stepping forward and continuing to play their part, with clarity of purpose and role. The prize is significant, achievable and important – and we must be ambitious as we reach out and work with others to claim it.



**Nora Senior**  
Strategic Board Chairman

# EXECUTIVE SUMMARY

This plan gives clarity around strategic direction to the enterprise and skills agencies – Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland and the Scottish Funding Council, as well as the new South of Scotland Economic Partnership – so that they can collectively help Scotland move towards the top of the Organisation for Economic Cooperation and Development (OECD) rankings for productivity and for equality, wellbeing and sustainability.

Among the 36 OECD members, Scotland currently sits in mid-table for productivity. Closing this gap would mean more money for individuals to spend, improved business competitiveness and profits, and would deliver higher tax revenues to help fund better public services. **It is a prize worth winning.**

This plan therefore has two overarching features aimed at out-competing other countries:

- a clear sense of what matters most, what will make the biggest difference to economic growth and where priorities should lie; and
- agility to adjust course as the world changes, and to respond quickly to new opportunities as they arise.

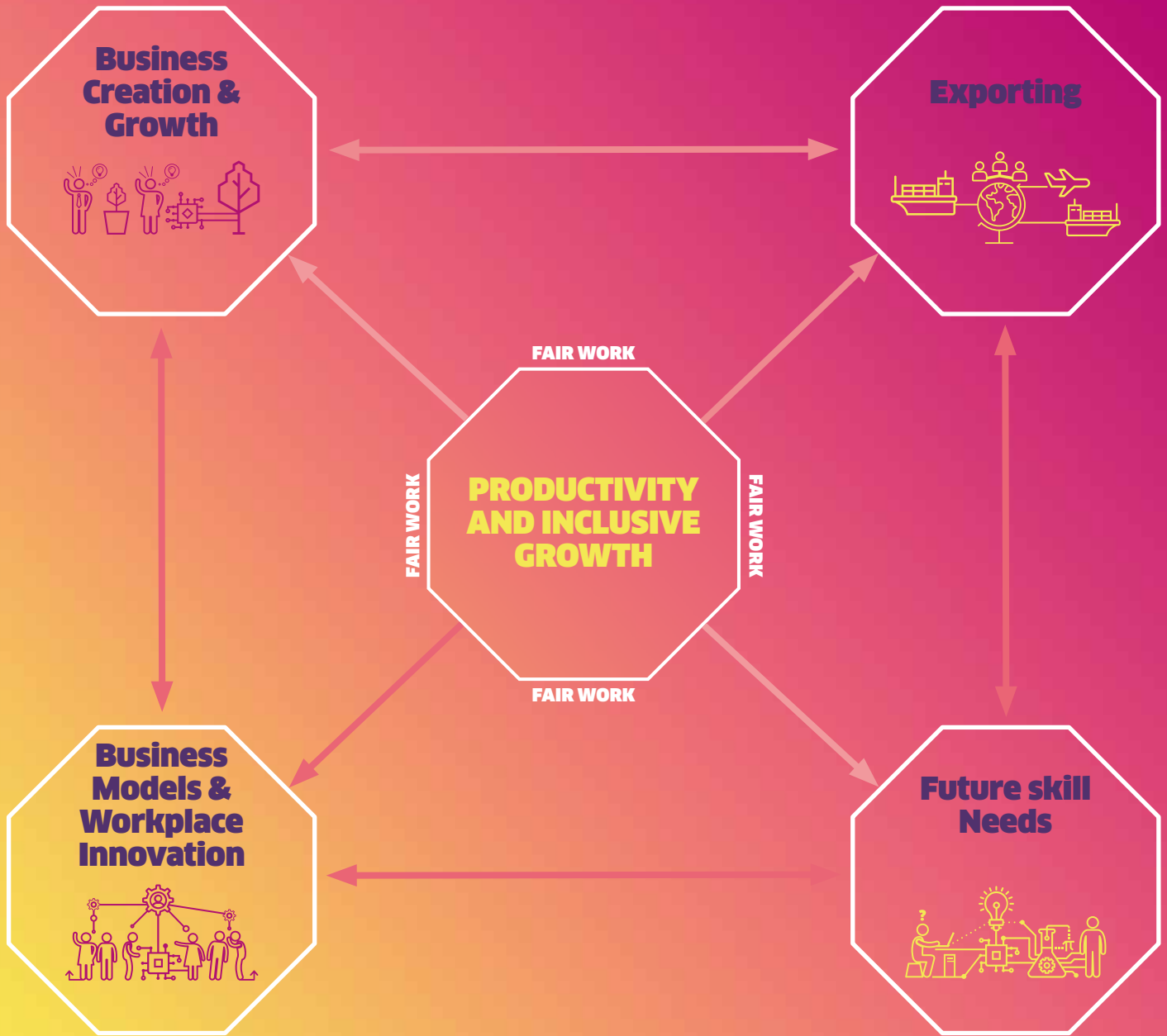
It sets out four interconnected ‘missions’ that link directly to the work of the agencies and through which economic performance could be improved both rapidly and substantially. There are additional drivers of productivity, including investment and innovation, which either lie out with the Board’s remit or will be a focus of the Board in future work.

While driving inclusive growth through increasing productivity has been the primary focus of the four chosen missions, they have also been developed with attention to:

1. Impacts on equality, wellbeing and sustainability – fostering an inclusive society where more individuals and communities benefit from the value created by growth, and ensuring that growth is complementary to environmental sustainability.
2. The importance of place, including national, regional and local implications.

The Board is consciously building on valuable existing Scottish Government policies such as: the Scotland Can Do Action Framework, which is focused on making Scotland the most entrepreneurial and innovative nation in the world; the Labour Market Strategy; and the new Trade and Investment Strategy, which aims to inspire, enable and support more businesses to sell more goods and services to a wider range of international markets.

It embeds the Government’s commitment to Fair Work and inclusive economic growth that combines increased prosperity with greater equality, creates opportunities for all and distributes the benefits of increased prosperity fairly. Fair Work is increasingly recognised as a crucial component in delivering high performing and innovative workplaces.



The Strategic Plan sets out how to further drive productivity and inclusive growth in all parts of Scotland and for all Scotland's people, by:

1. Harnessing the full potential of progressive **business models, work place innovation and Fair Work** to enhance productivity, equality, wellbeing and sustainability. This will be achieved by promoting and supporting the development of highly capable businesses with long-term strategic orientations who utilise progressive workplace practices, technology, skilled resources and innovation to remain competitive.
2. Encouraging and enabling a shift to a more demand-led skills system that better responds to the current and **future skills needs** of employers and individuals, including expanding work-based learning, and increasingly supports individuals to upskill and reskill. This requires building on our existing strength of a highly qualified workforce to address the under-utilisation of skills, graduate under-employment and growing and persistent skills shortages.
3. Promoting **business creation and growth** through helping to create a nation of dynamic and high achieving entrepreneurs, with a focus on inclusivity (women, rural, minority ethnic groups and others) and providing a new structure of support for business scale up, as well as targeting global market opportunities, capitalising on Scotland's unique assets, and using innovation as a key driver of productivity growth.
4. Increasing **export growth** through both the number of exporting businesses and the value of exports – sustaining and growing the value of Scotland's trade with new and emerging markets by better understanding product, services and in-country demand, and increase the number of exporters through broader and deeper reach at regional levels.

**This plan sets out an initial 14 actions that the Board will provide clarity and strategic direction to the agencies to undertake and support them in progressing these aims. It also highlights 18 recommendations to Scottish Ministers where it believes there is additional potential that sits outside the Board's immediate remit to approve.**

The Plan looks at how the system will operate. It commits to improving the experience of the customers of the system – businesses and learners – in everything that it does. It will champion the development of a truly digitally-enabled business support environment across Scotland, collectively reaching many more businesses and opening up new routes to stimulate growth. A main online entry point will help businesses identify what support is available and how to access it. An initial version of this will be delivered in April 2019.

A new concept of 'agency-fluid' teams will be established to deliver a more cohesive approach to programme delivery for the customer.

The Board will ensure that Scotland has a group of organisations – all of whom serve to grow Scotland's economy – where collaboration and working differently is 'business as usual'. This collaboration, in combination with better use of data and clarity around the national, regional and local conditions, will be critical to future success.

A performance framework has been established to monitor the impact and outcomes of agency activities, as well as how the agencies themselves work together. The framework will also take account of the importance of regional differences, differences between equalities groups and sustainability.

The Board will use feedback from this framework to adapt its approach where necessary. In doing so, it will promote a system that is agile and has the flexibility required to adjust course as the world changes and to respond quickly to new opportunities as they arise.

The plan sets out a clear direction for the agencies, as well as a set of guiding principles which should be instrumental as attention turns to delivery. The Board will promote the development of processes and culture to ensure delivery of commitments, to improve performance and to deepen collaboration, and it will continue to look ahead to future opportunities.

Engagement will be ongoing with the agencies, government (national and local), partners and, in particular, customers including businesses and learners. as we move into this next phase.

## EXECUTIVE SUMMARY

### Summary Actions (More detail in the main document)

|          |   |
|----------|---|
| BCG (A1) | Establish a campaign to foster entrepreneurship and ambition across society, with particular focus on inclusivity (incl women, minority ethnic groups, rural considerations etc). |
| BCG (A2) | Create a main online entry point as part of a wider transformation to a truly digitally-enabled business support service providing rapid, tailored support.                       |
| Exp (A1) | Co-ordinate a national exporting service – a one Scotland approach to export delivery organisations and services.   |
| Exp (A2) | Explore a new public/private sector partnerships which will provide support to scale-up, and refresh export support resources.  |
| Exp (A3) | Develop digital, sales and international language training programmes for exporters.  |
| BMW (A1) | Deliver an ‘Innovating Workplaces’ campaign to create awareness of productivity issues of business models, workplace innovation and Fair Work                                     |
| BMW (A2) | Utilise data-led approaches to proactively identify and support sectors and firms who can exploit opportunities for growth or to enhance their resilience                         |
| BMW (A3) | Co-ordinate a programme of business models and workplace innovation activity that is driven by agency-fluid teams.  |
| BCG (A3) | Boost overseas acquisitions through specialist support for scale up from a new public/private/SNIB collaboration.   |
| FS (A1)  | Implement the 5-stage skills alignment model <sup>1</sup> and a one system approach for learners and employers.   |
| FS (A2)  | Define the meta-skills <sup>2</sup> for use in future skills provision.   |
| AU (A1)  | Analytical Unit to lead on work to develop the performance framework.   |
| AU (A2)  | Analytical Unit to lead on an evaluation and research programme to better determine the impact from significant agency activities.  |
| Del (A1) | Develop ‘big data’ systems that robustly inform agency planning and shared information.   |

1 1: Agree skills demand assessment, 2: Joint provision planning, 3: Integrated Processes For Progressing Institutional Outcome Agreements & Commissioning With Training Providers, 4: Co-Ordinated Outcome Agreement Execution & Training Provider Contract Management, and 5: Joint review and evaluation.

2 Meta-skills are higher-order skills – self-management, social and emotional intelligence innovation skills – that enable others skills to be developed.

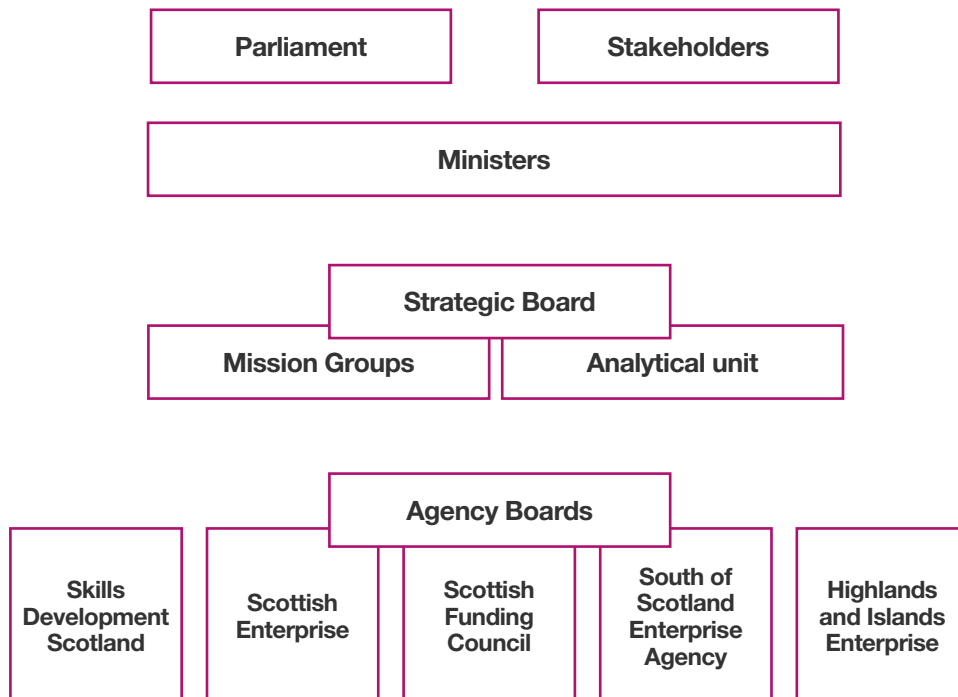
**Summary Recommendations (More detail in the main document)**

|          |   |
|----------|---|
| FS (R1)  | Use funding for colleges, universities and training providers to provide more agile support for employees and employers to upskill and reskill, increasing in-work learning using new models of provision.  |
| FS (R2)  | Integrate, expand or re-design forms of upskilling and reskilling support such as Individual Training Account or tax incentives.  |
| FS (R3)  | Create a flexible and sustainable funding model to meet the future expansion of demand for work-based and work-integrated learning.   |
| Exp (R1) | Increase international awareness and exposure throughout the education system and champion the re-introduction of the post-study work visa.   |
| FS (R4)  | Accelerate, set a timescale for and align existing funds to facilitate delivery of the Learner Journey recommendations to reduce duplication and accelerate pathways to employment.   |
| BMW (R1) | Embed Fair Work principles across the public sector and increase conditionality in business support.  |
| BMW (R2) | Task the agencies to oversee provision of world class management and leadership training accessible across Scotland for a targeted number of business leaders each year.  |
| BCG (R1) | Focus support on scale-up and frontier businesses, including young, ambitious and capable businesses with international aspirations and high growth potential businesses that contribute to the low carbon economy. Adopt a focus on inclusivity.   |
| BCG (R2) | Engage with Business Gateway on support for start-ups. Adopt a focus on inclusivity (incl women, minority ethnic groups and rural considerations).  |
| BCG (R3) | Build on the existing Brexit readiness work of public agencies and business organisations to strengthen the Scottish-level response.  |
| BCG (R4) | Support Scotland's businesses to respond to challenges by leveraging maximum funds from the Industrial Strategy Challenge Fund.   |
| Del (R1) | Agencies should take a greater role, working collaboratively with local authority partners, the private sector and others, in delivering place-based economic development that responds to local opportunities and takes housing, infrastructure and digital connectivity into consideration. |
| BCG (R5) | Develop and promote Scotland as a Digital Nation, equipping and providing opportunities for digital business.   |
| BCG (R6) | Increase investment in college and university spin-out venture programmes and in organisations focussed on driving entrepreneurship, innovation and research (such as Scotland CAN DO and Scotland is Now).   |
| Exp (R2) | Develop an exporting partnership plan which will increase the involvement of private sector expertise and world-wide resources to grow our exports and imports.   |
| Exp (R3) | Increase ministerial visibility in existing and potential trading partner countries and fast growing priority markets, and create stronger government-to-government and business-to-government networks.  |
| Exp (R4) | Explore the full potential of the international dimension of colleges and universities in supporting economic growth.   |
| Del (R2) | Develop a National Asset Register of sectors, skills and capabilities that is geographically focussed.  |

# 1. OVERVIEW

## Background

The Enterprise & Skills Strategic Board aligns the work of Scotland’s Enterprise and Skills Agencies – Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland and the Scottish Funding Council, as well as the new South of Scotland Economic Partnership – behind a common purpose to drive inclusive and sustainable growth. The Board is comprised of individuals from business, trade unions, education providers, including universities and colleges, the enterprise and skills agencies and local government.



Each year, £2.4bn is invested by the Scottish Government in Scotland's enterprise and skills support. That investment, coupled with our ability in Scotland to

convene the key players in one place, provides us with a genuine opportunity to make a difference. Our aim now is to realise that opportunity.

**This plan gives clarity around strategic direction to the enterprise and skills agencies so that they can help Scotland move towards the top of the OECD rankings for productivity and for equality, wellbeing and sustainability.**

**It draws from the five key principles of the Strategic Board, to:**

1. improve the overall performance of the economy by ensuring that the whole Enterprise and Skills System delivers Scotland's Economic Strategy and supporting strategies, in all parts of Scotland
2. through collective responsibility, ensure hard alignment between agencies to drive improvement in Scottish productivity and better support business and users of the skills system
3. hold agencies to account for performance against agreed measures
4. actively engage with other agencies and bodies who support the economy with a view to increasing alignment and challenging others where collaboration is not happening
5. deliver wider collective leadership, based on common culture and values, and which inspires and empowers delivery



## 1. OVERVIEW

### The prize

By many measures Scotland is economically successful. We have one of the best educated populations in the world, a high employment rate and our universities' research performance is world class.

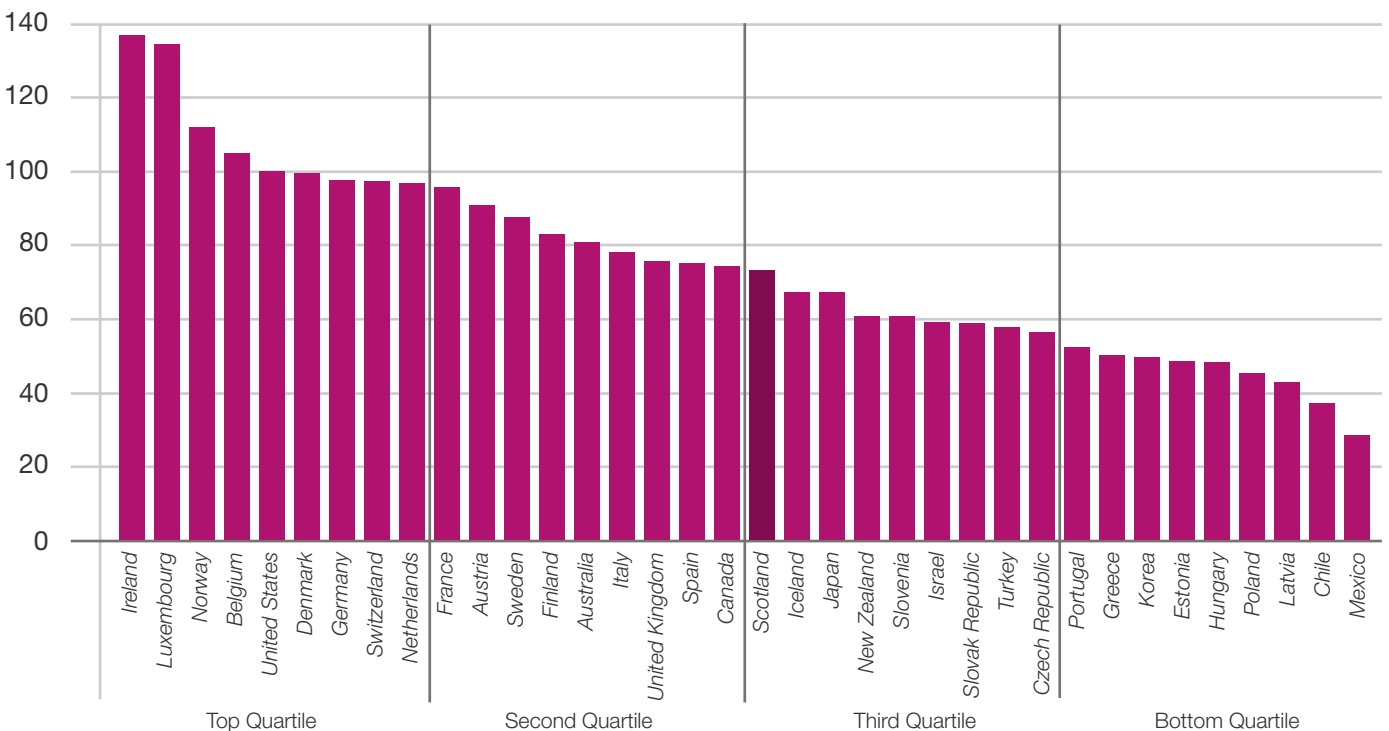
However, our productivity performance – which is a measure of how efficiently we produce goods and services – lags many other countries.

For some time, Scotland's yardstick has been countries whose productivity levels put them in the top quartile of countries belonging to the Organisation for Economic Cooperation and Development (OECD). Among the 36 OECD members, Scotland currently sits in mid-table and has done for a long time<sup>3</sup>. This impacts everybody – productivity is a key determinant of international competitiveness, company growth, living standards and wages.

**In the most productive countries, average annual wages are over £5,000 higher than in Scotland.**

Closing this gap would mean more for individuals to spend, improved business competitiveness and profits, and higher tax revenues to support better public services. **It is a prize worth winning.**

Scotland is currently ranked 19th out of the OECD countries when measured by GDP per hour worked<sup>4</sup>.



Sources: "2016 Productivity levels from OECD Statistics Portal – data extracted on 07 February 2018; Output per hour worked from Scottish Labour Productivity 1998-2017 Quarter 3 - 14 February 2018".

3 <https://www.gov.scot/About/Performance/scotPerforms/purposetargets/productivity#Chart>

4 <https://www.gov.scot/About/Performance/scotPerforms/purposetargets/productivity>

Scotland's Economic Strategy describes how we can bridge the productivity gap through investing, innovating, internationalising. It also demonstrates how there is a growing consensus that tackling inequality – and increasing the number of people who can contribute towards economic prosperity – can boost competitiveness and growth. At present, the UK as a whole is ranked 30th out of 35 among OECD countries for income inequality<sup>5</sup> and Scotland's performance is likely to be similar. That is why this Strategic Plan adopts a focus on inclusive growth and builds short- and long-term actions around those foundations.

One in seven people in Scotland still live in poverty



The outcomes of long-term growth have not consistently been shared:

In-work poverty is increasing:

**over half** of working age adults in **poverty** now live in households with at least one adult **in employment**



There is still a gender pay gap: **Women earn 93p** for every **£1** a Man earns



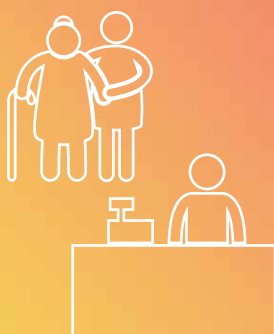
Place is important: **people** from our most **deprived areas** live on **average 10 years less** than those in our least deprived areas



Those sectors of our economy which employ the largest numbers such as

**retail, care and leisure**

are some of those with the **lowest output per worker**



5 <https://data.oecd.org/inequality/income-inequality.htm>

6 Poverty: <https://beta.gov.scot/publications/poverty-income-inequality-scotland-2014-17/> Gender pay gap: Annual Survey of Hours and Earnings 2017 Life expectancy: National Records Scotland 2014-2016 life expectancy in Scottish areas

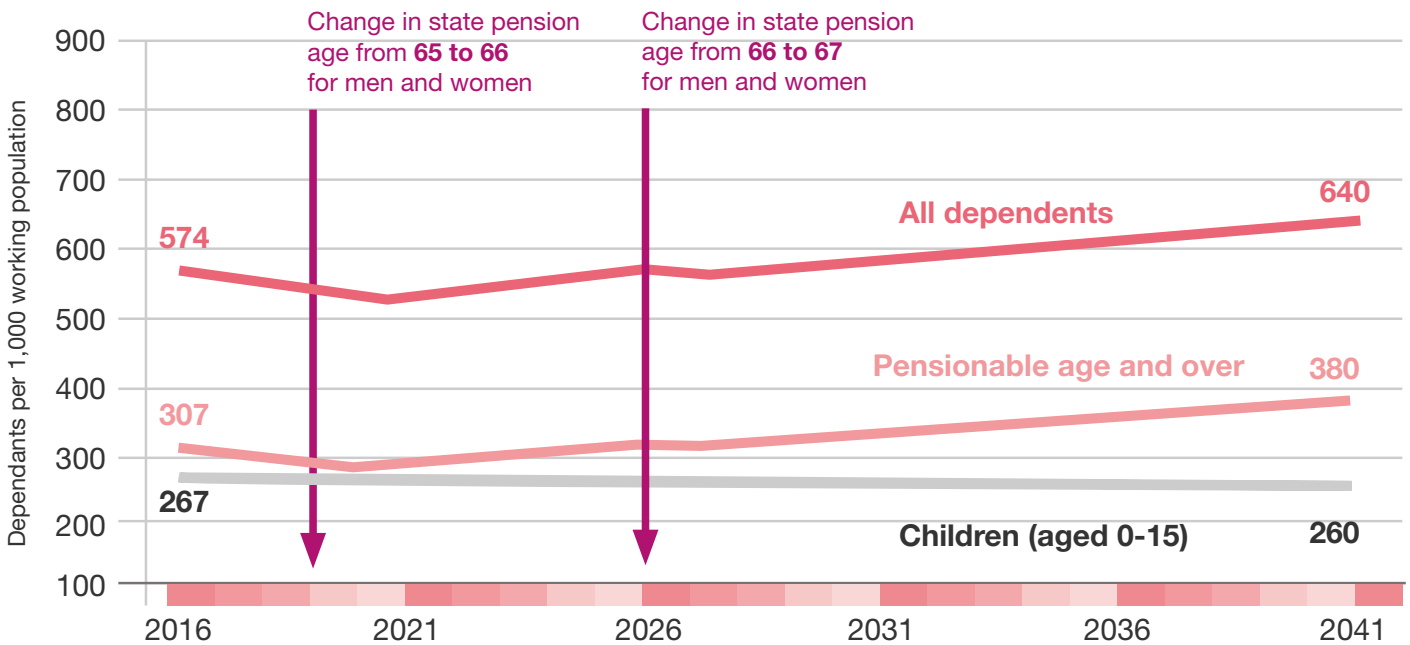
# 1. OVERVIEW

## Demography

There will be around a quarter of a million more Scots in 25 years. But there will be far fewer people of traditional working age and a drop in the numbers who would typically be in school, apprenticeship, college and university. Most marked will be the rise of more than

400,000 aged 65 and over with an extra 220,000 or so of us living beyond 80 years. This demographic shift is also projected to result in a significant increase in the dependency ratio (the ratio of those ages typically not working to those typically in the labour force), which is predicted to be felt most keenly in our rural regions<sup>7</sup>.

Projected dependence ratios (per 1,000 working population), 2016-2041



Source: National Records of Scotland

Profound demographic change will alter the character of the country and the nature of the economy. Scots will demand and produce different types of goods and services, affecting in turn the demand for and supply of workers – for example, there will likely be many more jobs caring for the oldest in society. Employers will have to manage a dip in the supply of young people and a bulge of people in their forties.

<sup>7</sup> National Records of Scotland: <https://www.nrscotland.gov.uk/files/statistics/population-projections/2016-based-scot/pop-proj-2016-scot-nat-pop-pro-pub.pdf>

## Brexit

The UK plans to leave the European Union (EU) in 2019 but, at time of publication, the terms on which it leaves and the nature of its future relationship with the EU and other countries have not been agreed. Nor is it clear when these matters will be settled. What is apparent is that in at least two areas of direct interest to the Board, trade rules and immigration, change will be significant over the coming years.

For decades, a substantial proportion of Scotland's overseas trade has taken place under rules agreed across the EU and between the EU and other countries. The UK intends to negotiate new arrangements. Time will tell how they affect Scotland but the consensus at present is that trade will be harder to do in the foreseeable future than today.

There are some 128,000 people from other parts of the EU who work in Scotland<sup>8</sup> and 22,000 who study at colleges and universities<sup>9</sup>. New rules might make it harder for people who are here to remain and for others to come. It appears that the decision to leave the EU has already reduced the number of people from other EU states coming to work in the UK<sup>10</sup>.

## Shifting geopolitics

In the decades after World War II, western nations built diplomatic, cultural, military and economic alliances, one consequence of which was a marked rise in flows of trade, people and capital between countries, which together helped raise incomes. The depth and pace of globalisation increased rapidly from the 1980s as emerging nations such as China opened up to the world.

Recently, the pace of globalisation has slowed and some of the pillars of the post-1945 settlement and prosperity look shakier with a slowdown in capital flows and signs such as increases in trade tariffs point to protectionism becoming more popular.

In parallel, we see shifts in economic power. While the 'BRICS' countries – Brazil, Russia, India, China and South Africa – have attracted much attention, other emerging markets such as Indonesia and Asian, South American and African nations have the potential to be key drivers of future global growth<sup>11</sup>.

8 Annual Population Survey- Jan-Dec 2016

9 HESA EU domiciled students 2016/17, SFC Infact EU college students 2016/17

10 <https://www.ons.gov.uk/file?uri=/peoplepopulationandcommunity/populationandmigration/internationalmigration/datasets/migrationstatisticsquarterlyreportprovisionalalongterminternationalmigrationltimeestimates/current/provisionalestimatesoflongterminternationalmigrationyemarch2018.xls>

11 Fraser of Allander (2018) Scotland in 2050: Realising our global potential – [https://www.sbs.strath.ac.uk/economics/fraser/20180919/Scotland\\_in\\_2050\\_Realising\\_our\\_global\\_potential.pdf](https://www.sbs.strath.ac.uk/economics/fraser/20180919/Scotland_in_2050_Realising_our_global_potential.pdf)

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## 1. OVERVIEW

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### Technological change

Some call it “Industry 4.0” others “The Second Machine Age”. The defining characteristics of this new wave of innovation today are that it is exponential, digital and makes combining innovations from different sources easy<sup>12</sup>. Already, these have provided useful artificial intelligence and connected most people on the planet through the internet. It is impossible to predict the future with any precision but many technologists and economists forecast that the speed and scale of technological change will continue to increase.

Like past innovations those changes will boost incomes – but they will also cause disruption (e.g. to existing business models and the structure of industry) and could also widen income inequalities. Opportunities to create and expand new businesses to meet undreamt of needs or simply to do better the things done today will leave Scotland wealthier. However, this will not happen simply due to innovation and technology that we import from elsewhere – we need to ensure that Scottish businesses are the producers or pioneers of that innovation, and we need to support those in the workforce who are displaced by technological change to adapt, upskill and reskill to the future economy.

### Climate Change

Climate change is probably *the* most significant event of our times. It is increasingly clear that the planet cannot sustain current models of production and consumption.

The recent UN Intergovernmental Panel on Climate Change (IPCC) report<sup>13</sup> suggested that limiting global warming to 1.5°C would require “rapid and far-reaching” transitions in land, energy, industry, buildings, transport, and cities. Further, with clear benefits to people and natural ecosystems, limiting global warming to 1.5°C could go hand in hand with ensuring a more sustainable and equitable society.

In many regards, Scotland is already a world-leader in this aspect, with existing aspirations to become carbon-neutral by 2050. The transition to a carbon-neutral economy will open opportunities for innovative solutions – both in terms of mitigation and adaptation – that would tap into a global demand.

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12 Brynjolfsson, Erik and Andrew McAfee (2013), The Second Machine Age: An Industrial Revolution Powered by Digital Technologies [https://www.capgemini.com/wp-content/uploads/2017/07/second\\_machine\\_age\\_09\\_01\\_2013\\_0.pdf](https://www.capgemini.com/wp-content/uploads/2017/07/second_machine_age_09_01_2013_0.pdf)

13 <http://ipcc.ch/report/sr15/>

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## What is different about this plan?

The goal is the top quartile of OECD countries. To achieve this means out-competing other countries and, recognising this, this plan that has two overarching features:

- a clear sense of what matters most, what will make the biggest difference and where priorities should lie; and
- agility to adjust course as the world changes, and to respond quickly to new opportunities as they arise.

Inclusive growth has been a guiding principle in developing this plan with a focus on place, participation and sharing value. Fair work – combining growth with increased prosperity, greater equality and creating opportunities for all – is integral to all parts of the plan.

While this plan recognises the imperative for action now, it also accepts the long-term nature of the ambition. We must be in this for the long-haul, setting our sights on a twenty-year time horizon, with sustained and unrelenting commitment to the actions and prioritisation required.

This plan is a vision for improving the enterprise and skills system as a whole. It transcends the boundaries between the agencies and so enables genuine collaborative effort to be rallied behind strategic purpose. This collaboration, in combination with better use of data and clarity around national, regional and local conditions, will be critical to its success.

The plan also proposes strategic changes which have implications for the wider enterprise and skills system, and therefore seeks to influence other key players, including both central and local government, education and training providers and, most especially, the business community.

## How the plan fits together

This plan gives strategic direction to the delivery agencies and additional advice to Scottish Ministers. It builds on the key themes and early successes of the Enterprise & Skills Review.

Over the summer, the Board has pursued four initial ‘missions’ – deep consideration of the factors contributing to productivity growth. Section 2 of this plan describes these missions in more detail, and highlights a series of actions and recommendations for improvement. Section 3 shows how collaboration and alignment across each of the agencies – and beyond – is already making a difference in how we provide support to customers. Progress against our aims will be monitored through the Board’s performance framework, which is set out in Section 4. Finally, Section 5 sets out the next steps for the Board.

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## **2. MISSIONS AND STRATEGIC FOCUS**

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### **Policy missions bespoke to Scotland's opportunities**

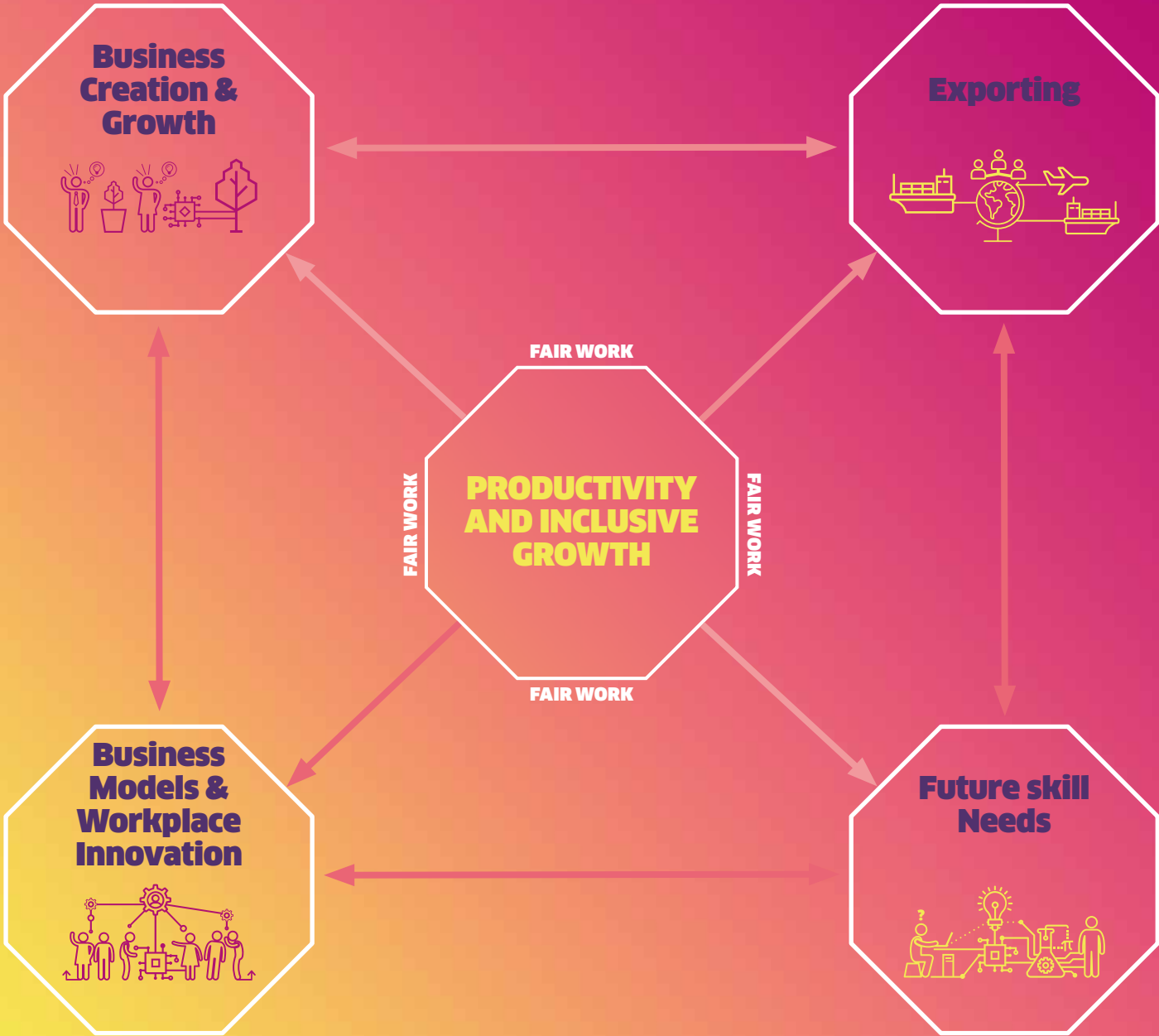
As with every country, Scotland performs better in some areas than others. Scotland secures more inward investment projects than any other region in the UK outside London. The employment rate is high – remaining close to its record level – and the unemployment rate is close to its record low. Scotland is highly-qualified by international standards with one of the highest percentages of the population aged 25-64 with tertiary education among the nations and regions of the EU.

In contrast, we still need to tackle skill shortages that result in recruitment difficulties for businesses and the fact that skills are not fully utilised in the workplace. Business investment remains low, as does business expenditure on research and development (R&D). Scotland also has a smaller business base, in large part because of that a lower number of high growth firms, and fewer exporters than many other UK nations and regions. Across each of these parameters, there is geographical variation – often significantly so – within Scotland.

The Board considered a wide range of issues that could impact positively on productivity – sector specific initiatives, innovation and increased R&D amongst others. It identified four initial, interconnected missions where economic performance could be improved both rapidly and substantially. These are not the only areas where a mission-led approach could pay dividends, and the board is likely to turn its focus to other priority areas in the future.

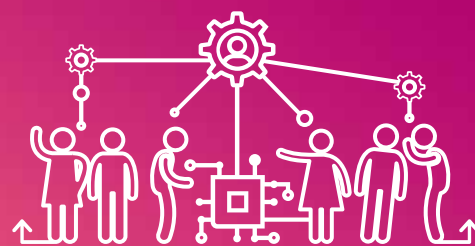
While increasing productivity has been the primary focus of these missions, they have also been developed with attention to:

1. Impacts on equality, wellbeing and sustainability fostering an inclusive society where more individuals and communities benefit from the value created by growth, and ensuring that growth is complementary to environmental sustainability.
2. The importance of place, including national, regional and local implications.





# BUSINESS MODELS AND WORKPLACE INNOVATION



**The Strategic Board will harness the full potential of progressive business models, work place innovation and Fair Work to enhance productivity, equality, wellbeing and sustainability. This will be achieved by promoting and supporting the development of highly capable businesses with long-term strategic orientations who utilise progressive workplace practices, technology, skilled resources and innovation to remain competitive.**

Pursuing inclusive growth requires a focus on where value is created – within businesses and in workplaces. This recognition is at the centre of Scotland’s commitment to Fair Work.

*“Work and the workplace matters – to employees and their families, to employers, to government and to society. Outside of family and kin relations, work is arguably the most significant domain for most people. The economic value of work as a source of income, profits and national prosperity is evident. Work also plays a key role in individual identity and shared social values.”*

(Findlay et al, 2016 – the FITwork project)

The role of employers here is pivotal. Public, private and third-sector organisations need to understand better how the best performing companies do business – examining their business models and how they organise and manage people, in order to better influence their practice to support fair work, productivity improvement and inclusive growth.

Across the wide range of business models, there is broad acceptance of the importance of human capital as a potential source of competitive advantage, and recognition of the importance of HR processes and practices. This has spawned a number of best-practice approaches which can improve business performance such as High Performance Working, Lean Production, Employee Engagement and a plethora of leadership approaches.

Yet these approaches are not common across most businesses, and there is a need to create interventions that improve management quality and skills in this area to support Scotland’s inclusive growth approach.

In addition, while the effectiveness or otherwise of skills utilisation is driven by employer behaviour, some employers lack awareness of skills under-utilisation or have few immediate incentives to address it. A key challenge is how policy makers can help influence this.

Future economic, political and social challenges are stimulating increasing interest in resilience – the ability to deal with the stresses of a changing work environment and ‘bounce back’ during periods of challenge or change. In terms of work and business, discussions of resilience often emphasise individual responsibility. This misses the point: facing future challenges will require resilience at workforce, sectoral and economy level. This is consistent with the emerging research agenda that connects resilience with reference to inclusive growth and economic development strategies, focusing on the resilience of interconnected systems.

BusServ (anonymised) is an engineering technology service company who have a diverse customer base and deliver across several industry sectors. They addressed a need to develop a more innovative and collaborative culture to drive business growth and enhance the working life of their employees by creating more opportunities for learning and development across the whole organisation.

Development programmes have given existing managers and leaders the skills they needed to change the organisational culture, introduce more collaborative ways of working and develop processes which stimulate dialogue and idea generation. The workshops and development programmes have resulted in significantly more staff involved in delivering new activities and in developing employee-driven innovation proposals, some of which have resulted in new cross-functional collaboration.

The MD believes that changes to engagement, leadership, management and working practices have put the organisation significantly ahead of their competition and helped build a strong digitisation offering for customers.

### What the evidence tells us

While Scotland's leading firms are as productive as elsewhere, we have a long tail of lower performing business with considerable opportunities for productivity growth through adopting enhanced management practices and better utilisation of workforce skills (IPPR). Firms also often have a poor understanding of productivity and of the links between wages and productivity (Joseph Rowntree Foundation).

UK management practices are mid-table by international standards<sup>14</sup>, alongside evidence that better management practices can create better business outcomes, potentially influencing productivity more than investment in R&D, skills or technology (productivity premiums can be as much as 30% for those investing in high performance practices<sup>15</sup>).

In Scotland, 35% of establishments responding to the UKCES Employers Skills Survey reported problems of skills under-utilisation<sup>16</sup>. Better use of existing skills could enhance productivity, improve motivation and innovation, and diminish the waste of individual and public investments in human capital<sup>17</sup>.

A substantial evidence base exists to show that good job quality can reduce staff turnover and absenteeism and bring benefits in terms of improved morale, motivation, individual performance and engagement in workplace innovation<sup>18</sup>.

Digital literacy is one of the most important investments in creating resilience. However 44% of Scottish businesses remain either disconnected or have only basic digital proficiency<sup>19</sup> and only 26% of Scottish businesses stated that their employees were fully equipped with the skills required to meet the business' digital technology needs<sup>20</sup>.

14 BLOOM, N., & VAN REENEN, J. (2010). Why do management practices differ across firms and countries? *The Journal of Economic Perspectives*, Vol 24, No 1. pp203-224.

15 Appelbaum, E., Gittel, J.H. & Leana, C. (2010). High-performance work practices and sustainable economic growth. Washington: CEPR, Centre for Economic Policy Research.

16 UK Employer Skill Survey 2017, DFE

17 Keep (2016) Improving Skills Utilisation in the UK – Some Reflections on What, Who and How?, SKOPE – <http://www.skope.ox.ac.uk/wp-content/uploads/2016/09/Keep.-Improving-Skills-Utilisation-in-the-UK-Some-reflections-on-What-Who-and-How.pdf>;

18 Findlay et al (2016a) Exploring the evidence: opportunities for fair, innovative and transformative work in Scotland.

19 Scottish Government (2018) Digital Economy Business Survey 2017 – <https://beta.gov.scot/publications/digital-economy-business-survey-2017/>

20 Scottish Government 2018 Scotland's Digital Economy Maturity Index – <https://beta.gov.scot/binaries/content/documents/govscot/publications/research-finding/2018/03/digital-economy-business-survey-2017/documents/00533154-pdf/00533154-pdf/govscot:document/>

### Shared aims

The aim is to have more Scottish businesses adopting progressive business practices and embedding workplace innovation and Fair Work, investing in and empowering their employees.

Improvement opportunities will be promoted and identified through:

- An 'Innovating Workplaces' campaign to create awareness of existing productivity issues around business models, workplace innovation and Fair Work and promote the benefits of adopting more progressive practices
- Utilising data-led approaches to proactively identify and support sectors and firms who can exploit opportunities for growth or who need to enhance their workforce and business resilience.

Improvement opportunities will be delivered through a programme of activity to be co-ordinated and driven by a new inter-agency division, and implemented with agreed criteria

This will be delivered across five major areas:

#### 1. Developing Innovative Business Models

- Training and support for business to adopt new business models and diversity of practice across the stages of business creation, growth and transition.
- Better alignment of support across business, organisational and workforce development to deliver improved performance and workforce engagement.
- Support creation of high performing workplaces and learning organisations that focus on innovation as a driver of performance.

#### 2. Driving Workplace Innovation, and Fair Work Practices

- Assist businesses to develop a fair and innovative culture in terms of management, people development and HR practices.
- Support firms to design and deliver Fair Work through employment and jobs that provide opportunity, fulfilment, security, respect and effective voice.

#### 3. Enhancing Everyday Leadership & Management Capability

- Support through training and coaching to develop leadership models (including responsible, and value driven leadership) and management.
- Encourage distributed leadership that enables staff to make full use of their skills, experience and creativity at work.
- Provide a suite of productivity tools and interventions to develop high-performing teams and enhance the effectiveness and efficiency of business operations.

#### 4. Improving Skills Planning and Utilisation

- Help employers to develop their capacity for growth via assistance in areas such as an analysis of the people needs of the business, utilisation of skills, talent attraction, recruitment and retention, job design and work organisation, and the adoption of fair work practices.
- Support key sector opportunities such as Data and Advanced Manufacturing.

#### 5. Increasing Capacity and Resilience

- Expand accessibility of the Flexible Workforce Development Fund, Individual Training Accounts and Workplace Innovation Fund.
- Increase the availability of facilitated Peer to Peer programmes and broaden access to specialist support to develop the capacity and resilience of businesses to respond to strategic change and maximise growth opportunities.

### Our commitment to the customer

- Scotland will have distinctive workplaces that value people and their skills and are implementing work place innovation and Fair Work practices as outlined in the Fair Work Framework.
- Industry, employers and trade unions working together will actively promote, demonstrate and share best practice.
- Greater empowerment and funding to invest in their own upskilling.
- There will be a highly-aligned, integrated and streamlined offer to businesses that includes a data- and intelligence-led approach to identifying and providing proactive support to sectors and companies at risk.
- Increasing focus on interventions to address gender disparity at senior executive and Board level and actions aimed at reducing the disparity in the pay gap between male and female employees.

### Actions and Recommendations

Actions to be taken now are:

BMW (A1). Deliver an 'Innovating Workplaces' campaign at national, regional and local level to create awareness of existing productivity issues around business models, workplace innovation and Fair Work and promote the benefits of adopting more progressive practices. To create singularity of purpose, shared principles will be developed, shaped by best practice, that underpin all future investments in support of business. We will engage with partners to identify best practice and how to integrate it into educating the future workforce.

BMW (A2). Utilise data-led approaches to proactively identify and support sectors and firms who can exploit opportunities for growth or who need to enhance their workforce and business resilience. This will build on the SMAS Manufacturing 4.0 diagnostic, which supports companies to understand their resilience, readiness for change and future skills, leadership, and management needs.

BMW (A3). Co-ordinate a programme of business models and workplace innovation activity that is driven by a new inter-agency division. This is to be implemented with agreed "Fair Work" criteria to Enhance Everyday Leadership and Management Capability; Develop Innovative Business Models; Drive Workplace Innovation, and Fair Work Practices; Improve Skills Planning and Utilisation; and Increase Capacity and Resilience.

Additional recommendations to the Scottish Government are:

BMW (R1). Embed progressive business models, workplace innovation and Fair Work in all instruments of government and agencies, ensuring business support is conditional on a commitment to fair work.

BMW (R2). Task the agencies to oversee world class management/leadership training programmes accessible across Scotland which aim to capture a targeted number of business leaders each year. Delivery options to consider include a virtual leadership academy or use of colleges/universities as centres of excellence.

# SKILLS FOR THE FUTURE



**The Strategic Board will encourage and enable a shift to a more demand-led skills system that better responds to the current and future skills needs of employers and individuals, including expanding work-based learning, and increasingly supports individuals to upskill and reskill. This requires building on our existing strength of a highly qualified workforce to address the under-utilisation of skills, graduate under-employment and growing and persistent skills shortages.**

Scotland's people are our main asset. Young and old, born in Scotland or recently arrived, we want everyone to flourish in a country that is inclusive and prosperous. Skills are essential to this.

The availability of the right skills within the population – and the full utilisation of these skills – makes an important contribution to raising productivity and enabling businesses to reach their potential.

Yet the world of work is changing rapidly. Scotland's skills system will need to have sufficient flexibility to develop new skills and capabilities to meet the challenges presented by demographic, environmental and technological change. While the future is hard to predict, we can anticipate that across advanced economies like Scotland:

- Digital technology will permeate all places and forms of work, providing new ways of connecting and collaborating on a global scale<sup>21</sup>.

- The volume of data and information will continue to increase exponentially<sup>22</sup>.
- The use of Artificial Intelligence will increase, with machines increasingly carrying out technical and routine tasks<sup>23</sup>
- Employment forecasts for Scotland to 2027 suggest a continuing increase in new service sector jobs and decrease in manufacturing jobs. An increase in new jobs is expected for all occupational groups but replacement demand (to replace those employees who leave the workforce for a number of reasons, including retirement) is strongest for professional and elementary occupations<sup>24</sup>.
- An ageing population will leave fewer people of working age and an increasing need for people in caring professions<sup>25</sup>.
- The boundaries between jobs and industries and between manufacturing and services will continue to blur, with jobs continuing to emerge and evolve<sup>26</sup>.
- The types of skills that will become increasingly important are so-called 'meta skills' such as self-management, social/emotional intelligence and innovation skills<sup>27</sup>.
- And in Scotland, future population growth will be heavily dependent on immigration, with uncertainties around Brexit posing additional risks<sup>28</sup>.

21 Buchanan, J., Kelley, B., & Hatch, A. (2016) Digital workplace and culture – <https://www2.deloitte.com/us/en/pages/human-capital/articles/digitalworkplace-and-culture.html>

22 Marr (2015) Big Data: Using Smart Big Data, Analytics and Metrics to Make Better Decisions and Improve Performance

23 Buchanan, J., Kelley, B., & Hatch, A. (2016) Digital workplace and culture – <https://www2.deloitte.com/us/en/pages/human-capital/articles/digitalworkplace-and-culture.html>

24 Oxford Economics (2017) in Skills Development Scotland (2018) Jobs and Skills In Scotland – <https://www.skillsdevelopmentscotland.co.uk/media/43852/jobs-and-skills-in-scotland-2017-main-report.pdf>

25 World Economic Forum (2017) The Global Risks Report 2017 – [http://www3.weforum.org/docs/GRR17\\_Report\\_web.pdf](http://www3.weforum.org/docs/GRR17_Report_web.pdf)

26 World Economic Forum (2017) Realizing Human Potential in the Fourth Industrial Revolution – [http://www3.weforum.org/docs/WEF\\_EGW\\_Whitepaper.pdf](http://www3.weforum.org/docs/WEF_EGW_Whitepaper.pdf)

27 'Skills 4.0, a skills model to drive Scotland's future' (Feb 2018) by the Centre for Work-Based Learning

28 Scottish Government (2018) Scotland's population needs and migration policy: discussion paper – <https://beta.gov.scot/publications/scotlands-population-needs-migration-policy/pages/3/>

### The importance of skills in attracting Foreign Direct Investment

Foreign direct investment (FDI) is important for growing both the number and quality of jobs. In turn, access to a highly skilled workforce is a significant component of Scotland's offer to foreign direct investors. In the 2017 survey, Scottish Development International (SDI) carried out with investors, the availability of skills was cited as a key factor by many in the decision to locate in Scotland.

### What the evidence tells us

Scotland already has a highly qualified workforce – including the highest percentage of the population aged 25-64 with tertiary education within the EU. Four of the world's top 200 universities are in Scotland – per head of population, this places Scotland among the top performing countries in the world.

Graduates from higher education are more likely to be in work and to earn higher wages than non-graduates. However, there is evidence to suggest that some graduates are employed in non-graduate jobs, as has always been the case, not least as people find their way into the job market. The percentage of graduates in Scotland who were employed in low and medium-low skilled occupations was 19% in 2017<sup>29</sup>.

Compared with other countries, the UK has a high proportion of people whose qualifications and skills are underutilised and more than one in three workplaces in Scotland (35%) say that they have at least some staff who are both over-qualified and over-skilled for the job that they do<sup>30</sup>.

In Scotland, we know that there are now critical skills shortages in key areas including Digital, Construction, STEM, Health and Social Care and Early Years.

There are also ongoing regional, sectoral and equality disparities. While employment rates are at a record high, productivity growth has been slow, real wage levels have flat-lined and part-time work is more prevalent. Significant gaps in gender pay remain, with barriers to participation for under-represented groups.

### Skill shortages were already biting in 2017 – and the impact of Brexit is likely to make this worse

- 6% of workplaces reported skill shortages, with 24% of vacancies (c.18,000) hard to fill because applicants lacked skills.
- 5% of employees were said by their employer to lack full proficiency in their jobs.

29 Annual Population Survey (2017) Jan-Dec datasets, ONS

30 UK Employers Skill Survey 2017, DFE

## 2. MISSIONS AND STRATEGIC FOCUS

### Shared aims

Transformation of education and training provision to create a highly responsive upskilling system is already underway at a global level. This includes the rapid expansion of Massive Open Online Courses (MOOCs) – in which several Scottish Universities are partners in the leading platforms – and the more recent development of augmented reality and virtual reality contextual learning environments.

This plan recognises this transformation and points towards a coherent customer-led system that serves learners, employers and the economy and is founded upon the following principles:

1. A **demand-led skills system that responds to industry and learner needs** and critical skills as set out in robust and agreed demand evidence. Success will also depend on the ability of industry to articulate and effectively forecast its skills needs within workforce planning (Skills Investment Plans; Regional Skills Investment Plans; Regional Skills Assessments and other evidence.)
2. Our wider education system should be driven also by **well-informed learner demand**, assisted by access to lifelong careers advice that addresses the future realities of constant change, ever evolving occupations and the critical requirement for lifelong learning. Learners, employees and those seeking work should be able to access high quality, well informed, independent careers advice on demand.
3. The system should **encourage lifelong learning** and have routes to suit people of all ages providing the capacity to upskill and reskill quickly.

The speedy and accelerated implementation of the five-stage skills alignment model<sup>31</sup> agreed by SFC and SDS will be a foundation of this system, as will a new level of cooperation.

### Our commitment to the customer

- Colleges and universities will have a wider and improved offer to employers and people who want to reskill.
- Greater choice in 'unbundled' courses and work-integrated learning opportunities that skill people for high demand employment and address specific skills gaps and workplace requirements.
- More courses containing the skills people will need for the changing economy, increasingly integrated to every course.
- A greater variety of non-traditional routes – including work-based routes – that lead into work at the right pace and at the right time.
- Learners and employees will have access to a personalised learner journey that is right for them – in terms of pace and content.

31 1: Agree skills demand assessment, 2: Joint provision planning, 3: Integrated Processes For Progressing Institutional Outcome Agreements & Commissioning With Training Providers, 4: Co-Ordinated Outcome Agreement Execution & Training Provider Contract Management, and 5: Joint review and evaluation.

### Actions and Recommendations

Actions to be taken now are:

FS (A1). Fully implement the joint 5 stage skills alignment planning model, aligning provision with industry needs and critical skills as set out in the demand evidence. SFC and SDS will collaborate further to create a seamless, one system approach for learners, employers and the economy.

FS (A2). Define the 'meta skills' required to thrive in the future economy as the basis for future skills provision.

Additional recommendations to the Scottish Government are:

FS (R1). Use funding for colleges, universities and training providers to provide more agile support for employees and employers to upskill and reskill, increasing provision of in-work learning. SFC and SDS will jointly plan and deliver new models of provision.

FS (R2). Transform our skills system by integrating and expanding existing upskilling and reskilling interventions. This should be aligned with the work of the new National Retraining Partnership and aligned with consideration of a redesign of existing initiatives such as the Individual Training Account and the Flexible Workforce Development Fund.

FS (R3). Create a flexible and sustainable funding model to meet the future expansion of demand for both work-based and work-integrated learning (e.g. qualifications and training augmented with work placements or live business projects). SFC and SDS should work together to ensure there is a flexible, and sustainable funding model for all such pathways, in advance of the withdrawal of EU structural funds.

FS (R4). Accelerate implementation, and set a timescale for delivery of the Learner Journey Review recommendations, in particular where these reduce duplication and accelerate the pace that people can proceed through the school, college, university and apprenticeship systems, creating more effective pathways to productive employment. SFC and SDS should jointly draft advice to Government on the Learner Journey, including consideration of aligning existing funds.



# BUSINESS CREATION AND GROWTH



**The Board will promote business creation and growth through helping to create a nation of dynamic and high achieving entrepreneurs, targeting global market opportunities, capitalising on Scotland's unique assets, and using innovation as a key driver of growth.**

Businesses play a central role in creating wealth within communities and driving economic growth. In doing so, they create job opportunities and contribute towards the public finances.

Culture and ambition play a key role and our longer term aim is to develop a nation where entrepreneurship flourishes in all areas of Scotland and is recognised for its contribution to the success of the country. The entrepreneurial ecosystem is central to this success and will involve the contribution of many public and private sector parties, in addition to the skills and enterprise agencies.

There is particular potential to do more to support fast growth businesses, 'scale-ups' and mid-size companies. Scaling companies have an immensely positive impact on the economy, helping to drive productivity and act as role-models for our aspiring entrepreneurs and broader business base. In ensuring that support for scaling companies is world-leading, it is crucial that the wider support environment helps the broader business base to realise its potential and grows the pool of scaling potential.

*"Getting our ecosystem to produce a greater number of scale-ups is more ambitious and challenging than producing a greater number of start-ups or celebrating entrepreneurs"*

The ScaleUp Institute report, 2014

32

Understanding the characteristics of fast-growth companies helps to find and exploit the specific 'triggers' that underpin them and spark growth in companies. A key component of this is the development and strengthening of leadership and management skills for all stages of business growth.

## Some Characteristics of Scotland's Fast-Growth Companies\*

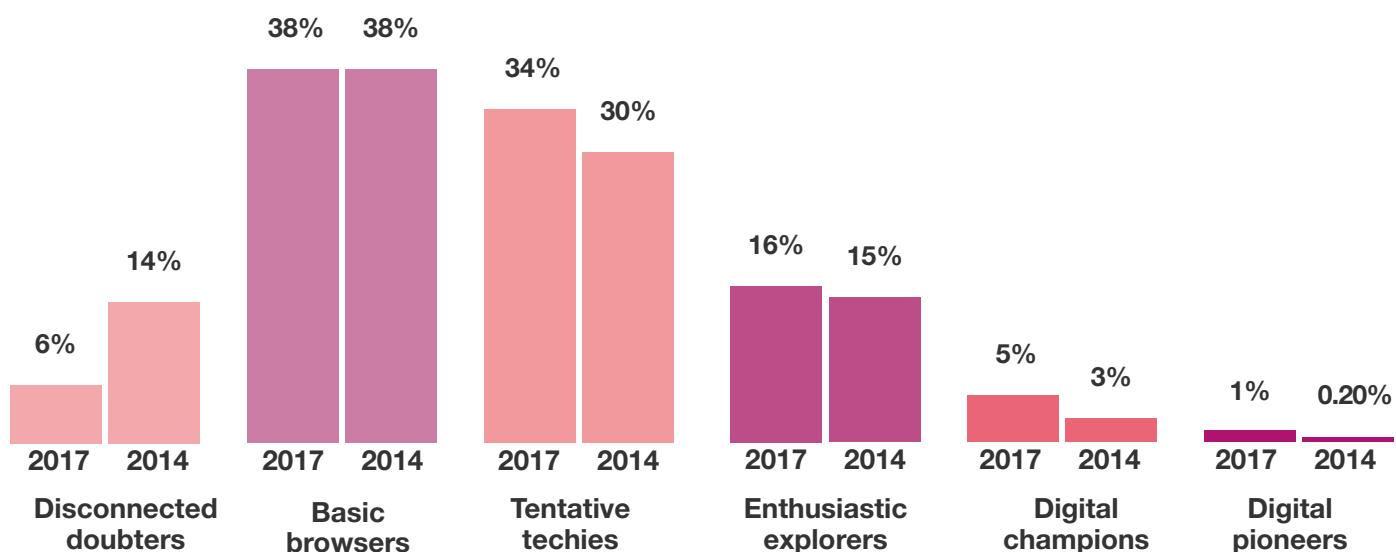
- High growth can occur anywhere across Scotland and spans all sectors of the economy.
- Companies within the £5 million – £10 million turnover bracket are less likely to achieve high-growth and then to sustain it over multiple years.
- Once companies reach £10 million+, the chances of them continuing to sustain it begins to increase.
- Growth among companies is "episodic" – periods of rapid growth are often interspersed with periods of slower (or no) growth.

\* Results of recent research by Scottish Enterprise

Innovation, and the adoption of digital technologies, is also associated with faster productivity growth. Building on initiatives such as the Digital Boost programme, there is scope for significant further improvement in this area.

32 ScaleUp Institute (2014) The scale-up report on UK economic growth – [http://www.scaleupinstitute.org.uk/wp-content/uploads/2018/02/scaleup-report\\_2014.pdf](http://www.scaleupinstitute.org.uk/wp-content/uploads/2018/02/scaleup-report_2014.pdf)

Digital economy maturity index, 2017<sup>33</sup>



- 44% of businesses remain either disconnected or have only basic digital proficiency.

- Larger businesses and younger businesses with growth ambitions are more likely to embrace digital technology.

What the evidence tells us

Scotland’s business start-up rate (as well as the number of businesses relative to population) is significantly behind the UK – and has been for many decades. That rate varies across geographic areas and is particularly low in former industrial areas<sup>34</sup>. Scotland also lags behind the UK in terms of the proportion of high growth firms and high growth firms in Scotland contribute less to economic and productivity growth than those in other parts of the UK<sup>35</sup>. Our businesses are less ambitious in their overseas expansion than their international counterparts<sup>36</sup>.

There could be significant benefits to Scotland in the short-, medium- and long-term if we were to close the scale-up gap. Only a small proportion of new firms grow in a meaningful way, yet it is this scale-up activity that makes the most significant contribution to economic outcomes<sup>37</sup>.

Businesses in Scotland also do not make as much use of advanced digital tools as international comparators. Two-thirds of Scottish businesses report a digital skills gap amongst their staff, and the lack of digital skills training may be a barrier to wider adoption. Further, digitally skilled employment currently suffers from a heavy gender bias, with only around 20% female<sup>38</sup>.

33 Scottish Government 2018 Scotland’s Digital Economy Maturity Index – <https://beta.gov.scot/binaries/content/documents/govscot/publications/research-finding/2018/03/digital-economy-business-survey-2017/documents/00533154-pdf/00533154-pdf/govscot:document/>

34 <https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/datasets/businessdemographyreferencetable>

35 Turnbull and Richmond, (2018). [https://www.strath.ac.uk/media/1newwebsite/departmentsubject/economics/fraser/vol42no2/FAL\\_Perspectives\\_-\\_Performance\\_of\\_high\\_growth\\_firms\\_in\\_Scotland.pdf](https://www.strath.ac.uk/media/1newwebsite/departmentsubject/economics/fraser/vol42no2/FAL_Perspectives_-_Performance_of_high_growth_firms_in_Scotland.pdf)

36 <http://www.evaluationsonline.org.uk/evaluations/Search.do?ui=basic&action=show&id=644>

37 David Skilling (2016) Report to the Enterprise and Skills Review 2016

38 Annual Population Survey, Jan-Dec 2016.

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## 2. MISSIONS AND STRATEGIC FOCUS

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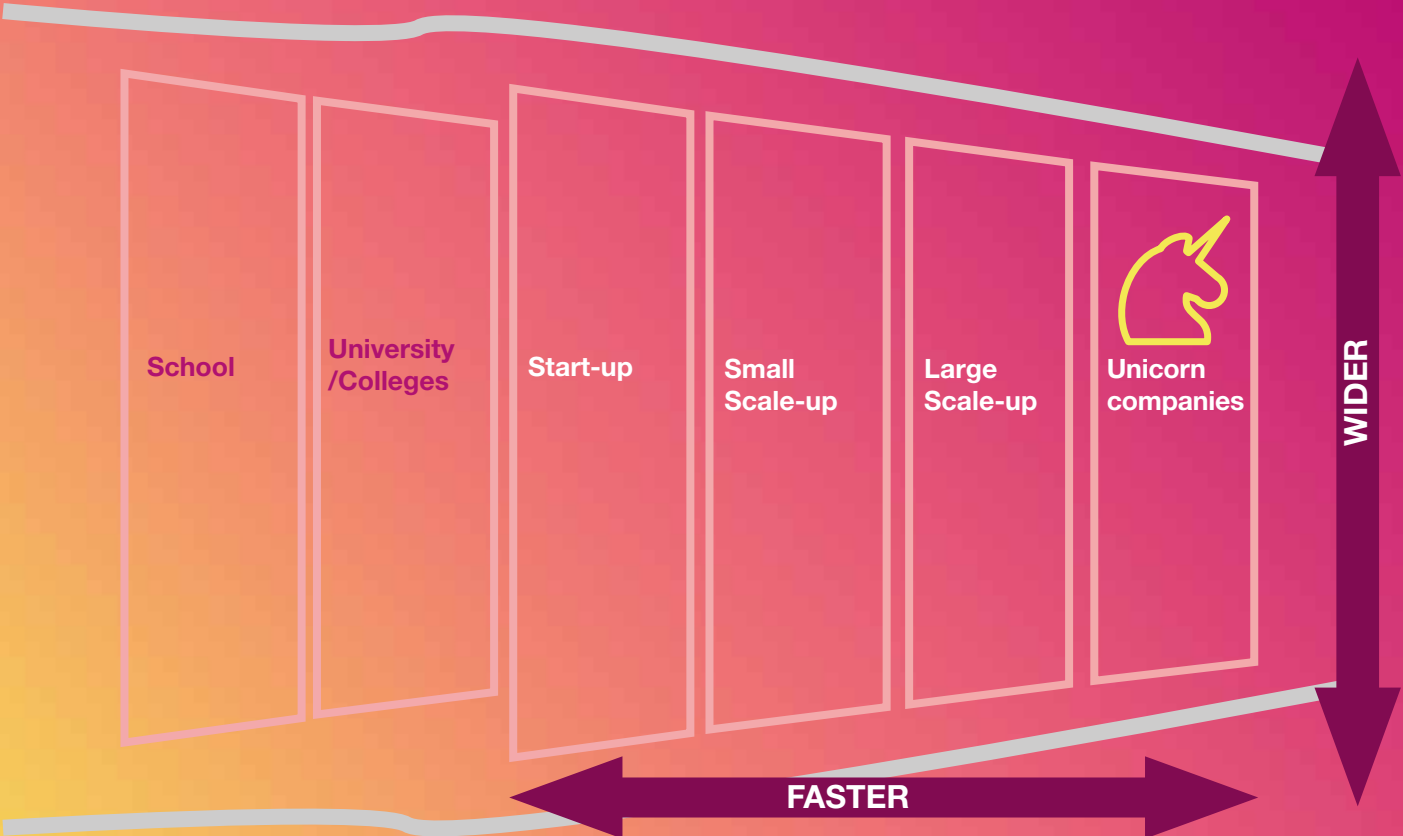
### Shared aims

Different parts of the public enterprise and skills network will naturally offer the most appropriate service to the needs of different parts of the business base. Regardless, it is crucial that a business is able to interact with the public service as a single system and that the system is in turn able to respond to the real needs of the business, whatever the stage of their development. Progress will therefore be delivered through tailored support to:

1. Create a **greater number of private businesses and social enterprises that have the potential to scale** with particular focus on inclusivity (women, rural, minority ethnic groups), while working with partners to generate a larger number of businesses at every stage of development. Embrace learnings from failure and encourage a 'bounce back' approach as part of the culture of ambition.
2. Focus on initiatives to **reduce the rate of narrowing between growth stages** through tailored programmes of support at each stage with a key focus on the development and application of the entrepreneurial, leadership and management skills required at each stage, including helping businesses recognise the potential benefits to their business.
3. Enable businesses to **accelerate through the different stages more quickly** providing focussed account management support from trained and experienced professionals especially in dealing with the scale up phase and access to capital markets and co-investment through SNIB in overseas acquisitions.
4. Continue to **encourage businesses to work with colleges and universities** to accelerate growth and nurture future talent to develop our skills, capabilities and ambitions at all levels of the funnel.
5. **Embrace digitalisation**, including increasing digital capability in our people and encouraging greater business investment in digital technologies. This will require a shift in the relative focus towards digital skills, including upskilling of the existing workforce.

**2. MISSIONS AND STRATEGIC FOCUS**

Key to improving our rate of sustainable scale-ups creation is the concept of a start-up/scale-up funnel as detailed by Mark Logan, former COO of Skyscanner, one of Scotland's 'unicorn' companies.



## 2. MISSIONS AND STRATEGIC FOCUS

### Our commitment to the customer

- Easier access to relevant support at all stages of business evolution with a clear focus on your needs.
- A broader range of support tailored around developing and accelerating your growth and ambition.
- A Scotland-wide, collaborative approach to business growth. There will be no wrong door.
- Cross-agency teams delivering seamless, nationally available services tailored to regional needs.
- Better access to suitably qualified talent – public and private sector.
- Improved awareness of the impact of adopting and integrating technology (e.g. decreased costs and increased turnover) and access to focussed support to achieve this.

### Actions and Recommendations

Actions to be taken now are:

BCG (A1). Work with partners to establish a campaign to foster ambition and entrepreneurship across society. The enterprise and skill agencies must be entrepreneurial and align with the growth mindset.

BCG (A2). Creation of a main online entry point to direct businesses to the right support. An initial version in April 2019 will be the first milestone in this wide-ranging programme of transformation towards a truly digitally-enabled business support environment across Scotland, helping to reach many more businesses and open up new routes to growth. A common environment and ways of working will aid real-time understanding of the capabilities, needs and ambitions of Scotland's business base, enabling tailored support.

BCG (A3). To increase the number of companies making overseas acquisitions, a collaborative team (involving private and public sector, and the new Scottish National Investment Bank) will provide dedicated specialist support focused on key steps in the scale up and expansion process.

Additional recommendations to the Scottish Government are:

BCG (R1). The agencies should focus as a priority on scale-up and frontier businesses, including more targeted support aimed at both: i) young, ambitious and capable businesses with realistic aspirations to internationalise, and ii) high-growth potential businesses that contribute to our ambitions for a sustainable, carbon-neutral economy. As colleges and universities are a major source of self-employed entrepreneurs and scalable spin-out ventures, provision of existing successful programmes should be expanded.

BCG (R2). The agencies should review if there is greater scope for working with Business Gateway, and specifically regarding the best way to support start-ups. Through so doing, they should provide leadership in strengthening an ecosystem of private and public sector collaboration. A particular focus should be given to supporting rural and under-represented business start-ups (e.g. women, disabled, minority ethnic groups).

BCG (R3). Build on the existing Brexit readiness work of public agencies and business organisations to strengthen the Scottish-level response.

BCG (R4). Developing stronger support for, and greater agility in, accessing the Industrial Strategy Challenge Fund is key and should be incorporated within agencies' strategic and operational plans.

BCG (R5). Develop and promote Scotland as a Digital Nation, that offers access to the skills, capital and partners required to set up and grow digital businesses that are globally competitive, with a public sector that offers businesses opportunities to innovate and build products and services that meet key social and public service challenges.

BCG (R6). Increase investment in college and university spin-out venture programmes and in organisations focussed on driving entrepreneurship, innovation and research (such as Scotland CAN DO and Scotland is Now).

# EXPORTS



**The Strategic Board seeks to increase export growth through the number of businesses and value of exports – sustaining and growing the value of Scotland’s trade with new and emerging markets by better understanding product, services and in-country demand and increase the number of exporters through broader and deeper reach at regional levels.**

Firms that export tend to be more productive than otherwise similar businesses that do not export; the Fraser of Allander Institute suggests that businesses that export account for 60% of UK annual productivity growth and are, on average, 70% more productive than businesses that do not export<sup>39</sup>.

Among advanced economies, sustained rapid export growth is unusual. However, things that do cause more businesses to export and/or export values to grow include:

- Innovation, especially when linked to skills development.
- Better-managed businesses are more likely to export and to do so more successfully.
- Being located within countries with positive international images.
- Firms that have growth ambitions are more likely to become exporters.
- Export credit agencies are effective ways to increase exports.

## Exporting leads to higher business productivity and growth

- Much of the productivity boost comes from preparing to export, which very often means innovating and/or investing in the skills of the workforce. Either innovation is needed to succeed in new markets and/or exporting is a by-product of successful innovation.
- Competition encountered through trading in multiple markets leads to a more intense focus on cost and quality and exposes firms to new ideas and techniques resulting in more investment in innovation, investment, skills and other factors that influence productivity.
- Achieving increased turnover by selling into more markets allows fixed costs to be spread.

Many of the barriers to exporting are challenges that well-led and innovative businesses already address. To help more of Scotland’s businesses become exporters, it is critical that our services integrate support for innovation, harness ambition and boost management quality alongside more conventional export support.

<sup>39</sup> Fraser of Allander (2018) Scotland in 2015 Realising our Global Potential – [https://www.sbs.strath.ac.uk/economics/fraser/20180919/Scotland\\_in\\_2050\\_Realising\\_our\\_global\\_potential.pdf](https://www.sbs.strath.ac.uk/economics/fraser/20180919/Scotland_in_2050_Realising_our_global_potential.pdf)

### Food & Drink exports hit record high

Food & Drink is now Scotland's number one exporting sector, with phenomenal growth over the last four years – food exports increased by 46% to £1.64bn and food and drink grew 18% to reach a record high of £6bn. This has been driven by strong global demand for our premium products and is underpinned by an innovative partnership model – the Scotland Food & Drink Export Plan – which is funded by the industry partners, SDI and Scottish Government. The plan focuses the collective efforts of SDI, SF&D and key trade associations on 10 priority markets (mature and emerging), with a unique team of F&D in-market specialists who open doors for Scottish businesses by connecting them with buyers and distributors.

To significantly boost our trade performance we need to continue deepening our trading relationships with priority mature economies whilst also diversifying into emerging fast-growing markets.

In the short-term, it is crucial that Scottish companies are prepared for the uncertainties of Brexit, and that we continue to build resilience in the system by accessing more markets and building company capacity to export, and by growing the number of exporters. We also need to look outwards and whilst sustaining current business, harness the opportunities in fast growing markets around the globe. This needs to be underpinned by the right skills, infrastructure and a global mindset.

### What the evidence tells us

- As in most countries, a large proportion of Scotland's exports come from a small number of exporters and it has been estimated that half of all Scottish exports come from around 70 companies.
- Scotland's *international* exports are less than 20% of GDP, the third-lowest share among OECD countries<sup>40</sup>.
- Exports by Scottish universities stand at £882M<sup>41</sup>, and there is significant scope to grow that even further.
- Maintaining and growing our international student population is likely to be significantly constrained by Brexit and the introduction of post-study work visas by competitor providers such as Australia, New Zealand, USA and Canada).

We also know that Scotland currently sells its goods and services predominantly to mature, stable and sophisticated but slowly-growing economies. In contrast, and compared to many of our competitors, we export less to emerging fast growing economies.

### Shared aims

The Board welcomes the fact that, since its establishment, a new ministerial trade post has been developed as well as the recent Scottish Government commitment to publish an enhanced export plan '*A Trading Nation – our plan for growing Scotland's exports*'. Similarly, there are positive steps being taken to improve international connectivity, including reducing air departure tax and consideration of expanding air routes.

Building on this, and also complementary to existing activity such as Scotland is Now, Innovation and Investment Hubs, and the International Trade Project pilot, the plan proposes to:

1. Build resilience in the face of Brexit uncertainty and reach more exporters. It aims to **grow the current level of exports to the EU** while also seeking to maintain and grow the proportion of Scottish companies who export.

40 Fraser of Allander (2018) Scotland in 2015 Realising our Global Potential – [https://www.sbs.strath.ac.uk/economics/fraser/20180919/Scotland\\_in\\_2050\\_Realising\\_our\\_global\\_potential.pdf](https://www.sbs.strath.ac.uk/economics/fraser/20180919/Scotland_in_2050_Realising_our_global_potential.pdf)

41 'Grow, Export, Attract, Support', Universities Scotland

2. **Transform our trade performance and perception in priority markets.** This includes increasing Scottish exports (volume and value) to markets such as the USA and Asia, and improving Scotland's score and rank on the Anholt-GfK Roper National Brands index from 15th position. An important part of improving our trade performance will involve a substantial increase in the number of exporters
3. **Encourage a global mindset,** with the aims of Scotland being viewed globally as a progressive country with positive attitudes to migration, appreciation of the value of learning a foreign language, and significantly increasing the number of Scottish students who gain international experience.

There may now be additional value in SFC adopting a stronger interest in the international dimension of colleges' and universities' export earnings, international activity and soft power of international alumni networks.

### Our commitment to the customer

- Increased trading opportunities.
- A more co-ordinated and aligned support system tailored to address specific challenges such as Brexit and local and regional demographics.
- No wrong door – simpler and streamlined support system.
- A more internationally focused student base and skill-set emerging from the education system.
- An increased awareness of Scotland in future key markets – our research, innovation, creativity, goods and services.

### Actions and Recommendations

Actions to be taken now are:

Exp (A1). Co-ordinate a new 'national exporting service' – a one Scotland approach to export delivery organisations and services, strengthening national and regional partnerships and enhanced digital support services to engage more companies and address known barriers to exporting, including sales skills. This will include the delivery of an international programme

of promotional opportunities, including around the new Scotland is Now campaign to work, live, study, invest and visit Scotland, and focusing networks in fast-growing and priority markets.

Exp (A2). Explore a new public/private sector partnership to provide support to scale-up, and refresh, export support resources utilising the expertise and global connectivity of the business community.

Exp (A3). Develop digital, sales and international language training programmes for exporters.

Additional recommendations to the Scottish Government are:

Exp (R1). Working in partnership with colleges and universities, build on the good work already underway across the education system to: ensure international awareness within schools; encourage an international focus in more college/university courses; encourage more young people and students to learn a foreign language and to take-up opportunities for international travel and work experience; encourage universities/colleges to work together to identify mechanisms to encourage more inclusive student mobility post-Brexit; and build a collective focus to support and champion the re-introduction of the post-study work visa to allow international students to extend their stay and work, for example, for a Scottish company on an international export project

Exp (R2). Develop an exporting partnership plan which will increase the involvement of private sector expertise and world-wide resources to growing our exports and imports (e.g. through 'Global B2B exchange partnerships').

Exp (R3). Increase ministerial visibility in existing and potential trading partner countries and fast growing priority markets, creating stronger government-to-government and business-to-government networks.

Exp (R4). Explore the full potential of the international dimension of colleges' and universities' export earnings, international activity and international alumni networks in supporting economic growth.



## 3. A FOCUS ON TAILORED DELIVERY

### Culture, collaboration and the importance of place

The Board will ensure that Scotland has a group of organisations – all of whom serve to grow Scotland’s economy – where collaboration is ‘business as usual’. As well as promoting common values and a collective purpose, it will expand this approach to wider partners. For example, linking with the emerging network of Regional Economic Partnerships, and encouraging the agencies to connect with all of these and the local authorities who are driving them.

Since the completion of the Enterprise and Skills Review there has already been a deepening of collaboration between the agencies. They have begun to coordinate and align how they plan, allowing them to spot opportunities for collaboration and to remove overlaps. Most of the actions and recommendations in this plan are designed to embed deep cross-agency working, priorities and cultures. Delivery of these and existing activity will include:

- More cross-agency teams
- Cross-agency capacity-building and CPD
- Cross-agency workshops
- Development of common customer journeys and business processes including consistent contract criteria
- Common data models and data sharing agreements
- Shared and consistent business planning approaches
- Delivery of a shared IT service for core IT services
- A consistent approach to measuring the impacts of agencies’ activities

#### The agencies are increasingly working across boundaries and with other partners:

- Development of Brand Scotland and the Scotland is Now campaign to mobilise and join up efforts to promote Scotland internationally.
- Cross-agency responses to major economic challenges such as Brexit.
- Cross-agency engagement in City Region Deals, developing regional growth deals and the accompanying regional economic partnerships.
- Continued development of regional skills investment plans.
- Significant and co-ordinated investment by Highlands & Islands Enterprise, Scottish Enterprise and the Scottish Funding Council in the next phase of Innovation Centre development.
- Delivering the National Manufacturing Institute for Scotland.

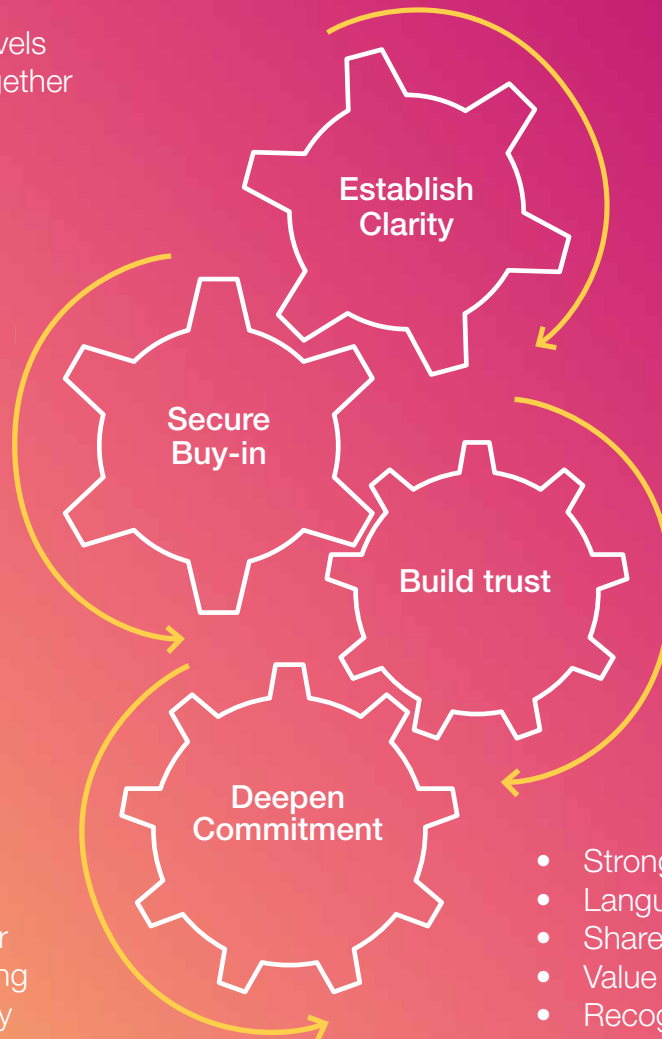
Deepening this collaboration will require deliberate effort to ensure clarity of purpose, that trust is built and that a lasting difference is achieved by creating a genuine commitment to working together. The Board will oversee progress towards this more effective collaboration. The chief executives of the agencies have been charged collectively with continually reviewing the potential for greater collaboration and ensuring that agreed changes are implemented timeously and embedded at all levels of operations.

## COLLABORATION

- Commitment at all levels
- Do more projects together
- Incremental steps
- Keep it simple
- Team working
- Shared plans
- Programme decision making



- Represent each other
- Inherent understanding
- Confidence in delivery
- Common, share, do once
- Build on and learn



- Common vision
- Outcome focus
- Focus on customer



- Strong relationships
- Language
- Share experience/stories
- Value all contributions
- Recognise and respect differences
- Benefit from each others strengths
- Transparency and visibility

#### A focus on opportunity and meeting the needs of customers

As part of the Board's wider aspirations, the enterprise and skills agencies have embarked on a significant change programme that will see them doing more to:

- leverage Brand Scotland to compete across key global markets – helping businesses to export and inspiring a new generation to work and invest in Scotland
- working with regional partners to harness investment, skills and business to build vibrant economic communities with more and better opportunities for our people
- tailoring help to the needs of businesses by providing digitally enabled services, where advice and funds get to those who need them easily and efficiently
- reigniting efforts to support entrepreneurs and drive company growth
- build data capability that will enable real-time market diagnostics and help inform policy, investment and support services

#### A holistic approach to supporting the growth of businesses in Scotland

*“Simple can be harder than complex: you have to work hard to get your thinking clear to make it simple. But it’s worth it in the end because once you get there, you can move mountains.”*

Steve Jobs

Tens of thousands of Scottish businesses each year come into contact with one or all of our enterprise and skills agencies. Bringing simplicity and clarity to that support is vital, which is why the Strategic Board is establishing a new main online point of access for all customers.

#### Better Customer Experience

Many businesses are positive about the support they receive from the agencies but some have recorded that they sometimes find it difficult to access the right support at the right time; that they sometimes feel passed from pillar to post or that, when they do engage, it can feel confusing, overly bureaucratic or that they need to try to fit a set of criteria that is not relevant for them or their business.

A main online entry point will be used to direct businesses to where support can be best delivered. An initial version of this that will be delivered in April 2019 as a first milestone in this wide-ranging programme of transformation.

However, the Board wants to go much further. It will drive a truly digitally-enabled business support environment across Scotland, helping to collectively reach many more businesses and open up new routes to stimulate growth. It will promote a shift towards more proactive approaches from the agencies, including through the development of business characteristics to support profiling and signpost appropriate interventions. It will drive greater use of system-wide data, predictive analytics and intelligence to focus priorities and impact and shape wider recommendations to Government on economic priorities. A process of continuous improvement across the agencies will deliver interventions that benefit from real-time feedback.

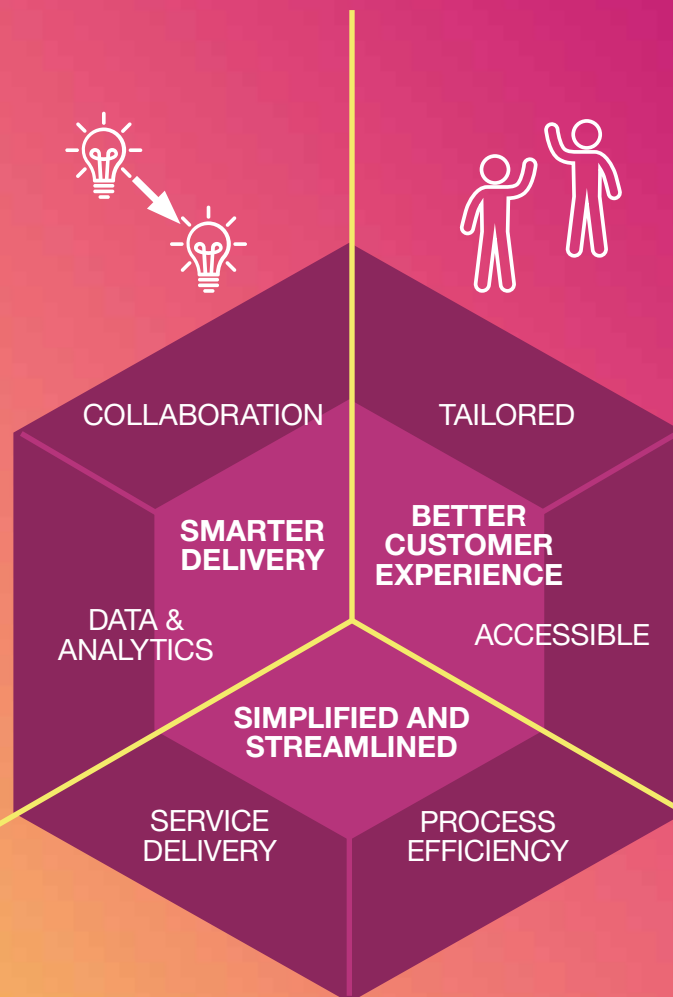
## A common delivery environment offers multiple opportunities.

### SMARTER DELIVERY

- Improved data and analytics
- Data-driven decision making
- Aggregate opportunity across the public sector
- Achieving greater economic, social and community impact with more clients supported to do more
- Reduce organisational risk
- Improved security

### BETTER CUSTOMER EXPERIENCE

- Accessible – available when and where needed with no wrong entry point and effective signposting
- Access to tailored information, knowledge, insights and solutions
- Increased visibility and transparency of activity
- Only providing information once and every step intuitive and value-added
- Increased confidence in our organisations both from our customers and staff



**ENABLING  
FUTURE  
ECONOMIC  
DEVELOPMENT  
INNOVATION**

### SIMPLIFIED AND STREAMLINED

- Simple and easy to navigate including intuitive workflow
- Improved service quality and turnaround time
- Supporting different types of engagement including the ability to transact digitally

**A JOINED UP  
ENVIRONMENT  
ALLOWING  
FOR REGIONAL  
AND LOCAL  
FLEXIBILITY**

### 3. A FOCUS ON TAILORED DELIVERY: COLLABORATION WITH THE CUSTOMER AT THE HEART

Imagine: you go online looking to see if you can get funding towards a trip you are planning to boost sales in a new overseas market. You take the time to answer a few questions about your company. You get a quick and clear answer about whether you might be eligible, how long it will take and what you need to be able to evidence in order to get the support. In doing so, you also get clear information about what else is available from across the public sector to support your growth. You can access market insights that will be useful for your product. And you get the chance to learn about other businesses like you, what they have learned and what they have done as a result of the support on offer. You can read about their journey or you can connect with similar-minded business people directly. You can save this information in a secure personal space to go back to later and be able to see how your application is progressing or engage virtually with business advisors. And you just need to tell us – all of us – about your business once. So, you can just get what you need quickly and get back to running your business.

#### Actions and Recommendations

Actions to be taken now are:

Del (A1). Develop 'big data' systems that robustly inform agency planning and shared information.

Additional recommendations to the Scottish Government are:

Del (R1). Agencies should take a greater role, working collaboratively with local authority partners, the private sector and others, in delivering place-based economic development that responds to local opportunities and takes housing, infrastructure and digital connectivity into consideration.

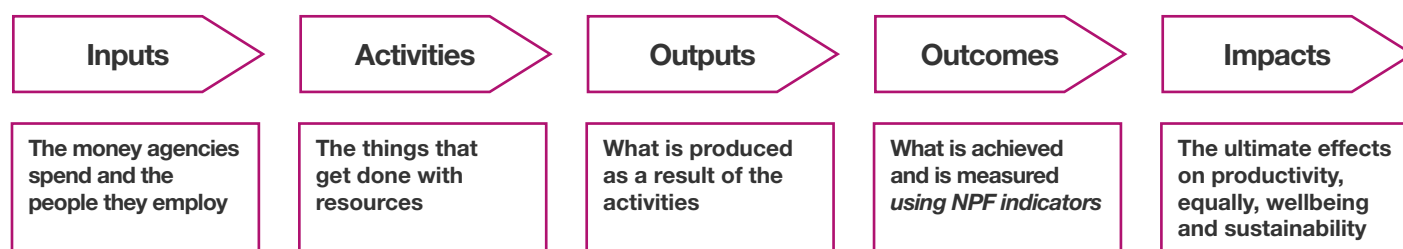
Del (R2). Develop a National Asset Register of sectors, skills and capabilities that is geographically focussed.

## 4. PERFORMANCE FRAMEWORK

The Board's performance framework will allow the Board to assess whether – and at what rate – progress towards the higher level productivity, equality, wellbeing, and sustainability objectives is being made.

Ideally, the Board should know that if an agency uses resources to do something (fund a college place, support a business to export, provide funding for apprenticeship programmes) predictable consequences will follow. That means being able to trace the links in the chain that run from inputs (e.g. how much is spent) to activities (e.g.

the number of college places funded) to outputs (e.g. the number of people gaining a HNC) to outcomes (e.g. the proportion of the workforce with qualifications) to impacts (the resultant changes in productivity, equality, wellbeing and sustainability). That is the job of a performance framework.

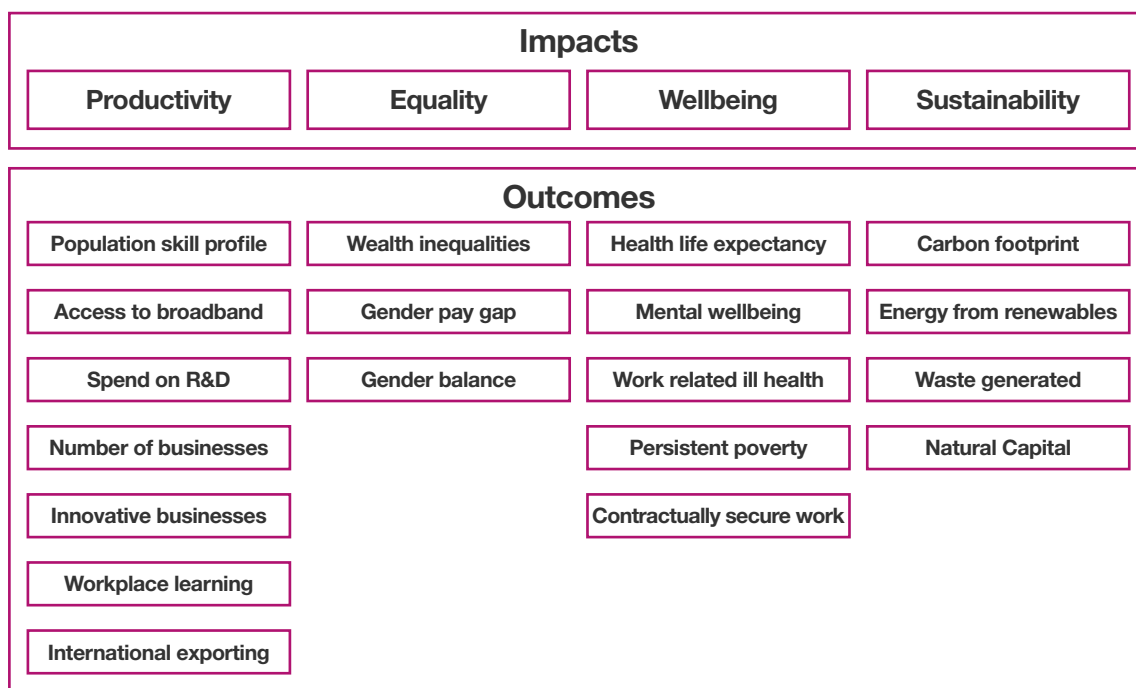


At present, not all of the information exists to understand each link in these chains. In particular, work needs to be done to understand fully the outcomes and impacts that stem from the work of the agencies. Rather than wait for all of this new information, which will take some time to assemble, the Board intends to implement pragmatic solutions now, working through the newly created Analytical Unit, which was established in March of this year.

The Analytical Unit is developing a measurement framework which will allow the Board to:

- Track progress against outcomes and impacts using relevant indicators from the newly refreshed National Performance Framework (NPF). This will enable the Board to see quickly where Scotland is performing well or not.
- Use the agencies' management information and existing performance frameworks to shed light on the agencies' contribution to outcomes and impacts. Importantly, agency level information about inputs, activities and outputs will be aligned with the NPF to ensure that there is a clear understanding of which agency activities contribute to which outcome and consistency in terms of the outcomes which are measured.
- Undertake, over time, detailed evaluation and customer research work to better understand the effects of inputs on impacts.

## 4. PERFORMANCE FRAMEWORK



The framework, developed by the Analytical Unit will take due account of the importance of regional differences and differences between equalities groups and include specific breakdowns by these characteristics where available.

The roots of success are deeper than these indicators alone, however, which is why the Board will also augment this framework with:

1. Feedback from customers – the Board will pay particular attention to their assessments of the quality of the services provided and the ease with which they can be used. We are actively championing the people who use the services that the agencies provide – be they individuals employers, businesses or others.
2. Aspects of collaboration and culture change – we know that the development of a collaborative culture across the agencies is a feature that could enhance the impact of their activities.

An ideal framework requires strong links between each component of the logic chain i.e. there should be well-evidenced relationships between agencies’ activities and impacts on productivity, equality, wellbeing, and sustainability. Discussions with the agencies have highlighted the challenges around estimating these impacts and understanding how the outputs and outcomes of the actions of the agencies feed through to productivity and inclusive growth. The Analytical Unit will lead on evaluation and research work to strengthen our evidence base around these linkages.

### Actions

Actions to be taken now are:

AU (A1). The Analytical Unit to lead on work to develop the performance framework for the Strategic Board.

AU (A2). Analytical Unit to lead on an evaluation and research programme to better determine the impact from significant agency activities.

## 5. NEXT STEPS FOR THE BOARD

The outcomes from the initial four missions set out a clear direction for the agencies. They create a positive agenda for transforming performance as attention turns to delivery, and the Board looks to the Scottish Government to incorporate these recommendations within Letters of Guidance to the agencies. Specifically, the actions and recommendations are designed around those critical areas where evidence suggests there is potential for Scotland to close the productivity gap with the top OECD countries.

The next steps for the Board itself can be characterised as:

1. Implementing the actions within the plan
2. Promoting the development of the processes and culture to ensure delivery of commitments, improved performance and deeper collaboration, and
3. Continuing to look ahead to future opportunities.

The Board will adopt a proportionate programme management approach to oversee the implementation of the actions and recommendations (where applicable) within this plan. It will monitor and report on progress with delivery – as well as measuring impact and outcomes – through the performance framework and other tools. The nature of the proposals means that some can be progressed immediately while others will naturally take longer to implement.

A more streamlined and co-ordinated approach to providing strategic guidance to the agencies will also help embed the aims of the Strategic Board. Again, this new approach will be implemented later this year through Letters of Guidance to the agencies and will influence the more aligned agency plans due for publication in spring next year.

In addition, there are elements of the plan which call for a movement for change, notably towards a national culture of entrepreneurship and innovative business models and practices. This goes far beyond the agencies, and will be enabled by more businesses recognising the advantages of pursuing new ways of doing things, and then embracing enhanced working practices. The Board and agencies will continue to build relationships with others to expand on our ‘Team Scotland’ approach.



## 5. NEXT STEPS FOR THE BOARD

### The building blocks for improvement

System improvements can come through a number of routes:

- Driving greater impact through individual interventions
- Reprioritising resources to those interventions that represent best value for money
- Increasing alignment and collaboration
- Simplifying support and putting the customer first

The Strategic Board will use each of the above through a combination of effective strategic planning, evidence-led performance reporting, closer alignment with Scottish Government policy priorities, and overseeing a culture of collaboration across agency activity.

The strategic direction set in this plan takes a lead from Scotland's Economic Strategy, the National Performance Framework and the priorities in the recent Programme for Government. In turn, this direction – in conjunction with consistent letters of guidance – will be used to guide the strategic and operational planning processes of the agencies.

The Board will continue to explore opportunities to drive sustainable and inclusive growth, and is keen to hear the views of others as to other areas of potential. The initial set of four missions in no way represents the extent of the Board's ambitions in transforming Scotland's economic performance, and there is potential for new missions and other approaches to address other priorities identified by the Board in the future.

Engagement will be ongoing with the agencies, government (national and local), partners and, in particular, customers including businesses and learners. as we move into this next phase.

A regular review of this plan will incorporate that learning and feedback.

As with businesses themselves, the Board is also alive to the need to adapt its approach based on lessons learned. It will continue to identify the key data and analytical requirements to inform the future work programme and expand the capacity of the Analytical Unit to service that demand. An early example will be to increase the evidence on key parameters such as the rate of return against activities.

Finally, to continue implementing a customer focus across all aspects of support, the Board will explore how it can extend the customer journey approach into wider relevant areas. The Board looks forward to working with a wide range of stakeholders and partners to identify the biggest opportunities.

### What should this mean for you?

- If you are a business looking to grow, innovate or internationalise and are seeking support, it will be easier for you to access simple, smart and streamlines support to help reach your potential
- For budding entrepreneurs with aspirations to start a new business, you will have support at every stage of your journey
- For everyone – whatever stage of your career you will have easy access to the learning opportunities you need to develop the skills to thrive in a changing labour market
- For our agencies it means working together to deliver a seamless, joined up system that competes with the best in the world
- For colleges, universities and training providers, it means ensuring our skills provision better matches the demand from both industry and learners

## STRATEGIC BOARD, OCTOBER 2018

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**Nora Senior** (Chair), UK Regions & Ireland, Weber Shandwick

**Wendy Alexander** – University of Dundee

**Karen Betts** – Scotch Whisky Association

**Liz Cameron** – Scottish Chambers of Commerce

**Mike Cantlay** – Scottish Funding Council

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**Bob Keiller** – Scottish Enterprise

**John McClelland** – Skills Development Scotland

**Gerry McCusker** – Dog Digital, BIMA Scotland

**Scott McLarty** – Spirit Aerosystems

**Grahame Smith** – STUC

# **ENTERPRISE & SKILLS STRATEGIC BOARD**

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