



SOUTH of
SCOTLAND
ENTERPRISE

SOSE Business Panel Survey

June/July 2022



Executive summary (1)

Overview

This report presents the findings from the third business panel survey for South of Scotland Enterprise. It involved a survey of 595 businesses across the region, conducted in June/July 2022.

Once again this survey was conducted against difficult economic circumstances. This was the first wave carried out since the lifting of COVID-19 restrictions across Scotland. However, fieldwork took place in the midst of increasing inflation, rising energy prices and widespread reports of a “cost of living crisis” with the Bank of England warning of a likely recession at the end of the year.

Against this background, businesses’ confidence in the economy was down this wave. This continued the downward trend in confidence seen in the previous two waves of the survey.

Most businesses said they were being impacted (to at least a small extent) by rising costs, with majorities also being impacted by COVID-19, Brexit, and the Russia-Ukraine conflict.

Businesses were generally in a stronger operating position than they were in earlier stages of the pandemic, and most were performing either in line with or over and above where they wanted to be on competitiveness, skills development, adoption of technology and productivity. However, sizeable proportions were behind where they wanted to be on these aspects.

Growth aspirations remained similar to those seen in recent waves, with around two in five businesses striving for growth, a similar proportion wanting to retain their current level of performance, and around one in ten wanting to downsize.

The motivations behind these aspirations were multi-layered and included financial and corporate ambition, lifestyle factors, restrictions on capacity and ability to grow, market conditions, and a desire to avoid stress or risk.

In spite of falling confidence in the economy, businesses demonstrated a sense of confidence about their own future. Most businesses were confident they would be viable over the next six months. Rising costs was seen as the biggest risk to their viability, but most felt equipped to deal with this and other risks.

Similarly, while a range of workforce-related challenges were identified (such as ability to attract new talent), most felt they were equipped to deal with those risks to the business.

There was a mixed outlook for the 12 months ahead. While around a quarter of businesses were actively seeking out new ways of doing things, others were either open to change but not actively seeking it, or minimising changes and hoping to continue as they were.



Executive summary (2)

Optimism and performance

- **Confidence in Scotland's economic outlook was down this wave:** 40% were confident about the outlook for the next 12 months, while 58% were not.
- **When reflecting on the past six months, economic optimism was also down:** 57% said their confidence had decreased, 7% said it had increased, and 35% said it had stayed the same.
- **Businesses were generally in a stronger operating position than they were in earlier stages of the pandemic.** 70% were operating at either the same level (49%) or over and above the level (21%) they were before COVID-19, while 29% were operating below their pre-pandemic levels.
- **The vast majority of businesses (95%) were being impacted by rising costs** (to at least a small extent). Almost three quarters (73%) were being impacted by COVID-19, 63% by the Russia-Ukraine conflict and 63% by EU Exit.
- **Aspects of business performance over the last six months varied, but were broadly in line with the previous wave:** sales or turnover performance was mixed, while employment and exports had remained largely stable.
- **Most businesses were performing either in line with or over and above where they wanted to be on competitiveness (79%), skills development (76%), productivity (71%) and adoption of technology (69%).** However, 31% were operating behind where they wanted to be on adoption of technology, 27% on productivity, 23% on skills and 19% on competitiveness.

Markets

- **84% of businesses were importers** (sourcing goods from outside Scotland): 84% imported from the rest of the UK and 28% from outside the UK. The majority of businesses (88%) sourced goods and materials from Scotland.
- **Around two thirds (64%) of businesses were exporters** (selling to markets outside Scotland), with 64% selling to the rest of UK and 20% outside the UK. The majority (96%) of businesses sold goods or services within Scotland, with 34% selling *only* in Scotland.



Executive summary (3)

Growth

- **When thinking about their own business, the factors most commonly associated with “growth” were an increase in sales or turnover (80%) and a growing customer base (73%).** Around half of businesses said expanding into new markets (49%), followed by 45% saying new products or services and 43% saying creating new jobs .
- **Two in five (40%) businesses were striving for growth while almost half (47%) were content with their current level of performance. Around one in ten (12%) wanted to downsize.** This is in line with the findings from the previous wave in February/March 2022.
- **The most common reasons for striving for growth were to make or increase profit (90%), to continually evolve (84%), to enhance resilience against economic uncertainty (84%) and to respond to changes in demand (80%).** Around three quarters mentioned enhancing skills and expertise (75%) and supporting community sustainability (72%).
- **The main reasons for wanting to retain current levels of performance were that the business was operating as planned (67%) and feeling content with financial performance (62%).** Other reasons included economic uncertainty (60%) and to reduce or avoid stress (53%) or debt/financial risk (43%).
- **Among businesses that wanted to downsize, the top reason was that they were reaching retirement age (70%).** This was followed by wanting to work less (61%), wanting to avoid stress (57%), increased costs (45%) and economic uncertainty (38%).

Viability

- **The majority (91%) of businesses were confident they would be viable over the next six months, while 9% were not.**
- **The biggest perceived risk to viability was rising costs (86% said it was at least a medium risk).** This was followed by ability to access supplies (64%), reduction in customer demand (58%), workforce challenges (47%), low levels of stock (47%), increased competition (42%) and low or no cash reserves (42%). Around a third mentioned access to markets (36%) and access to finance (34%).
- **Most businesses (88%) felt equipped to respond to risks to their viability, while 11% did not.**



Executive summary (4)

Workforce

- **Among employers, 56% felt their ability to attract new talent was at least a medium risk to the business.** This was followed by skills shortages (54%), staff working at capacity (53%), ability to pay competitive wages (50%) and lack of permanent staff (45%).
- **Most businesses (84%) felt equipped to respond to workforce-related risks,** while 15% did not.

Responding to change

- **Businesses had mixed outlooks for the 12 months ahead:** 38% were minimising change and hoping to continue as they were, 35% were open to change but not actively seeking to do so and 26% were actively seeking out new ways of doing things.
- **Most businesses (83%) were taking at least one action in response to changes in their working environment.**
- **The top three actions were using greener supply chains (47%), more locally sourced supplies (45%) and upskilling or reskilling staff (45%).** Around a third were collaborating or sharing resources (37%), offering expertise to other businesses (33%), and diversifying products and services (31%).
- **Among those that were upskilling or reskilling their workforce, the most common approaches being used were on the job training (86%), giving continual feedback and performance reviews (79%) and mentoring or coaching (69%).** Two thirds were sending staff on external training courses (66%) or having them shadow other colleagues (60%).
- **Among those that were upskilling or reskilling their workforce, the most sought-after skills were use of new technologies (78%), specialist or technical skills (68%) or digital skills (67%).** This was followed by leadership and management skills (58%) or customer or client-facing skills (55%).

Findings by sector

Some clear findings emerged for businesses from two of the growth sector categories – tourism, and food and drink. These are summarised below (based on the topics where findings were higher than average in these sectors).

Tourism

Tourism businesses were more likely to say that COVID-19 was impacting on their business and, reflecting this, they were more likely than other sectors to still be operating below pre-pandemic levels. However, they had higher than average confidence in the economy and were more likely to be striving for growth.

On workforce, they were more likely to have seen decreases in their employment in the last six months, and to feel at risk from lack of temporary or seasonal staff. Among those that were reskilling and upskilling their workforce, tourism businesses were particularly looking to develop leadership or management skills and customer or client-facing skills.

Compared to other sectors, tourism businesses also felt more at risk from potential reduction in customer demand.

In response to changes in the working environment, tourism businesses were more likely to be using more locally sourced supplies.

Food and drink

Food and drink businesses had seen relatively stable performance over the last six months and were more likely than average to be operating at the same level as before COVID-19. However, they were more likely to be behind where they wanted to be on their competitiveness. They were less confident than average in the economy and more likely to have been impacted by rising costs, the Russia-Ukraine conflict and Brexit.

Food and drink businesses were more likely to want either stability or to downsize in future. While some were simply content with their current performance, others were responding to market conditions, or a desire to avoid stress or financial risk.

They were less confident than average in their future viability and felt at risk from rising costs, their ability to access markets, supplies, or finance, and a range of workforce-related risks. They were less likely than average to feel equipped to deal with these risks.

In response to changes in the working environment, food and drink businesses were more likely to be collaborating and sharing resources.

NOTE:

Tourism includes – hotels, restaurants and other hospitality businesses, tour operators, visitor attractions etc.

Food and drink includes – agriculture, fishing, manufacture of food, manufacture of beverages etc.

Findings by rurality

Remote rural

Remote rural businesses were **less confident** than average in the economy. They were more likely to say they were **impacted by the Russia-Ukraine conflict**.

They were more likely to be operating **in line with pre-COVID-19 levels**. Among those that wanted to retain their current level of performance or to downsize, this was driven by a **desire to avoid stress or financial risk** or because of **legacy and succession planning**.

They were more likely than average to feel that **skills shortages** and **lack of staff accommodation** were risks to their business.

In response to changes in the working environment, remote rural businesses were more likely to be **collaborating and sharing resources**.

Findings may reflect the sectoral profile: there was a higher than average proportion of food and drink businesses in remote rural areas (40% vs 29% in overall sample).

Accessible rural

Businesses in accessible rural areas were more likely to **want to downsize**.

In terms of future viability, they were more likely to say **ability to access supplies** was a risk to their business.

Thinking about the 12 months ahead, they were more likely to be **minimising change and hoping to continue as they were**.

As with remote rural businesses, findings may reflect the sectoral profile: there was a higher than average proportion of food and drink businesses in accessible rural areas (45% vs 29% in overall sample).

Small towns and other peripheral urban areas (referred to a “urban” in the remainder of this report)

Those in more urban areas were more likely to be operating **below their pre-pandemic levels** and to say that they were **impacted by COVID-19**. They were more **confident than average** in the economy and more likely to be **striving for growth**.

Businesses in urban areas were more likely to say they felt **equipped to deal with the workforce-related risks** they were facing.

Again, findings may reflect sectoral profile: there were higher proportions of financial and business services (14% vs 9% overall) and non-growth sectors (65% vs 48%) in more urban areas.

NOTE:

Groupings are based on the Scottish Government’s Six-Fold Urban Rural Classification. Remote rural = category 6; Accessible rural = category 5; Small towns and other peripheral urban areas = categories 3, 4 and parts of 2.

01

Introduction

Introduction and context

Introduction

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

In June 2021, SOSE commissioned Ipsos to establish and manage the panel and run a survey with businesses and social enterprises, representative of the South of Scotland business base in terms of geographic area, organisation size and sector.

This report presents findings from the panel survey carried out in June/July 2022. The survey covered a range of topics including: economic optimism, business performance, growth aspirations and motivations, viability, workforce and responding to change.

The survey was carried out as part of the Rural Scotland Business Panel, a survey of 2,719 businesses across rural Scotland, commissioned by a partnership of SOSE, Highlands and Islands Enterprise (HIE) and the Scottish Government. Findings from the HIE Business Panel and the overall Rural Scotland Business Panel have been reported separately.

Context

The survey was carried out in the midst of increased inflation, rising energy prices and widespread reports of a “cost of living crisis”. The Office for National Statistics (ONS) reported that the UK economy contracted by 0.1% in the second quarter of 2022, leading the Bank of England to warn of a likely recession at the end of the year. This wave businesses were therefore operating in very challenging economic circumstances.

In relation to the pandemic, this was the first wave of the survey carried out since the lifting of COVID-19 restrictions across Scotland (on 21 March). Businesses may have had their own arrangements in place to help limit the spread of the virus, but there was no legal requirement to do so.

In June and July, rail services across Scotland were impacted by reduced journeys due to a pay dispute, with a full day strike taking place on 27 July. This may have impacted on businesses in the region that were usually reliant on rail.



Methodology

Sampling

The survey sample was partly sourced from businesses that took part in previous waves of the survey and had indicated that they were willing to be re-contacted as part of their members of the SOSE business panel. The remaining survey sample was sourced from the Dun and Bradstreet business database and was stratified by sector and size to reflect the population of businesses in the South of Scotland.

Quotas were set for recruitment and interviewing so that the achieved sample reflect the population of eligible organisations as defined by the Inter-Departmental Business Register (IDBR).

Eligible organisations were defined by Standard Industrial Classification (SIC) code, with the following SIC 2007 sections excluded from the sampling:

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

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

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

Survey fieldwork

The survey fieldwork was conducted between 6 June and 29 July 2022, using telephone interviewing. In total 595 eligible interviews were achieved.

The achieved sample was broadly representative of the population, notwithstanding some differential non-response due to differences in availability and willingness to participate.

Weighting was applied to correct the distribution of sectors to match the sample counts. A breakdown of the achieved profile of businesses is provided in the Appendix.



Presentation and interpretation of the data

The survey findings represent the views of a sample of businesses, and not the entire business population of the South of Scotland, therefore they are subject to sampling tolerances, meaning that not all differences will be statistically significant.

Throughout the report, differences between sub-groups are commented upon only where we are sure these are statistically significant, i.e. where we can be 95% certain that they have not occurred by chance. The typical sub groups reported on are:

- Size of business (grouped by 0-4, 5-10, 11-24 and 25+ staff)
- Sector* (using the Scottish Governments' six growth sector groupings: Creative Industries, Energy, Financial and Business Services, Food and Drink, and Life Sciences)
- Location (Dumfries and Galloway and the Scottish Borders)
- Rurality** (remote rural, accessible rural and urban)
- Other characteristics based on responses to the survey (e.g. the markets they trade with, their growth aspiration etc)

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

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

02

Optimism and Performance

Key findings

- **Confidence in Scotland's economic outlook was down this wave:** 40% were confident about the outlook for the next 12 months, while 58% were not.
- **When reflecting on the past six months, economic optimism was also down:** 57% said their confidence had decreased, 7% said it had increased, and 35% said it had stayed the same.
- **Businesses were generally in a stronger operating position than they were in earlier stages of the pandemic.** 70% were operating at either the same level (49%) or over and above the level (21%) they were before COVID-19, while 29% were operating below their pre-pandemic levels.
- **The vast majority of businesses (95%) were being impacted by rising costs** (to at least a small extent). Almost three quarters (73%) were being impacted by COVID-19, 63% by the Russia-Ukraine conflict and 63% by EU Exit.
- **Aspects of business performance over the last six months varied, but were broadly in line with the previous wave:** sales or turnover performance was mixed, while employment and exports had remained largely stable.
- **Most businesses were performing either in line with or over and above where they wanted to be on competitiveness (79%), skills development (76%), productivity (71%) and adoption of technology (69%).** However, 31% were operating behind where they wanted to be on adoption of technology, 27% on productivity, 23% on skills and 19% on competitiveness.

Current economic optimism

Confidence in the economic outlook for Scotland was down this wave: **40% were confident (compared with 52% in February 2022), while 58% were not (compared with 45%).**

The decrease in confidence may reflect the continuing challenging economic circumstances, including increased cost of living, affecting businesses and households at the time of the survey.

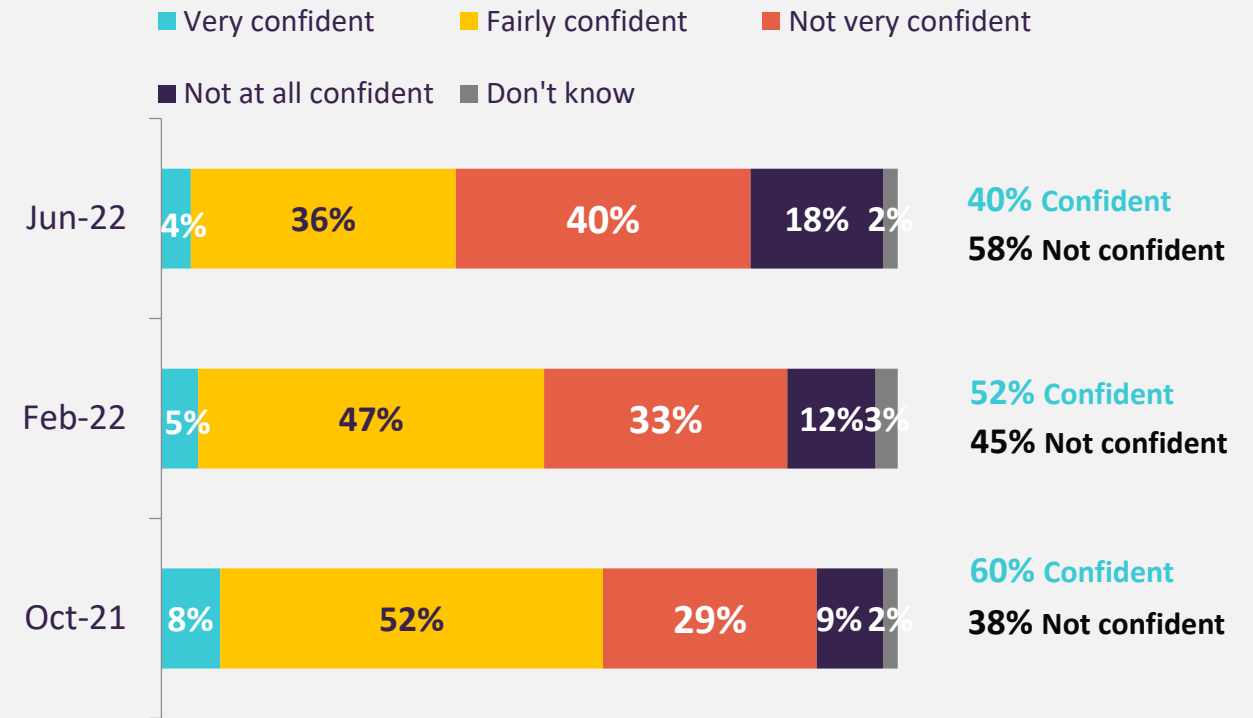
More confident than average

- Those in **urban** areas (48%).
- Those striving for **growth** (47%).

Less confident than average

- **Food and drink** businesses (28% confident, 70% not).
- Those impacted* by the Russia-Ukraine conflict (69% not confident) and EU Exit (63%).

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



Base: All businesses (595)

Economic optimism over past 6 months

Reflecting on the past six months, economic optimism was also down on the previous wave: 57% said their confidence had decreased, 7% said it had increased, and 35% said it had stayed the same.

Net confidence* was -50, lower than the previous three waves (-33 in February/March 2022, -16 in October/November 2021, and -22 in June/July 2021).

More likely to report increased confidence:

- **Tourism** businesses (20% increased).
- Those operating **above** their pre-pandemic levels (13%).
- Those in **urban** areas (11%).

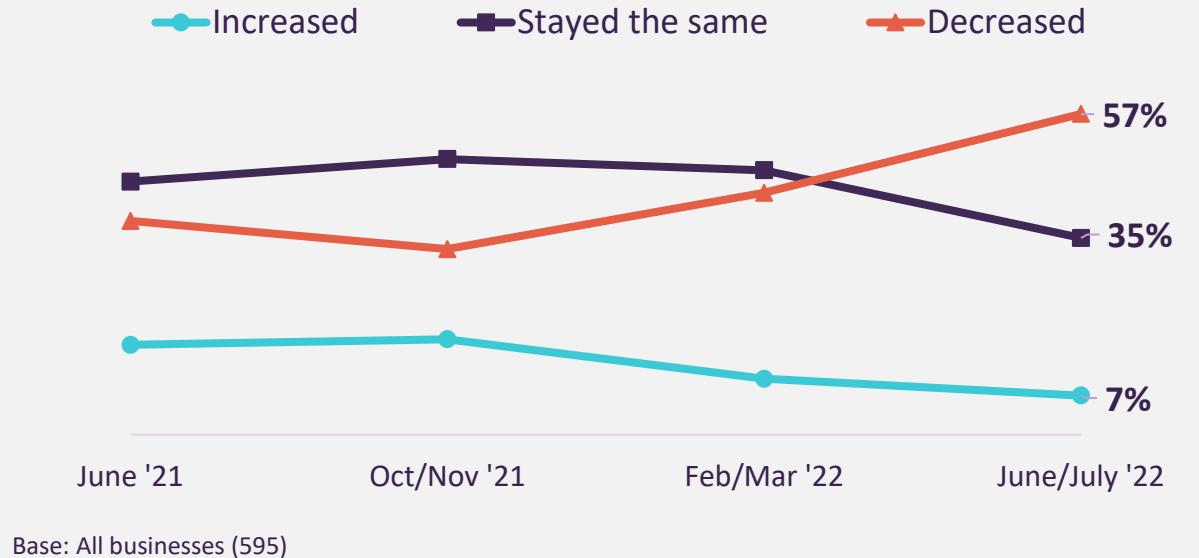


More likely to report decreased confidence:

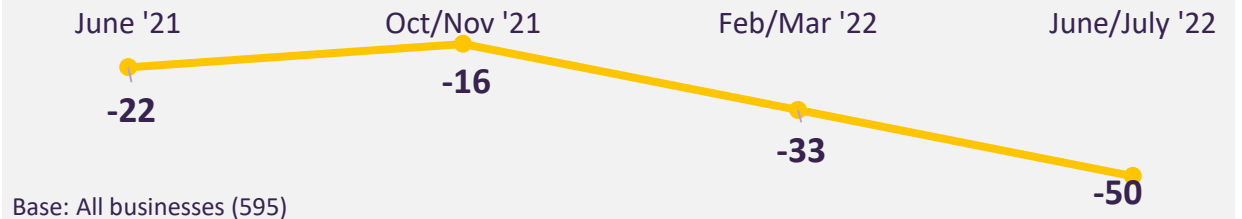
- **Food and drink** businesses (69% decreased).
- Those in **remote rural** areas (68%).
- Those operating **below** their pre-pandemic levels (66%).



Q. In the past 6 months has your level of confidence in the economic outlook in Scotland increased, decreased or has it stayed the same?



Net confidence



Level of current operation

70% of businesses were operating at either the same level (49%) or over and above the level (21%) they were before COVID-19, while 29% were operating below their pre-pandemic levels.

The proportion operating below pre-pandemic levels was lower than in the two previous waves (38% in Feb 2022 and 31% in Oct 2021).

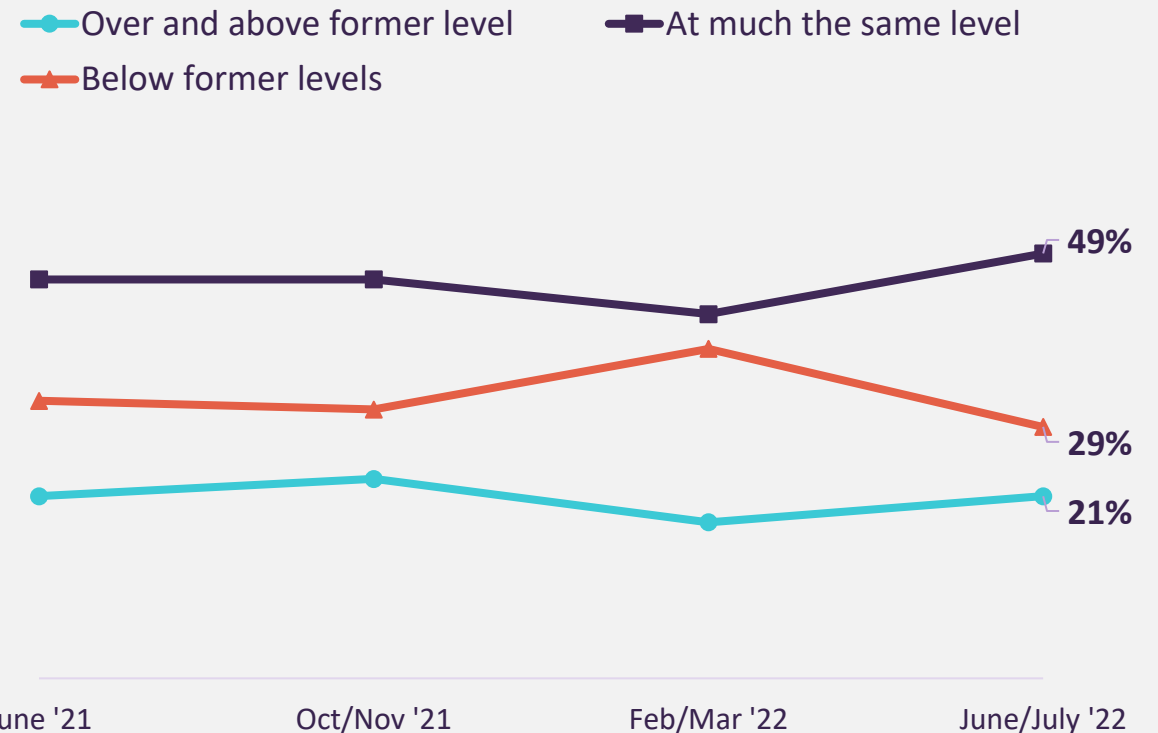
More likely to be operating below pre-pandemic levels :

- **Tourism** (43%) businesses.
- Those in **urban** areas (35%) – although this group are also more likely to be operating above pre-pandemic levels (28%, compared with 21% overall)
- **Not confident** in their future viability (56%).

More likely to be operating at the same level:

- **Food and drink** businesses (74%).
- **Remote rural** businesses (59%).

Q. Which of the following best describes the way you are currently operating in relation to how you had been before the coronavirus outbreak?



Base: All businesses (595)

External factors

The vast majority of businesses (95%) were being impacted by rising costs (to at least a small extent). Almost three quarters (73%) were being impacted by COVID-19, 63% by the Russia-Ukraine conflict and 63% by EU Exit.

Around two thirds (65%) of businesses were being impacted to a **large extent** by rising costs, while 31% were being impacted to a large extent by the Russia-Ukraine conflict, 29% by COVID-19, and 18% by EU Exit.

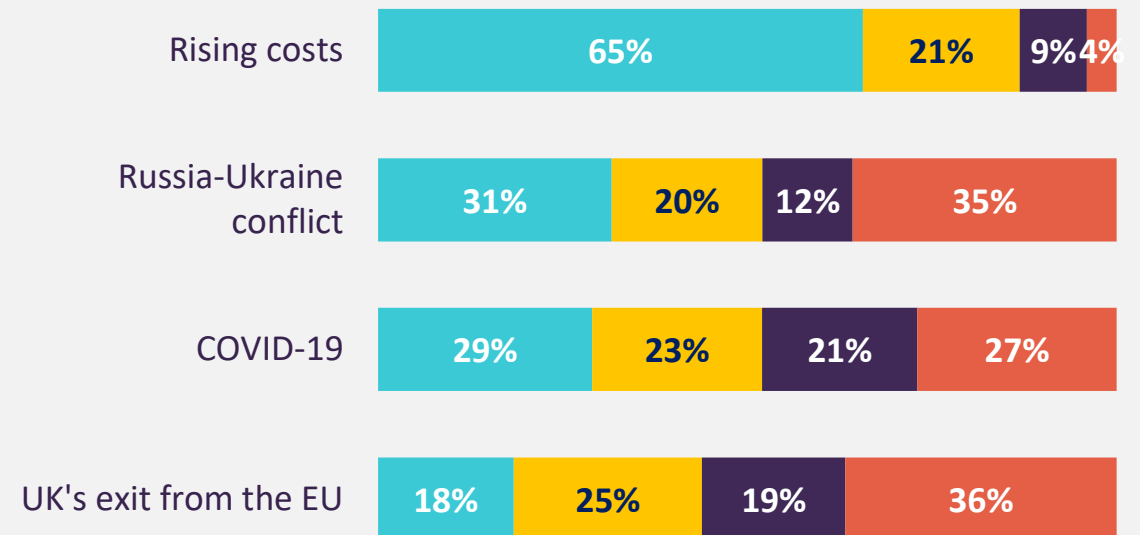
Variation

Certain types of businesses were more likely than average to be impacted by these external factors:

- **Food and drink** - rising costs (98% to at least a small extent), the Russian-Ukraine conflict (85%) and EU Exit (71%).
- **Tourism** - COVID-19 (83%).
- **Remote rural and accessible rural businesses** - Russia-Ukraine conflict (73% and 70% respectively).
- **Urban businesses** – COVID-19 (83%).
- Those **importing** from outside the UK – rising costs (99%) COVID-19 (81%) and EU Exit (79%).

Q. To what extent, if at all, are the following currently impacting on your business?

■ Large extent ■ Some extent ■ Small extent ■ Not at all



Base: All businesses for whom each applied

Aspects of business performance

Aspects of business performance over the last six months varied, but were broadly in line with the previous wave.

As in the previous wave, sales or turnover performance was mixed (33% said it had increased, 25% decreased, and 41% remained the same). Employment had remained relatively stable (71% said it had remained at the same level). Exports were more likely to have decreased than increased (21% vs 9%) but had remained stable for two thirds of businesses (67%).

Increases

- The **financial and business services** sector were more likely to have seen increases in employment (22%).
- Increases in employment were more common among businesses with **5-10** or **11-24 staff** (18% and 22% respectively).
- Those **selling to markets outside the UK** were more likely to report increases in exports (15%).

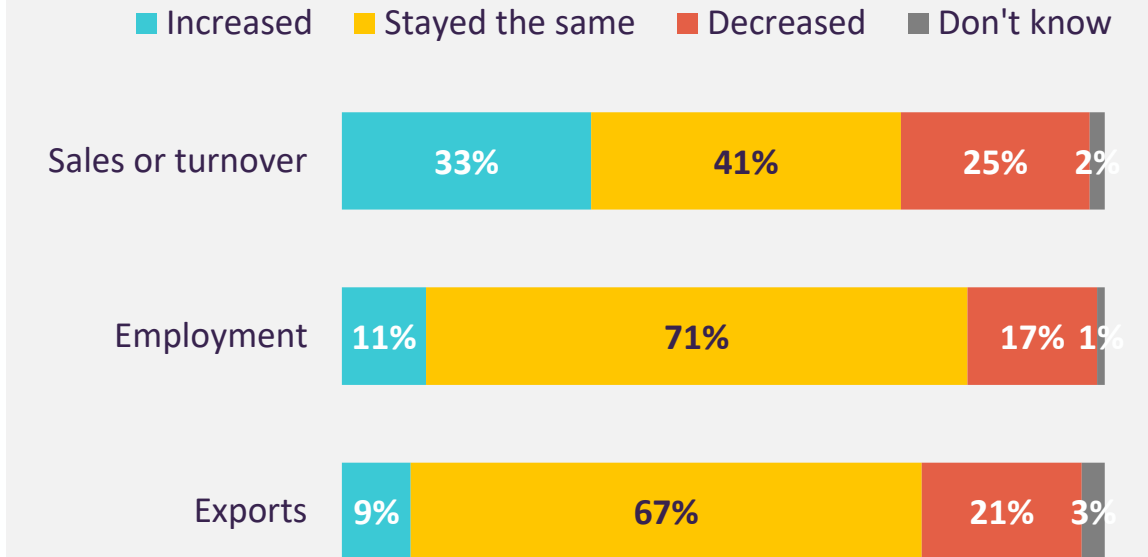
Decreases

- **Tourism** businesses were more likely to report decreases in employment (27%).

Remained the same

- **Food and drink** businesses were more likely to say that employment (81%) and sales and turnover (50%) had remained the same.

Q. Has the following increased, stayed the same or decreased in the last six months?



Base: All businesses for whom each applied

On all three measures, those operating above pre-pandemic levels were more likely to have seen increases, while those operating below former levels were more likely to report decreases.

Performance against key measures

Most businesses were performing either in line with or over and above where they wanted to be on competitiveness (79%), skills development (76%), productivity (71%) and adoption of technology (69%).

However, 31% were operating behind where they wanted to be on adoption of technology, 27% on productivity, 23% on skills and 19% on competitiveness.

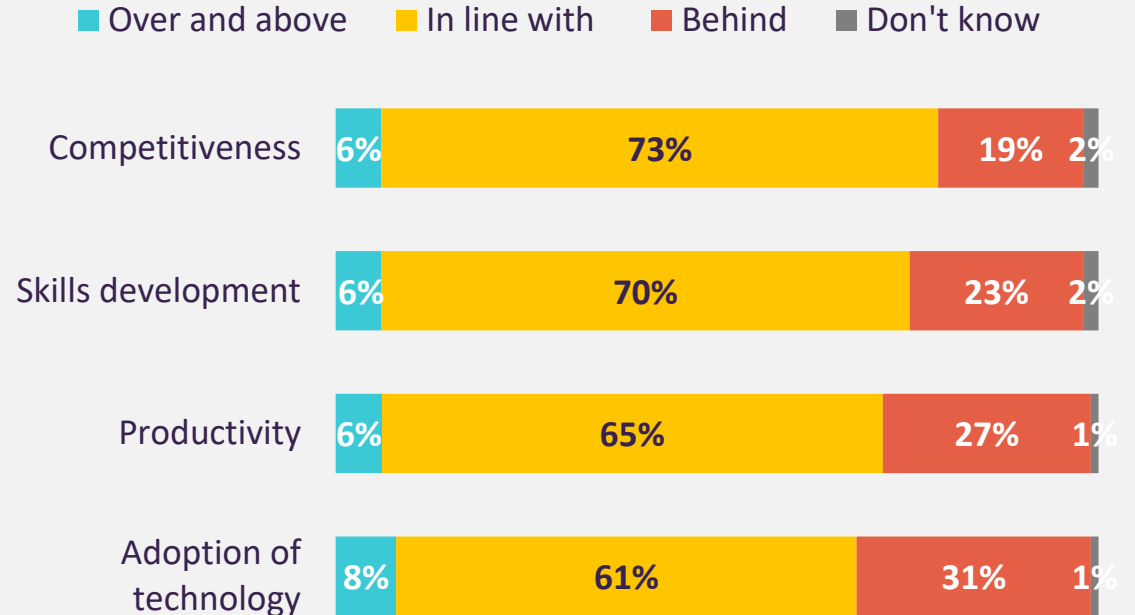
Variation

- **Food and drink** businesses were performing in line with expectations on productivity (74%), but behind on competitiveness (25%).
- Businesses in **Dumfries and Galloway** were behind on productivity (33%).

On both productivity and competitiveness, performance aligned with **operating level**:

- those operating **below** pre-COVID-19 levels were more likely to say they were performing behind where they wanted to.
- those operating **in line with or above** their former levels were more likely to also be performing in line with or over and above expectations.

Q. For the following aspects of your business, please tell me if you are behind, in line with, or over and above where you would like to be?



Base: All businesses for whom each applied

03

Markets

Key findings

- **84% of businesses were importers** (sourcing goods from outside Scotland): 84% imported from the rest of the UK and 28% from outside the UK. The majority of businesses (88%) sourced goods and materials from Scotland.
- **Around two thirds (64%) of businesses were exporters** (selling to markets outside Scotland), with 64% selling to the rest of UK and 20% outside the UK. The majority (96%) of businesses sold goods or services within Scotland, with 34% selling *only* in Scotland.

Import markets

84% of businesses were importers*, with 84% importing from the rest of the UK and 28% from outside the UK. The majority of businesses (88%) sourced goods and materials from within Scotland.

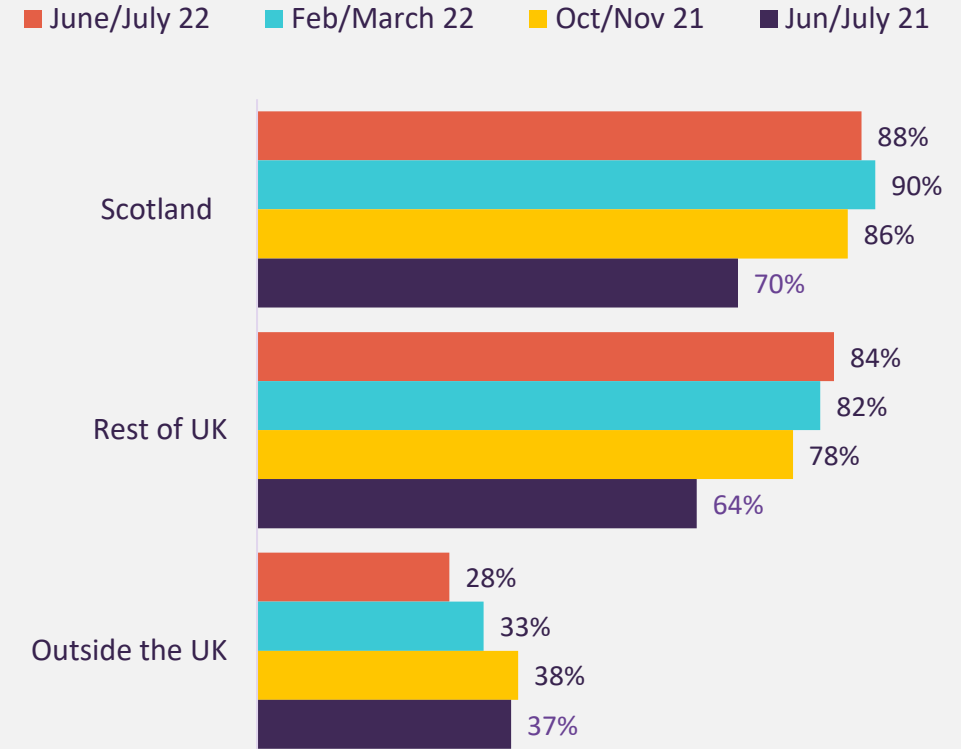
Compared with 12 months ago, there was an increase in the proportion of businesses sourcing goods and materials from the rest of the UK (from 64% in June/July 2021 to 84% this wave).

In the same period there has been a decrease in those importing from outside the UK (from 37% in June/July 2021 to 28% this wave).

Variation

- **Tourism, food and drink** and **remote rural** businesses were all more likely than average to source goods from Scotland (98%, 94%, and 93%).
- **Creative industries** businesses were more likely to import goods from outside the UK (52%) – though the small base size (40) means this finding is indicative only.

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



Base: All businesses (595)

*For Oct/Nov 21 and June/July 21, rest of UK is based on combining those saying Northern and Ireland and England and Wales, and outside the UK is based on combining the EU and outside the EU .

Export markets

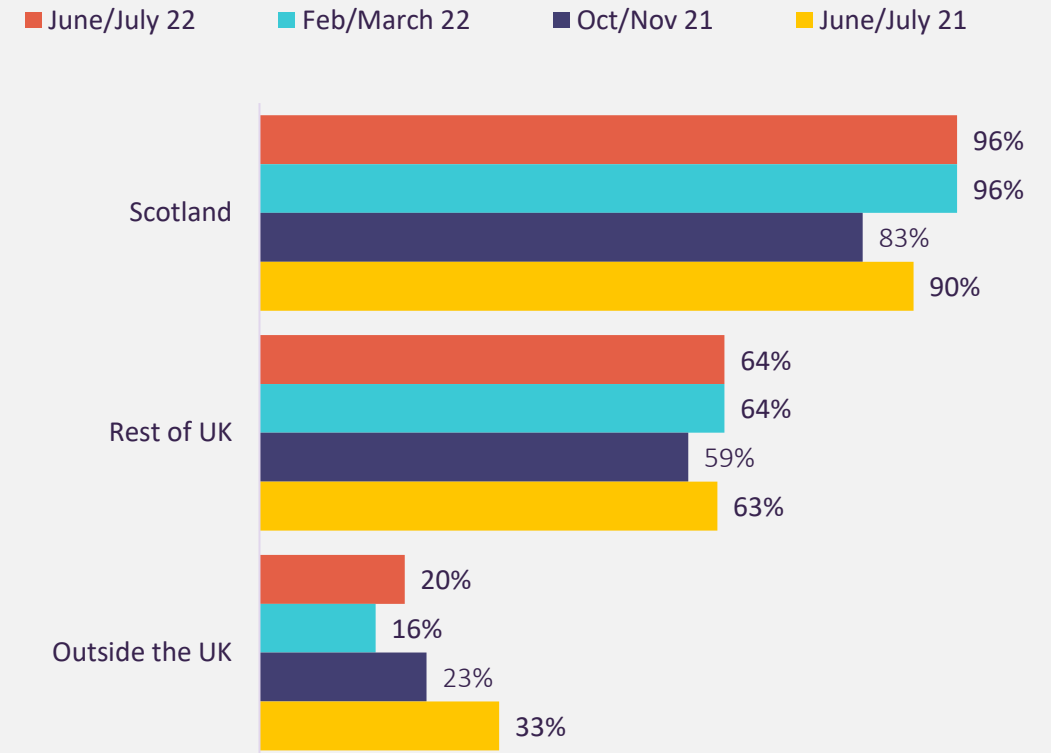
Around two thirds (64%) of businesses were exporters (selling to markets outside Scotland), with 64% selling to the rest of UK and 20% outside the UK. The majority (96%) of businesses sold goods or services within Scotland, with 34% selling *only* in Scotland.

Between June/July 2021 and June/July 2022, the proportion selling within Scotland increased, whereas that selling outside the UK decreased.

Variation

- **Creative industries** businesses were more likely to sell to the rest of the UK (81%) and outside the UK (34%) – though the small base size (40) means these findings are indicative only.
- **Tourism** businesses and those **striving for growth** were also more likely to sell outside the UK (41% and 27%).

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



Base: All businesses (595)

*For Oct/Nov 21 and June/July 21, rest of UK is based on combining those saying Northern and Ireland and England and Wales, and outside the UK is based on combining the EU and outside the EU.

04

Growth

Key findings

- **When thinking about their own business, the factors most commonly associated with “growth” were an increase in sales or turnover (80%) and a growing customer base (73%).** Around half of businesses said expanding into new markets (49%), followed by 45% saying new products or services and 43% saying creating new jobs .
- **Around two in five (40%) businesses were striving for growth while almost half (47%) were content with their current level of performance. Around one in eight (12%) wanted to downsize.** This is in line with the findings from the previous wave in February/March 2022.
- **The most common reasons for striving for growth were to make or increase profit (90%), to continually evolve (84%), to enhance resilience against economic uncertainty (84%) and to respond to changes in demand (81%).** Around three quarters mentioned enhancing skills and expertise (75%) and supporting community sustainability (72%).
- **The main reasons for wanting to retain current levels of performance were that the business was operating as planned (67%) and feeling content with financial performance (62%).** Other reasons included economic uncertainty (60%) and to reduce or avoid stress (53%) or debt/financial risk (43%)
- **Among businesses that wanted to downsize, the top reason was that they were reaching retirement age (70%).** This was followed by wanting to work less (61%), wanting to avoid stress (57%), increased costs (45%) and economic uncertainty (38%).
- **Growth aspirations and motivations can be grouped into four broad categories which varied by type of business:**
 - Those that were either **averse to growth** or **constrained** in their ability to grow – these tended to be food and drink businesses, either sole traders or with 1-4 staff, and were more prevalent in remote rural areas.
 - Those that were **content** with their current level of performance were typically food and drink businesses, with 1-4 staff, in remote rural areas and operating at the same level as they were pre-pandemic.
 - **Ambitious** businesses that were striving for growth - tended to be larger businesses, in urban areas, operating above their pre-pandemic levels.

Factors associated with growth

When thinking about their own business, the factors most commonly associated with “growth” were an increase in sales or turnover (80%) and a growing customer base (73%).

Around half of businesses said they associated growth with expanding into new markets (49%), followed by 45% saying new products or services and 43% saying creating new jobs. Fewer said accessing and using external finance (23%) or new or bigger premises (23%) or merging with or acquiring other businesses (18%).

Variation (higher than average):

Sector

- **Tourism** – growing customer base (87%).
- **Food and drink** –accessing and using external finance (32%).

Performance

- Those behind on **productivity** – expanding into new markets (57%), creating new jobs (55%) and new products/services (52%).
- Those behind on **competitiveness**– expanding into new markets (61%) and new premises (32%).

Location

- **Urban areas** – growing customer base (81%).

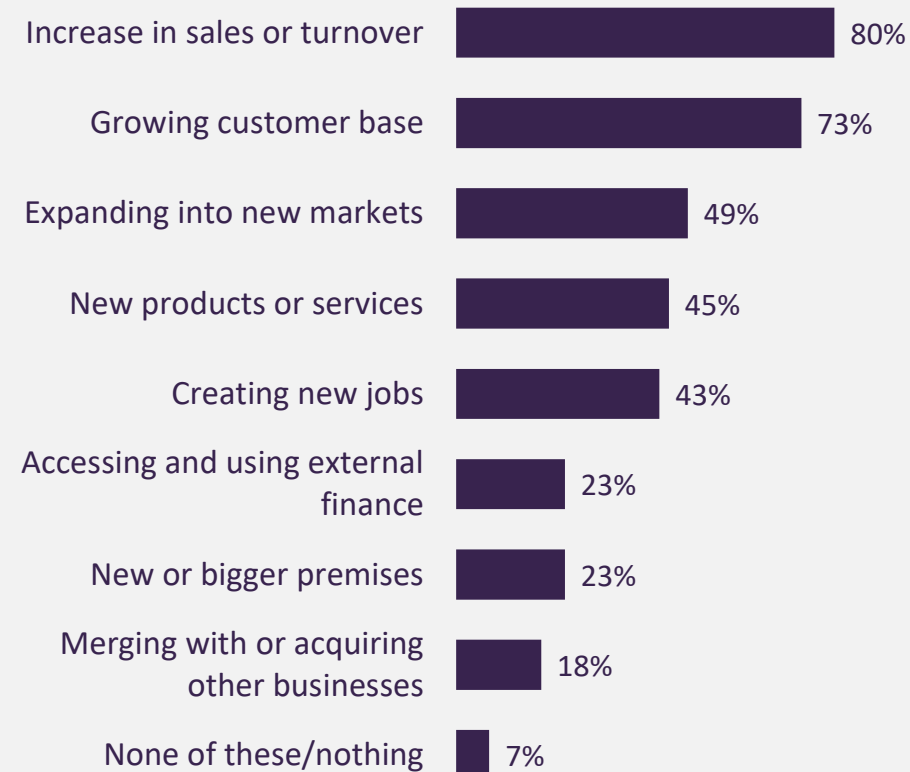
Outlook and markets

The following were more likely than average to mention many factors associated with growth:

- Those striving for growth
- Those actively seeking out new ways of doing things
- Those importing from and exporting to markets outside the UK.

All three were more likely to mention growing a customer base.

Q. When you think about your own business, which of the following do you associate with “growth”?

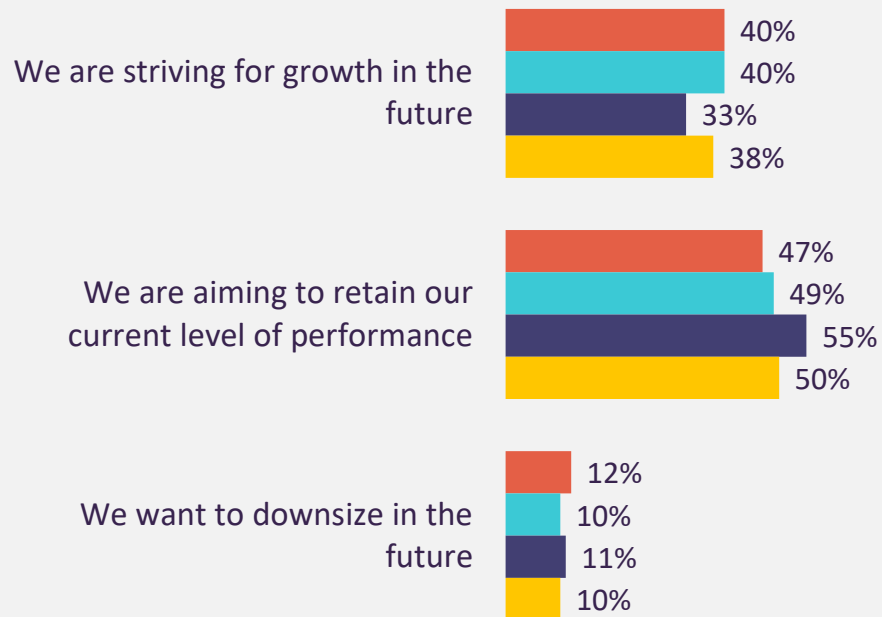


Base: All businesses (595)

Growth aspirations

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

■ June/July 22 ■ Feb/Mar 22 ■ Oct/Nov 21 ■ June/July 21



Base: All businesses (595)

Around two in five (40%) businesses were striving for growth while around half (47%) were content with their current level of performance. Around one in eight (12%) wanted to downsize.

Growth aspirations were in line with those seen in February/March 2022, when 40% wanted to grow, 49% were content, and 10% wanted to downsize.

More likely to strive for growth:

- **Urban** businesses (47%).
- Operating **above** pre-pandemic levels (58%).
- Those **confident** in their viability (41% vs 22% not confident).
- Those **seeking new ways** of doing things (67%).
- **Importing** from (49%) and selling to (52%) international markets.

More likely to want to downsize:

- **Food and drink** businesses (18%).
- **Small** businesses (0-4 staff) (14%).
- **Accessible rural** businesses (15%).

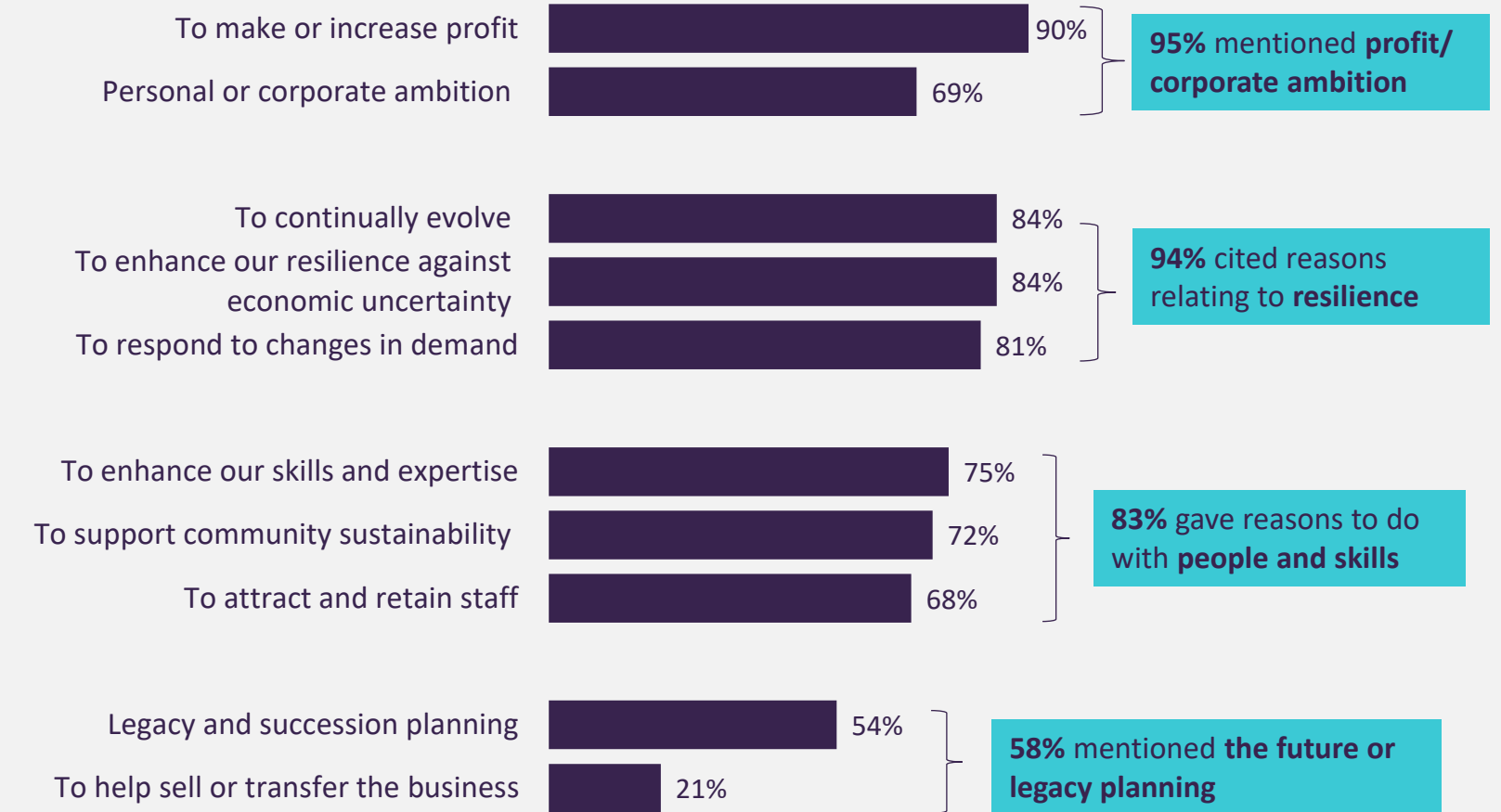


Motivations for growth (1)

The most common reasons for striving for growth were to make or increase profit (90%), to continually evolve (84%), to enhance resilience against economic uncertainty (84%) and to respond to changes in demand (81%).

Around three quarters mentioned enhancing skills and expertise (75%) and supporting community sustainability (72%).

Q. What are your main motivations for striving for growth?



Base: All businesses striving for growth (246)

Motivations for growth (2)

As shown in the chart on the preceding slide, the motivations for growth can be grouped into four broad areas:

- those related to profit and corporate ambition (95%),
- those related to aspects of business resilience (94%),
- those related to people and skills (83%) and
- those related to the future and legacy of the business (58%).

Variation:

While there was little variation in response to this question, the following businesses were more likely than average to mention **legacy and succession planning**:

- Those behind on competitiveness (70% vs 54% overall).
- Those in line with or over and above on adopting new technology (61%).
- Those importing from the rest of UK (57%) and outside the UK (70%).

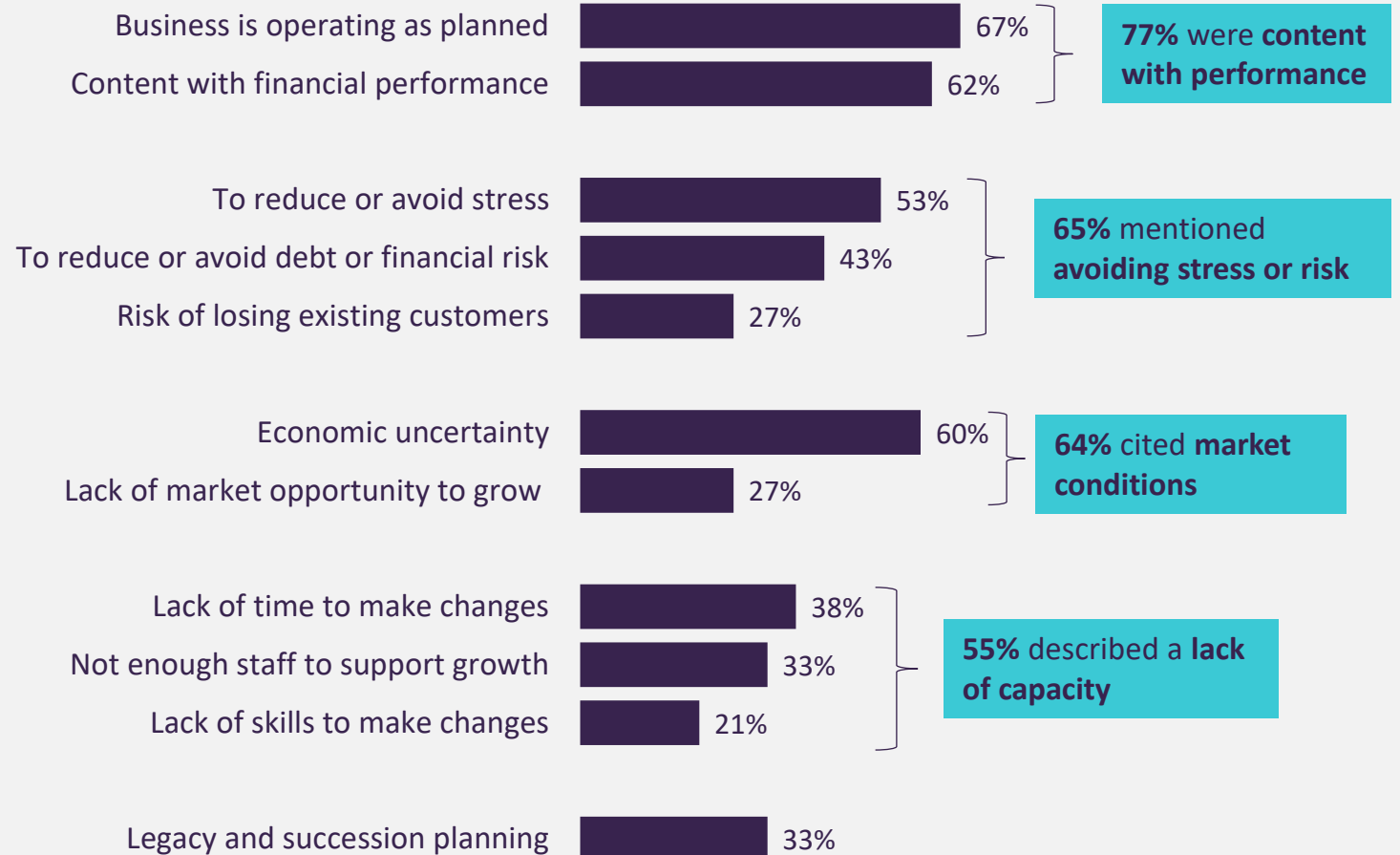


Motivations for retaining current level of performance (1)

The main reasons for wanting to retain current levels of performance were that the business was operating as planned (67%) and feeling content with financial performance (62%).

Other reasons included economic uncertainty (60%) and to reduce or avoid stress (53%) or debt/financial risk (43%)

Q. What are your main reasons for wanting to retain your current level of performance, rather than to grow?



Base: All businesses content with current performance (273)

Motivations for retaining current level of performance (2)

The motivations shown in the previous slide can also be summarised by grouping into five themes:

- being content with performance (77%),
- avoiding stress or risk (65%),
- market conditions (64%),
- lack of capacity (55%), and
- legacy (33%).

Variation (those more likely to mention):

Content with performance :

- Food and drink – 84%.
- Operating above (89%) or in line with (82%) pre-pandemic levels.

Market conditions:

- Food and drink – 78%.

Lack capacity:

- Those in Dumfries and Galloway (63% vs 42% in the Borders)
- Behind on productivity (67%), adoption of technology (70%), and skills performance (68%) and in line with or above on competitiveness (60%).
- Seeking out new ways of doing things (73%).

Avoiding stress or risk:

- Food and drink – specifically to avoid debt or financial risk (60%).
- Remote rural businesses – (76%).
- Behind on adoption of technology – (77%).

Legacy and succession planning:

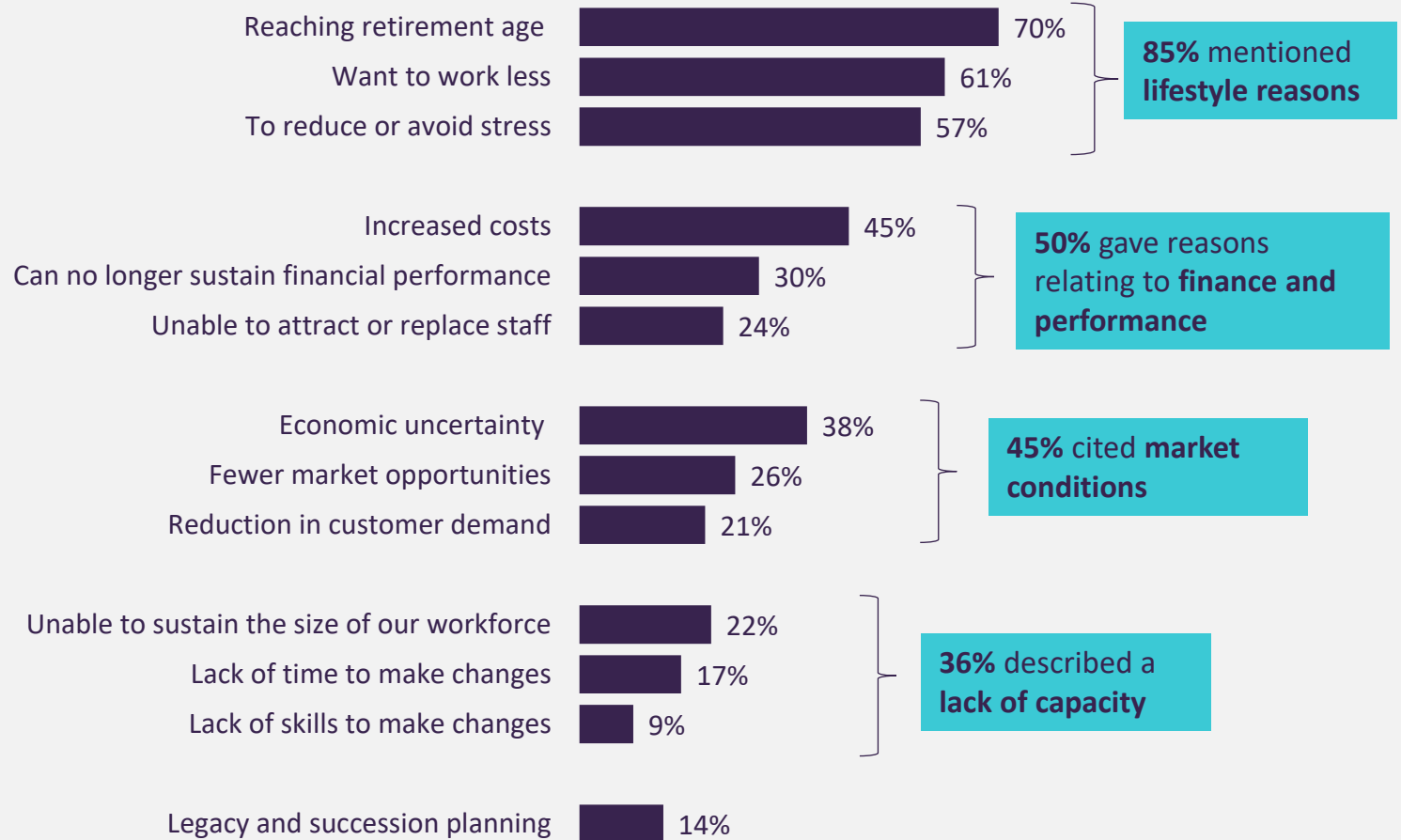
- Food and drink (48%).
- Remote rural businesses (47%).
- Operating above pre-pandemic levels (49%).

Motivations for downsizing (1)

Among businesses that wanted to downsize, the top reason was that they were reaching retirement age (70%).

This was followed by wanting to work less (61%), wanting to avoid stress (57%), increased costs (45%) and economic uncertainty (38%).

Q. What are your main reasons for wanting to downsize?



Base: All businesses that want to downsize (67)

Motivations for downsizing (2)

These motivations have also been grouped into five themes:

- lifestyle (85%),
- finance and performance (50%),
- market conditions (45%),
- lack of capacity (36%) and
- legacy (14%).

Variation (more likely to mention):

Finance/performance:

- Those impacted by rising costs (60%) and the Russia-Ukraine conflict (70%)

Market conditions:

- Those not confident in economic outlook for Scotland (55%) or with decreased economic confidence (58%)
- Those impacted by Russia-Ukraine (63%) or rising costs (51%)



05

Viability

Key findings

- **The majority (91%) of businesses were confident they would be viable over the next six months**, while 9% were not.
- **The biggest perceived risk to viability was rising costs (86% said it was at least a medium risk)**. This was followed by ability to access supplies (64%), reduction in customer demand (58%), workforce challenges (47%), low levels of stock (47%), increased competition (42%) and low or no cash reserves (42%). Around a third mentioned access to markets (36%) and access to finance (34%).
- **Most businesses (88%) felt equipped to respond to risks to their viability**, while 11% did not.

Viability

The majority (91%) of businesses were confident that their business would be viable over the next six months, while 9% were not.

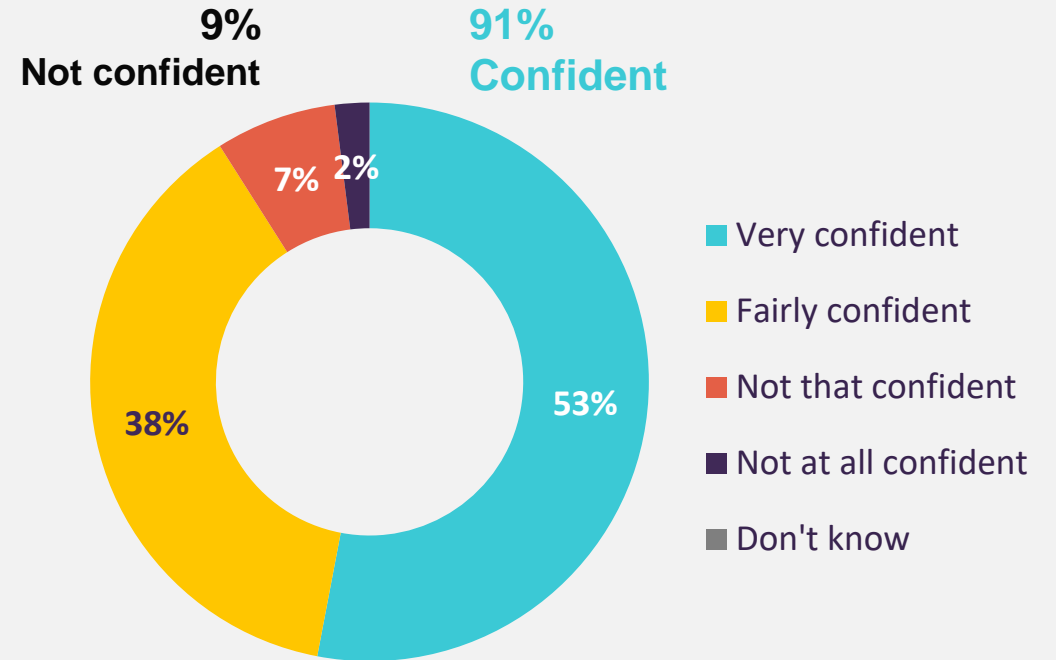
More confident than average

- Financial and business services (100%).
- Those operating above pre-pandemic levels (98%).

Less confident than average

- Food and drink businesses (13% not confident).
- Those operating below pre-pandemic levels (17%).
- Businesses affected by the Russia-Ukraine conflict (12%) and rising costs (10%).
- Those behind where they wanted to be on competitiveness (20%) and productivity (17%).

Q. How confident are you that your business will be viable over the next 6 months?



Base: All businesses (595)

Risks to viability (1)

The biggest perceived risk to viability was rising costs (86% said it was at least a medium risk). This was followed by ability to access supplies (64%) and reduction in customer demand (58%).

Over four in ten felt workforce challenges (47%), low levels of stock (47%), increased competition (42%) and low or no cash reserves (42%) were risks, while around a third mentioned access to markets (36%) and access to finance (34%).

Variation by:

Sector

- **Food and drink** – rising costs (92%), ability to access supplies (76%), workforce challenges (55%), access to finance (42%) and access to markets (45%).
- **Tourism** – reduction in demand (78%).

Location

- **Accessible rural areas** – access to supplies (71%).

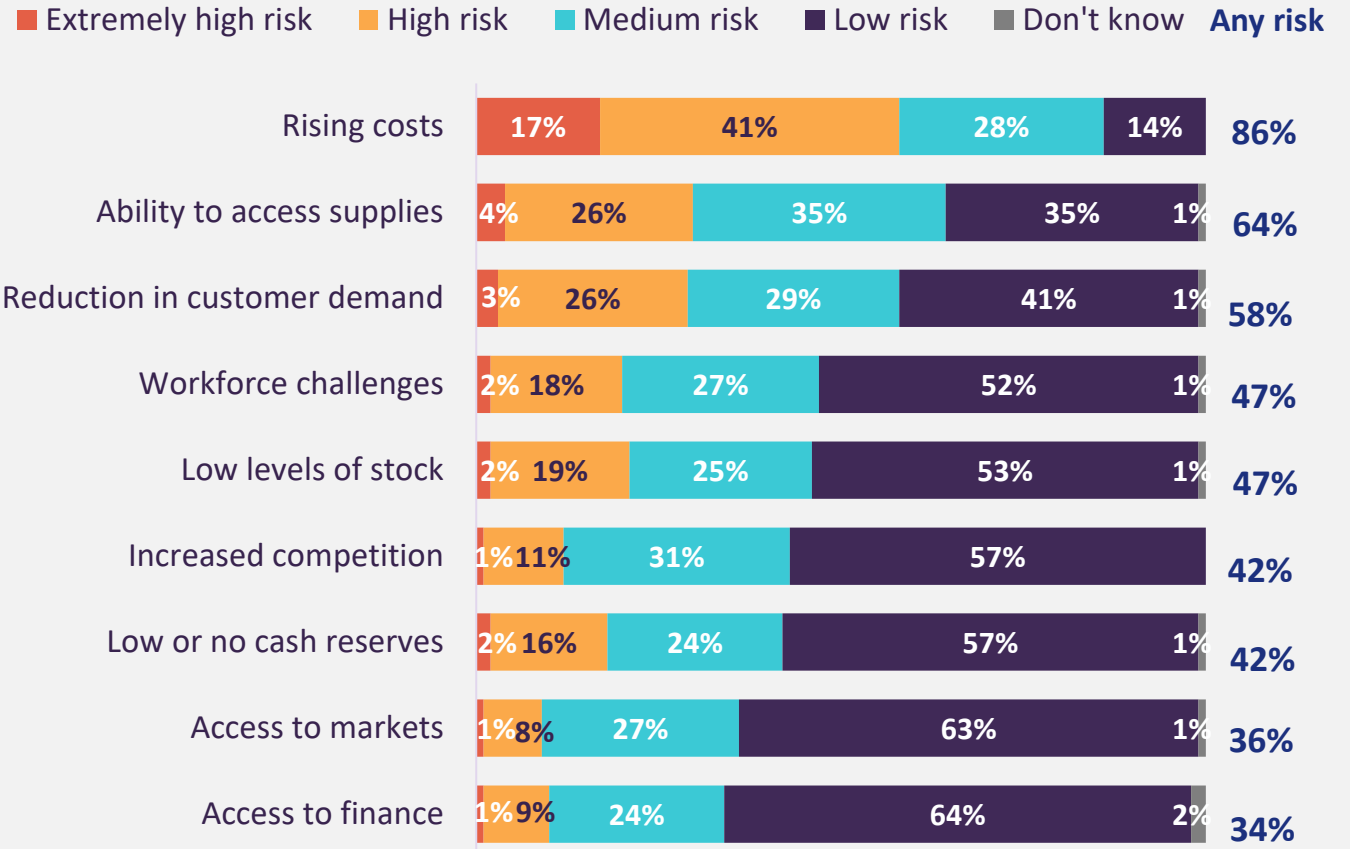
Operating level

- **Below pre-pandemic** – reduction in customer demand (76%), low levels of stock (56%).

Markets

- **Importing from outside the UK** – levels of stock (58%).

Q. How much of a risk are the following to your viability?



Base: All businesses for whom each applied

Risks to viability (2)

Variation by:

Growth aspiration

- **Striving for growth** – reduction in demand (64%), workforce challenges (55%), increased competition (52%), low or no cash reserves (50%) and access to markets (42%).

External impacts

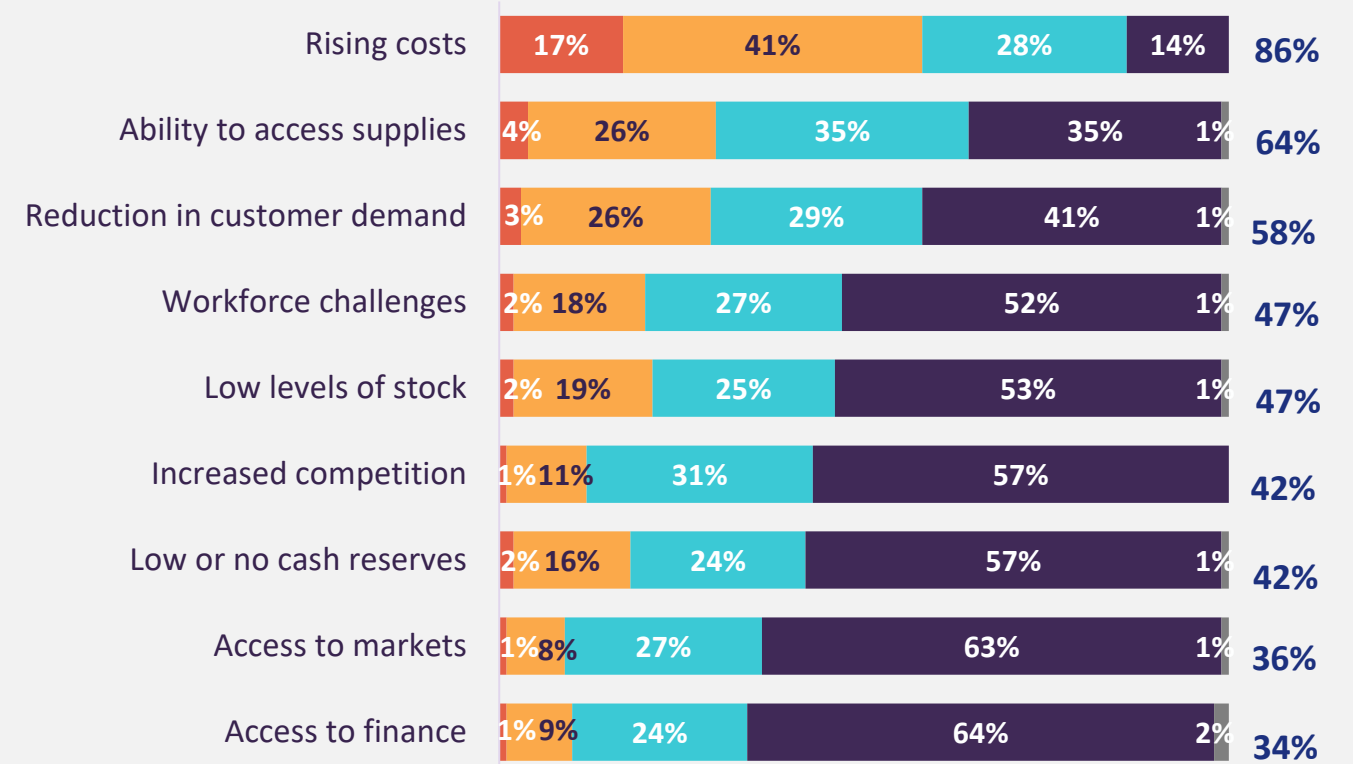
- Businesses impacted by **Brexit**, the **Russia-Ukraine conflict** and **rising costs** were more likely to mention most of these risks.

Performance

- Those behind where they wanted to be on **productivity** and **competitiveness** were also more likely to mention most of these risks.

Q. How much of a risk are the following to your viability?

■ Extremely high risk
 ■ High risk
 ■ Medium risk
 ■ Low risk
 ■ Don't know
 Any risk



Base: All businesses for whom each applied

Ability to respond to risks

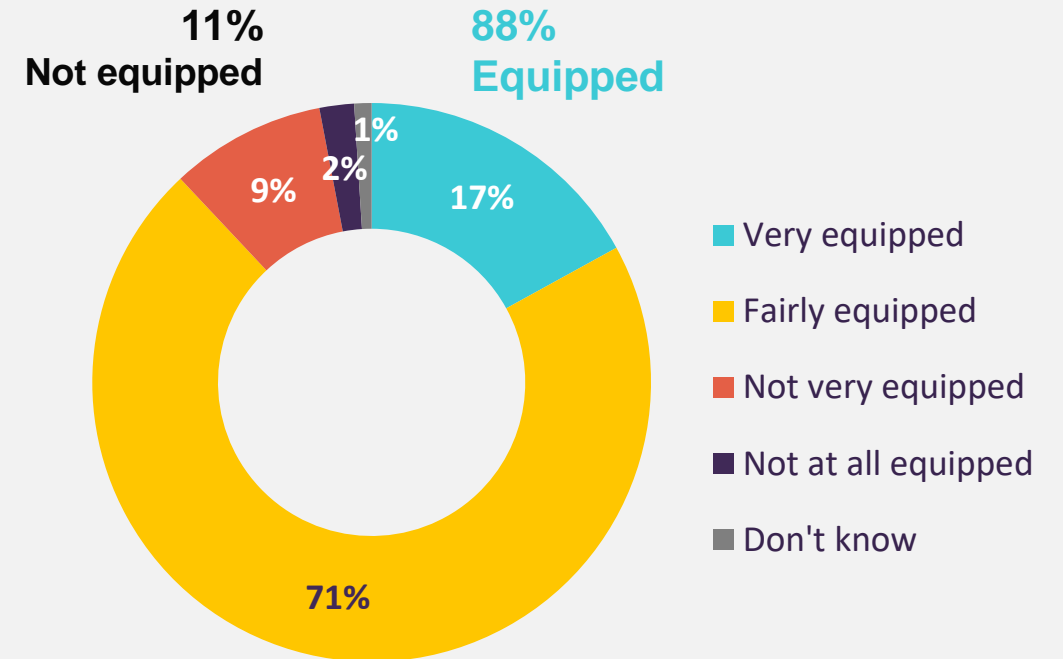
Most businesses (88%) felt equipped to respond to risks to their viability, while 11% did not.

More likely to feel not equipped

- Food and drink businesses (17%).
- Businesses who are **behind where they wanted to be** on competitiveness (23%) and productivity (19%).
- Businesses **aiming to downsize** (23%).

Ability to respond to risks was similar for each of the individual risks that businesses were experiencing (see Appendix).

Q. And how equipped do you feel you are to respond to the risks we just discussed?



Base: All businesses experiencing risks to their viability (568)

06

Workforce

Key findings

- **Among employers, 57% felt their ability to attract new talent was a risk to the business.** This was followed by skills shortages (54%), staff working at capacity (53%), ability to pay competitive wages (50%) and lack of permanent staff (45%).
- **Most businesses (84%) felt equipped to respond to workforce-related risks,** while 15% did not.

Workforce risks

Among employers, 57% felt their ability to attract new talent was a risk to the business. This was followed by skills shortages (54%) staff working at capacity (53%), ability to pay competitive wages (50%) and lack of permanent staff (45%).

Fewer mentioned lack of temporary or seasonal staff (38%), lack of transport (30%) and lack of staff accommodation (20%).

Variation by:

Sector

- **Food and drink** businesses were more likely to be facing each of the risks listed, with the exception of lack of permanent staff and ability to attract new talent.
- **Tourism** businesses - lack of temporary or seasonal staff (56%).

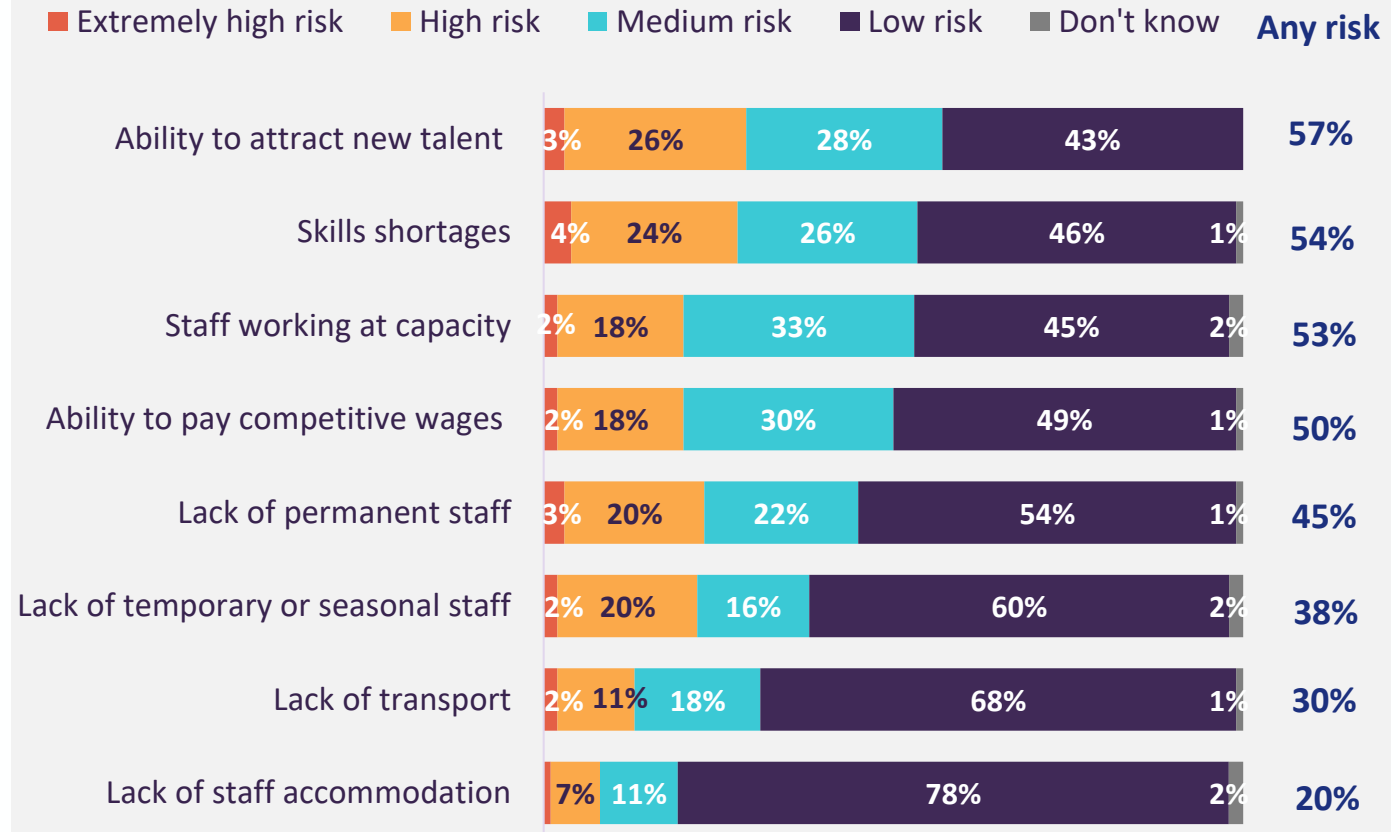
Location

- **Remote rural** areas – skills shortages (63%), lack of transport (39%) and lack of staff accommodation (29%).

Most risks were also more common than average among:

- Those **behind** on productivity and skills development;
- Those impacted by **rising costs** and the **Russia-Ukraine conflict**.

Q. Thinking specifically about your workforce, how much of a risk are the following to your business?



Base: All employers for whom each applied

Ability to respond to workforce risks

Most businesses (84%) felt equipped to respond to workforce-related risks, while 15% did not.

More likely to feel equipped

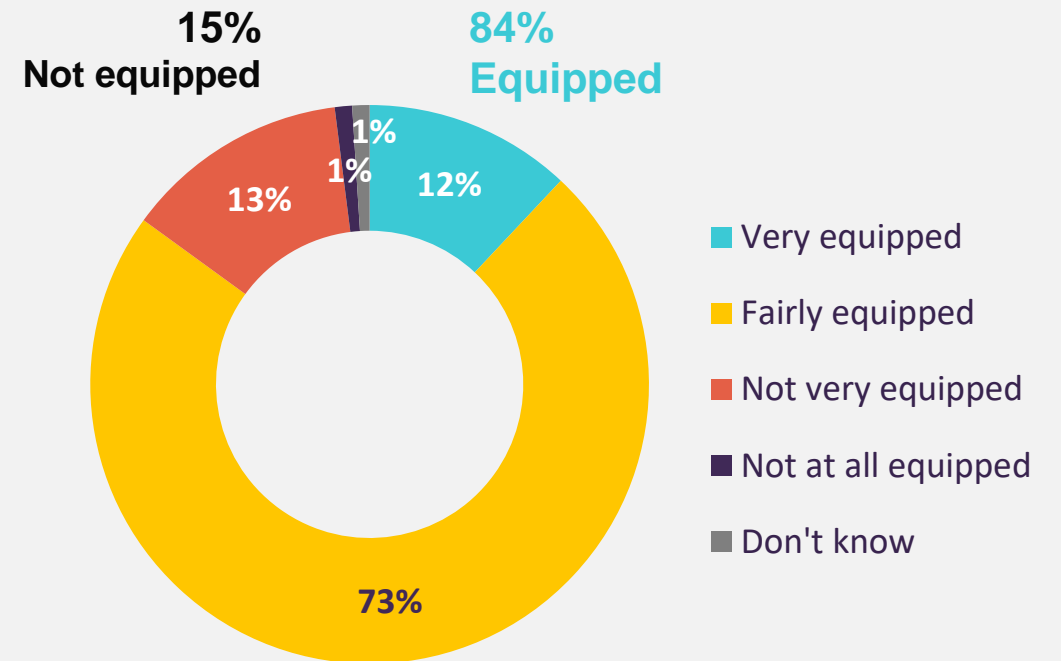
- Businesses in **urban** areas (92%).

More likely to feel not equipped

- **Food and drink** businesses (23%).
- Those impacted by **EU Exit** (19%) and the **Russia-Ukraine conflict** (19%).
- Businesses **behind where they would like to be** on skills performance (24%).

Ability to respond to risks was similar for each of the individual workforce-related risks that businesses were experiencing (see Appendix).

Q. And how equipped do you feel you are to respond to the workforce-related risks we just discussed?



Base: All employers experiencing risks to their viability (368)

07

Responding to
change

Key findings

- **Businesses had mixed outlooks for the 12 months ahead:** 38% were minimising change and hoping to continue as they were, 35% were open to change but not actively seeking to do so and 26% were actively seeking out new ways of doing things.
- **Most businesses (83%) were taking at least one action in response to changes in their working environment.**
- **The top three actions were using greener supply chains (47%), more locally sourced supplies (45%) and upskilling or reskilling staff (45%).** Around a third were collaborating or sharing resources (37%), offering expertise to other businesses (33%), and diversifying products and services (31%). Around a quarter were offering apprenticeships (24%) or recruiting graduates or new talent (23%).
- **Among those that were upskilling or reskilling their workforce, the most common approaches being used were on the job training (86%), giving continual feedback and performance reviews (79%) and mentoring or coaching (69%).** Two thirds were sending staff on external training courses (66%) or having them shadow other colleagues (60%).
- **Among those that were upskilling or reskilling their workforce, the most sought-after skills were use of new technologies (78%), specialist or technical skills (68%) or digital skills (67%).** This was followed by leadership and management skills (58%) or customer or client-facing skills (55%).

Outlook for next 12 months

Businesses had mixed outlooks for the 12 months ahead: 38% were minimising change and hoping to continue as they were, 35% were open to change but not actively seeking to do so and 26% were actively seeking out new ways of doing things.

More likely to be minimising change

- **Small businesses** (0-4 staff) (42%).
- Businesses in **accessible rural** areas (44%).

More likely to be seeking out new ways of doing things

- Businesses operating **above pre-pandemic levels** (34%).
- Businesses who are **behind where they would like to be** on competitiveness (38%) and productivity (36%).

Q. Which of these statements best describes your outlook for the next 12 months?

We are minimising change and hoping to continue as we are 38%

We are open to changing our ways of working, but not actively seeking to do so 35%

We are actively seeking out new ways of doing things 26%

Base: All businesses (595)

Actions in response to change

Most businesses (83%) were taking at least one action in response to changes in their working environment. The top three actions were using greener supply chains (47%), more locally sourced supplies (45%) and upskilling or reskilling staff (45%).

Around a third were collaborating or sharing resources (37%), offering expertise to other businesses (33%), and diversifying products and services (31%). Around a quarter were offering apprenticeships (24%) or recruiting graduates or new talent (23%).

Variation by:

Sector

- **Tourism** – more locally sourced supplies (61%).

Location

- **Remote rural** – collaborating or sharing resources (44%).

Performance and Outlook

- **Operating above pre-pandemic level** – using greener supply chains (63%), upskilling or re-skilling (62%), recruiting new talent (39%) and offering apprenticeships (33%).
- **Operating below pre-pandemic level** – diversifying products and services (41%).

Q. Thinking about possible changes to your working environment, which of the following actions are you taking or planning to take?



Base: All businesses (595)

Actions to upskill or reskill workforce

Among those that were upskilling or reskilling their workforce, the most common approaches being used were on the job training (86%), giving continual feedback and performance reviews (79%) and mentoring or coaching (69%).

Two thirds were sending staff on external training courses (66%) or having them shadow other colleagues (60%). Fewer were bringing in external workplace training (51%) or moving staff into different roles (49%), while just one in ten were offering secondments (10%).

Variation by:

Sector

- **Food and drink** – sending staff on external training courses (82%).

Location

- **Urban** – on the job training (92%).

Performance and outlook

- **Operating above pre-pandemic level** – offering secondments (17%).
- **Seeking new ways of doing things** – review and feedback (87%), mentoring and coaching (78%), moving staff into different roles (63%) and bringing in external training (60%).

Q. Which specific actions are you taking to help upskill or reskill your existing workforce?



Base: All businesses upskilling or reskilling staff (281)

Skills needed

Among those that were upskilling or reskilling their workforce, the most sought-after skills were use of new technologies (78%), specialist or technical skills (68%) or digital skills (67%). This was followed by leadership and management skills (58%) or customer or client-facing skills (55%) while under half mentioned skills relating to sales and marketing or low-carbon (46%).

Variation by:

Sector

- **Tourism** – leadership and management (78%) and customer/client facing (74%)

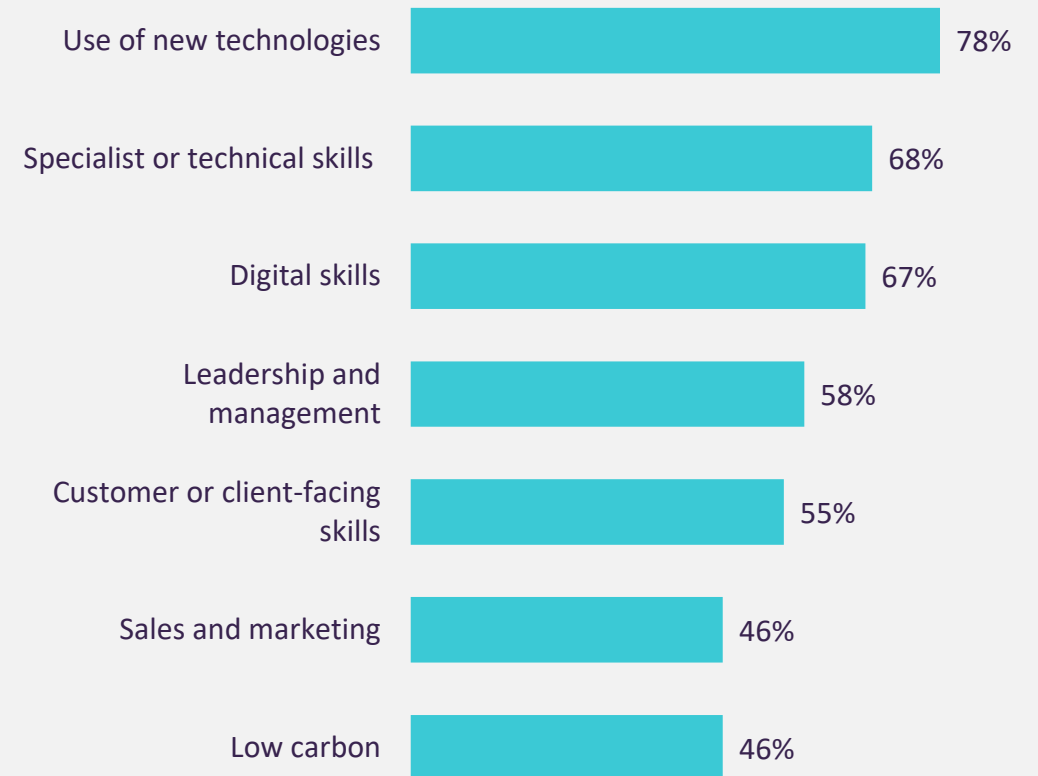
Markets

- **Importing from outside UK** – specialist/technical skills (78%)

Performance and outlook

- **Operating below pre-pandemic level** – digital skills (78%), customer/client facing (71%) and sales/marketing (58%)
- **Behind on competitiveness** – leadership and management (78%)
- **Aiming to grow** – leadership and management (65%) and sales/marketing (54%),
- **Seeking new ways of doing things** – leadership and management (68%)

Q. And what sorts of skills are you most looking to develop in your workforce?



Base: All businesses upskilling or reskilling staff (281)

08

Appendix

Additional variation – ability to respond to risks

Risks to viability		%	%
	Base	Equipped	Not equipped
Rising costs	509	87	13
Ability to access supplies	366	86	14
Access to finance	182	81	19
Workforce challenges	258	86	14
Low levels of stock	249	86	14
Reduction in customer demand	341	85	15
Increased competition	241	85	15
Low or no cash reserves	237	84	16
Access to markets	205	82	18



Additional variation – ability to respond to workforce risks

Risks to viability		%	%
	Base	Equipped	Not equipped
Staff working at capacity	233	82	18
Ability to attract new talent	240	81	19
Ability to pay competitive wages	216	80	20
Skills shortages	227	78	22
Lack of permanent staff	185	77	23
Lack of transport	117	76	24
Lack of temporary or seasonal staff	146	75	25
Lack of staff accommodation	66	70	30



Profile of businesses interviewed

Size (no of employees)	%
Sole trader	23
1-4	55
5-10	13
11-24	6
25+	3

Growth sector	%
Creative industries	5
Energy	1
Financial and business services	9
Food and drink	29
Life sciences	*
Tourism	9
Non-growth	47

Location	%
Dumfries and Galloway	59
Scottish Borders	41

Urban/Rural	%
Remote rural	29
Accessible rural	38
Urban	34



Profile of businesses by local authority

Size (number of employees)	Dumfries and Galloway	Scottish Borders	Total
	%	%	%
Sole trader	22	25	23
1-4	56	52	55
5-10	12	15	13
11-24	6	6	6
25+	3	2	3

Urban/Rural	Dumfries and Galloway	Scottish Borders	Total
	%	%	%
Remote rural	36	17	29
Accessible rural	32	46	38
Urban	32	36	34

Growth sector	Dumfries and Galloway	Scottish Borders	Total
	%	%	%
Creative industries	3	7	5
Energy	2	-	1
Financial and business services	9	8	9
Food and drink	31	26	29
Life sciences	-	-	-
Tourism	10	7	9
Non-growth	45	52	48



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



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