



SOSE Business Panel Survey

April 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 604 businesses across the region, conducted in February/March 2022.

The survey was carried out against the backdrop of significant economic challenges for business in the region, and across the UK.

The first quarter of the year saw reports of increased inflation, interest rates and record fuel prices. These challenges were compounded during February and March 2022 by the invasion of Ukraine by Russian forces. The resulting economic sanctions and disruption to supply chains caused further cost increases.

Against this background, businesses were less confident in the economy than they were in October/November 2021. However, as with the previous wave, most businesses remained optimistic about their own prospects for the year ahead.

There were signs of a stable recovery from COVID-19, with two-thirds of businesses operating at or above their pre-pandemic levels. This was in line with the previous wave and more positive than the findings in June/July 2021.

Once again tourism businesses seemed adversely impacted by the challenging economic environment. They were more likely than average to be operating below pre-pandemic levels and to have seen a decrease in their sales and turnover and employment levels. That said they were more likely to be optimistic about their future and to be striving for growth.

Reflecting what was happening in the wider economy, almost all businesses were concerned about rising costs, particularly the cost of fuel and energy. To help deal with increases, around half of businesses were increasing their prices.

Looking ahead, businesses were focussing on their resilience, compliance with regulation and legislation, and productivity. Workforce was seen as key to businesses achieving these plans.

However, most businesses were experiencing workforce related challenges, primarily caused by lack of candidates and difficulties accessing specific skillsets. Workforce issues were a particular concern for the tourism sector. Two thirds of businesses were nevertheless confident they could address these challenges with the actions they were taking. Most businesses were already using or planning to use new technologies, though there were implementation barriers to overcome.

While most businesses were taking action to help them move to low carbon working and to improve energy efficiency, this was a current focus for less than half. The top barriers to low carbon working were the same as in the previous wave (cost, lack of green transport options, and difficulties making premises more energy efficient).

Executive summary (2)

Optimism and performance

- **Thinking about the economic outlook for Scotland over the next 12 months, 52% of businesses were confident** while 45% were not.
- **Economic optimism was down on the previous wave:** 43% said their confidence had decreased, while 10% reported an increase in confidence and 47% said it had remained the same.
- **Levels of current operation remained relatively stable since October 2021.** Two thirds of businesses were operating at either the same level (46%) or over and above (21%) their pre-COVID-19 levels. Just under a third (31%) were operating below the level they had been.
- **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 stable.
- **A majority (77%) of businesses were optimistic about their prospects over the next 12 months,** while 22% were not.
- **Two in five (40%) businesses were striving for growth in the future,** while around half (49%) were aiming to retain their current level of performance, and 10% wanted to downsize.

Costs

- **The vast majority (93%) of businesses were concerned about rising costs** (67% very, 26% fairly concerned). Just 7% were not.
- **Of those concerned about rising costs, the top concerns were the cost of fuel (66%) and energy (63%).** Almost two-fifths (38%) were concerned with the cost of goods sourced from within the UK.
- **To help respond to cost increases, around half of businesses were increasing their prices (51%),** while around a third were working with new suppliers (34%), exploring new markets (30%) and postponing investment plans (30%). Other actions included collaborating with other businesses (25%), using cash reserves (25%) and doing more online (20%).



Executive summary (3)

Planning ahead

- **Over half of businesses were currently focussing on their resilience (58%), compliance with regulation or legislation (55%), and enhancing productivity (52%).** Around two in five were focussing on reducing carbon emissions (45%) and supporting growth (41%), while around a third were focussing on succession planning (33%) and addressing labour challenges (30%).
- **Areas of focus were linked to growth aspiration** – those who were striving for growth were more likely to be currently focussing on a number of areas, including business resilience and compliance with regulation or legislation.
- **The most important factor in helping businesses achieve their plans was their workforce (45%)** followed by new technology (34%), adapting products or processes (29%), and market and customer insights (25%).

Workforce

- **Just over a fifth of businesses described themselves as women-led (22%),** while 75% did not.
- **Almost two thirds of employers were experiencing workforce related challenges (63%).** The most common challenge was the cost of labour (32%), followed by skills gaps (26%), unfilled vacancies (22%) and staff absences (21%).
- **The top two issues contributing to workforce related-challenges were a lack of candidates (54%), difficulties accessing specific skillsets (49%).** Around a quarter said poor transport connections (29%), being unable to offer competitive pay (26%) and having unattractive working hours or conditions (25%).
- **The top action employers were taking in relation to their workforce was upskilling or re-skilling existing staff (50%)** followed by investing in new technology (37%) and making pay more competitive (36%).
- **Two thirds of employers were confident they could address their workforce challenges (66%),** while one third were not (32%).



Executive summary (4)

New technology

- **Almost three quarters of businesses (71%) were using or planning to use new technologies**, with the most common being low carbon technology (36%), and the Internet of Things and sensor technologies (29%).
- **The top barrier to adopting new approaches and technologies was cost (54%)** followed by lack of time (48%), lack of knowledge or skills (41%), and more pressing priorities (40%).

Low carbon

- **Almost three quarters (71%) of businesses were taking action to help them move to low carbon working.** The most common actions were investing in premises, making a plan or updating business plans, investing in low carbon technology (all 34%) and bringing in external advice and support (30%).
- **The majority (84%) of businesses were taking or planning actions to improve their energy efficiency.** The most common actions was reducing energy consumption (62%) followed by installing more energy efficient systems (47%), using greener sources of energy (43%) and greener sources of transport (43%).
- **The most frequently mentioned barrier to moving to low carbon working was the cost of making changes (64%).** This was followed by lack of green transport options and difficulty making existing premises more energy efficient (both 48%).

Markets

- **85% of businesses were importers**, with 82% importing from the rest of the UK and 33% from outside the UK. The majority of businesses (90%) sourced goods and materials from Scotland.
- **Around two thirds (65%) of businesses were exporters (selling to markets outside Scotland)**, with 64% selling to the rest of UK and 16% outside the UK. The majority (96%) of businesses sold goods or services within Scotland.
- **Most (97%) businesses were taking, or planning, action in relation to their markets:** 88% were maintaining their existing markets, 27% expanding into new markets and 9% concentrating on few markets.
- **The most important actions for helping businesses achieve their market plans were:** adapting their product or service (46%), investing in technology (40%), re-skilling or up-skilling staff (38%), bringing in external advice or support (38%), and collaborating (34%).
- **The majority (79%) of businesses were taking action relating to their supply chain**, with the most common actions being sourcing supplies from within the UK (52%) or more locally (48%).

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 than other sectors to still be operating below their pre-COVID-19 levels and to have seen decreases in sales or turnover and in employment in the last six months (which may, at least in part, reflect the timing of the survey, coming after the winter season). However, they had higher than average confidence in the economy and were more likely to be striving for future growth.

Labour challenges were a key issue in this sector. It was one of their top concerns (along with increased costs) and addressing labour challenges was the area they were particularly focussed on.

Unfilled vacancies were more common among tourism businesses, which they put down to unattractive working hours/conditions, being unable to offer competitive pay and a lack of accommodation. Actions they were taking to address these issues were recruiting staff with different skills and recruiting from different markets.

Staff were also important in helping tourism businesses to achieve their plans for the markets they operated in: re-skilling or up-skilling existing staff and recruiting new staff were key actions they were taking.

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. They tended to want to remain at the same level of operation, but were less confident than average in the economy and less optimistic about their own prospects.

They were particularly concerned about the costs of fuel and goods imported from outside the UK and, as a result, were postponing investment plans and scaling back production.

Food and drink businesses felt their sector was unattractive to candidates due to working hours, conditions and lack of accommodation and they felt they were unable to recruit from the EU. They were less confident than average in their ability to address workforce challenges.

Low carbon was an area of focus for food and drink businesses, and they were more likely than average to be investing in low carbon technology. However, they were also more likely to cite costs as a barrier to using new technologies.

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 optimistic** about their prospects (69% optimistic, 30% not, compared with the average of 77% and 22%). They were more likely to **want to retain their current level** of performance (56% compared with 49% overall).

In response to the rising costs they were experiencing, they were **less likely than average to be increasing their prices** (39% were doing this, compared with 51% overall).

They were more likely than businesses in urban areas to be currently **focussing on reducing carbon emissions** (50% compared with 37%).

They were more likely to **source goods and materials from Scotland** (94% vs 90% overall).

Findings may reflect the sectoral profile: there was a higher than average proportion of food and drink businesses in remote rural areas (42% vs 29% in overall sample).

Accessible rural

Businesses in accessible rural areas were more likely to have seen **stability in sales or turnover** in the last six months (42% said these had stayed the same vs 35% overall).

They were more likely to attribute workforce challenges to a **lack of candidates** (66% vs 54% overall) and **unattractive working hours or conditions** (35% vs 25%). In response they were making pay and rewards more competitive (45%) and investing in technology (45%).

They were more likely to be using **greener sources of energy** (52% vs 43%), and using **less or greener forms of transport** (29% vs 23%), but more likely to say that speed or reliability of digital connectivity was a barrier to low carbon working (39% vs 33%).

Findings may reflect the sectoral profile: there was a higher than average proportion of food and drink businesses in accessible rural areas (41% vs 29% in overall sample).

Small towns and other peripheral urban areas

Those in more urban areas were more likely to be operating **below their pre-pandemic levels** (38% vs 32% overall) and to have seen their **sales or turnover decrease** (37% vs 30%). However, they were **more optimistic than average** (84% optimistic vs 77% overall) and more likely to be striving for growth (48% vs 40%).

In response to cost increases, they were more likely to be increasing prices (63%) and postponing recruitment plans (24%).

They were more likely to be experiencing **staff absences** (31%), and **staff leaving** the business (21%).

Low carbon seemed less of a priority for them. They were less likely to be focussing on reducing carbon emissions (36% not planning for this vs 30% overall) and less likely to be taking any actions to move to low carbon ways of working (35% not taking any actions vs 29% overall).

Findings may reflect sectoral profile: there were higher proportions of financial and business services (13% vs 9% overall) and non-growth sectors (65% vs 48%).

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 February/March 2022. The survey covered a range of topics including: economic optimism, current priorities and concerns, financial support, response to cost increases, labour shortages, and supply chain issues. It also covered import and export markets and business response to net zero.

The survey was carried out as part of the Rural Scotland Business Panel, a survey of 2,723 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 against the backdrop of challenging economic circumstance for businesses in the region, and across the UK.

Though widespread COVID-19 lockdown restrictions had eased, some businesses were still operating in a different way than they had been pre-pandemic.

The first quarter of the year saw reports of increased inflation, interest rates and record fuel prices. These challenges were compounded during February and March 2022 by the invasion of Ukraine by Russian forces. The resulting economic sanctions and reduced supply chains increased prices in some sectors. The survey therefore captured concerns in these areas.

November 2021 saw the UN Climate Change Conference (COP26) take place in Glasgow, with the attention of global media turned to Scotland and its response to the climate emergency. The survey therefore captured business views on net zero and moving to low carbon ways of working.



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 7 February and 5 April 2022, using telephone interviewing. In total 604 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

- **Thinking about the economic outlook for Scotland over the next 12 months, 52% of businesses were confident** while 45% were not.
- **Economic optimism was down on the previous wave:** 43% said their confidence had decreased, while 10% reported an increase in confidence and 47% said it had remained the same.
- **Levels of current operation remained relatively stable since October 2021.** Two thirds of businesses were operating at either the same level (46%) or over and above (21%) their pre-COVID-19 levels. Just under a third (31%) were operating below the level they had been.
- **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 stable.
- **A majority (77%) of businesses were optimistic about their prospects over the next 12 months,** while 22% were not.
- **Two in five (40%) businesses were striving for growth in the future,** while around half (49%) were aiming to retain their current level of performance, and 10% wanted to downsize.
- **Tourism businesses were more likely to be operating behind pre-pandemic levels and to report decreases in sales or turnover,** but were nonetheless more likely to be optimistic about the future and to be striving for growth.

Current economic optimism

Thinking about the economic outlook for Scotland over the next 12 months, 52% of businesses were confident while 45% were not.

Confidence had decreased compared with the previous wave: in October/November 2021, 60% were confident while 38% were not. This decrease in confidence may reflect the challenging economic circumstances, including increased cost of living, affecting businesses and households at the time of the survey.

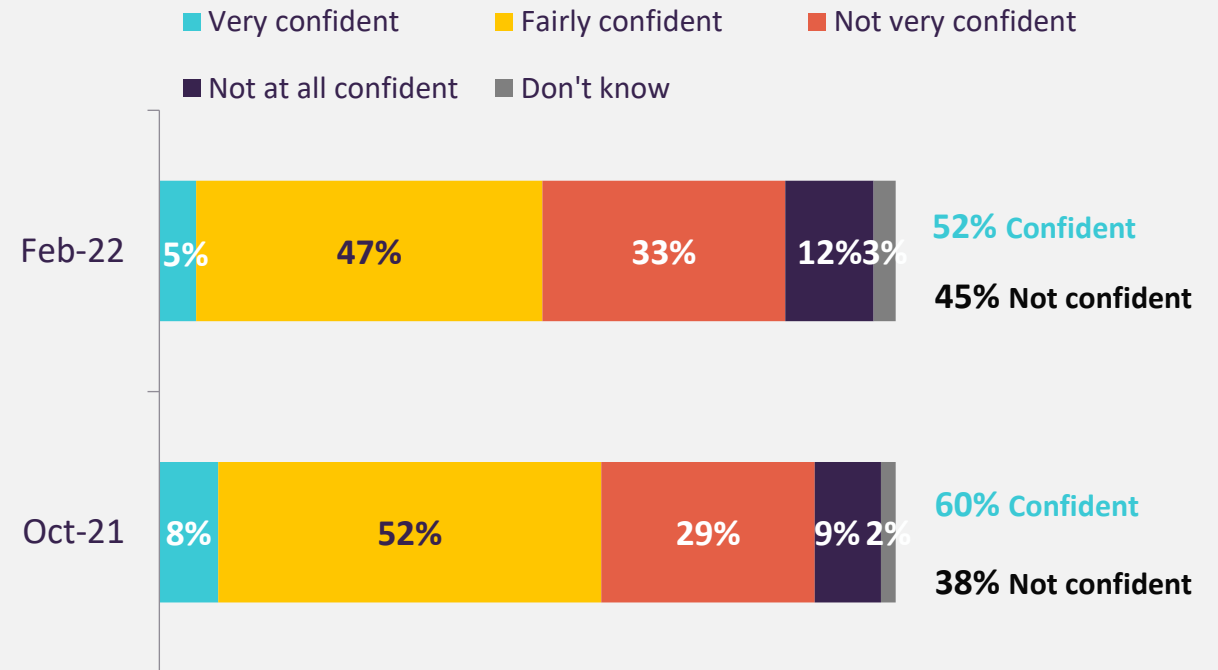
More confident than average

- Those operating over and above their pre-pandemic levels (67%)
- Those aiming to remain at the same level of performance (rather than to grow or downsize)(60%)

Less confident than average

- Food and drink businesses (44% confident, 54% not)
- Those operating below their pre-pandemic levels (39% confident, 59% not)

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



Base: All businesses (604)

Economic optimism over past 6 months

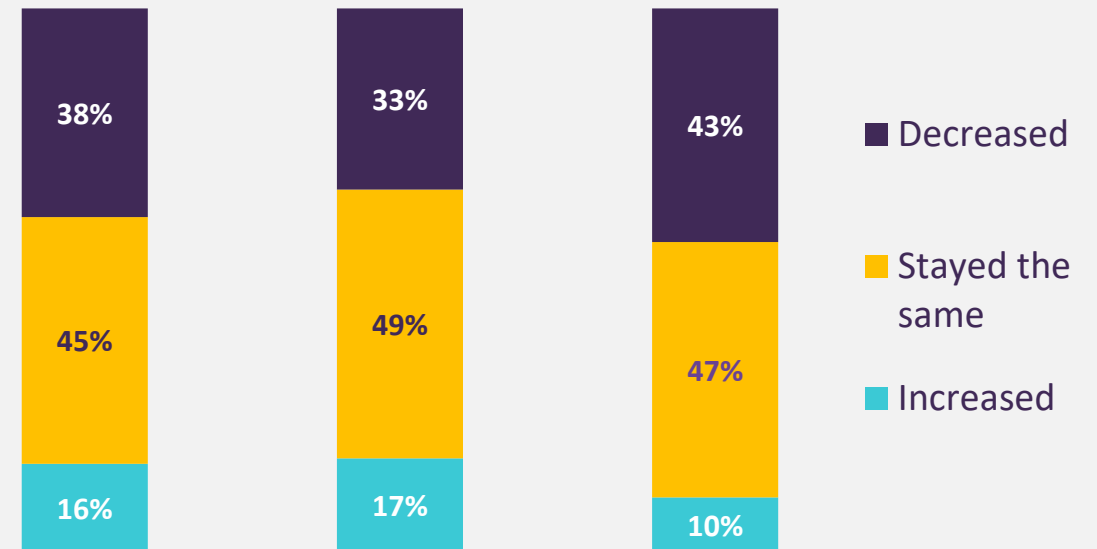
Thinking about the past six months, economic optimism was down on the previous wave: 43% said their confidence had decreased over the past six months, while 10% reported an increase in confidence and 47% said it had remained the same.

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

More likely to report increased confidence:

- Tourism businesses (22% increased)
- Those operating above their pre-pandemic levels (18%)

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?



Base: All businesses (604)

Level of current operation

Levels of current operation remained relative stable since October/November 2021. Two thirds of businesses were operating at either the same level (46%) or over and above (21%) their pre-COVID-19 levels. Just under a third (31%) were operating below the level they had been.

The level of recovery from the pandemic was in line with that seen in October/November 2021, but stronger than that seen in June/July 2021. However, findings varied by sector and other characteristics:

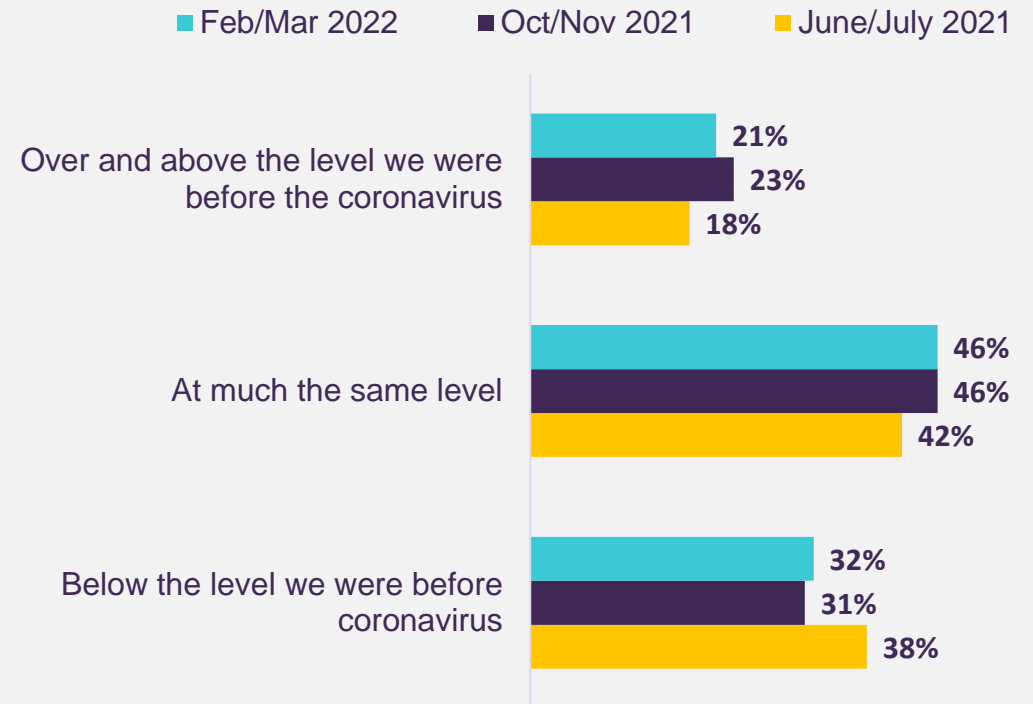
More likely to be operating below pre-pandemic levels :

- Tourism (54%) and creative industries (50%) businesses
- Those selling outside the UK (47%)
- Those in urban areas (38%)

More likely to be operating at the same level:

- Food and drink businesses (70%)
- Small businesses (0-4 staff) (50%)

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 (604)

Aspects of business performance

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 (35% said it had increased, 30% decreased, and 34% remained the same). Employment had remained relatively stable (74% said it had remained at the same level). Exports were more likely to have decreased than increased (27% vs 7%) but had remained stable for more than half (61%).

Increases

- Businesses in **accessible rural** areas (42%) were more likely than average to report increases in sales and turnover.
- Increases in both sales and turnover and employment were more common among businesses with **5-10 staff** (48% and 25% respectively).

Decreases

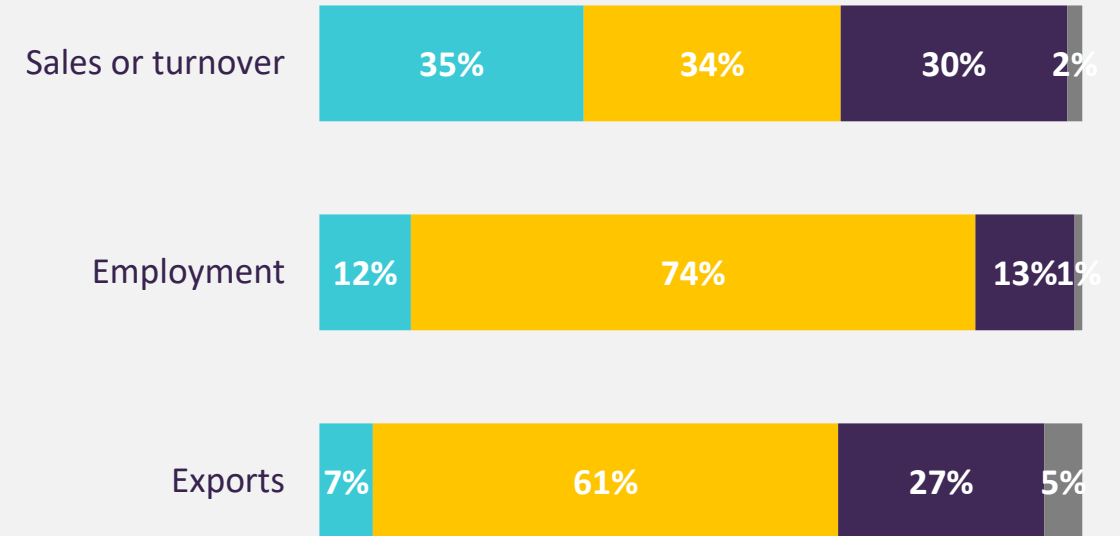
- **Tourism** businesses (50%) and those in **urban** areas (37%) were more likely to experience decreases in sales and turnover, and tourism businesses were also more likely to report decreases in employment (25%).
- Those **selling outside the UK** were more likely to say that exports (43%), and employment (19%) had decreased.

Remained the same

- **Food and drink** businesses were more likely to say that employment (83%) and sales and turnover (42%) had remained the same.

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

■ Increased ■ Stayed the same ■ Decreased ■ Don't know



Base: All businesses for whom it applied; employment (558), exports (165), sales or turnover (596)

Future prospects

A majority (77%) of businesses were optimistic about their prospects over the next 12 months, while 22% were not.

Optimism was in line with that seen in October/November 2021, when 77% were optimistic and 21% not. These levels are also similar to July 2021, where 79% were optimistic and 19% not.

More optimistic than average

- Financial and business services (95%)
- Non-growth sector* (85%)
- Those with 5-10 staff (86%)
- Those in urban areas (84%)

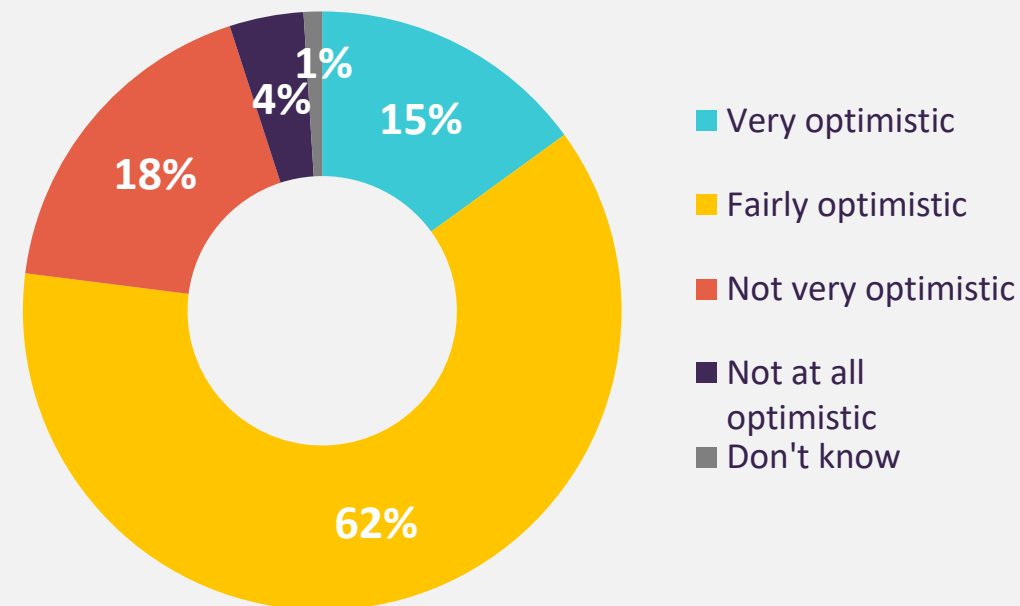
Less optimistic than average

- Food and drink (40%)
- Small businesses (0-4 staff) (24%)
- Those in remote rural areas (30%)

Q. How optimistic are you for your business's prospects in the next 12 months?

Not optimistic
22%

Optimistic
77%



Base: All businesses (604)

NOTE:

*Non-growth sectors refers to any business that did not fall within the six growth sector categories. The sectors are grouped together under "Non-growth" for analysis purposes and to allow comparison with the six growth sector categories.

Business aspirations

Two in five (40%) businesses were striving for growth in the future, while around half (49%) were aiming to retain their current level of performance, and 10% wanted to downsize.

Growth aspirations were slightly higher than in October/November 2021, when 33% were striving for growth, 55% were content and 11% wanted to downsize.

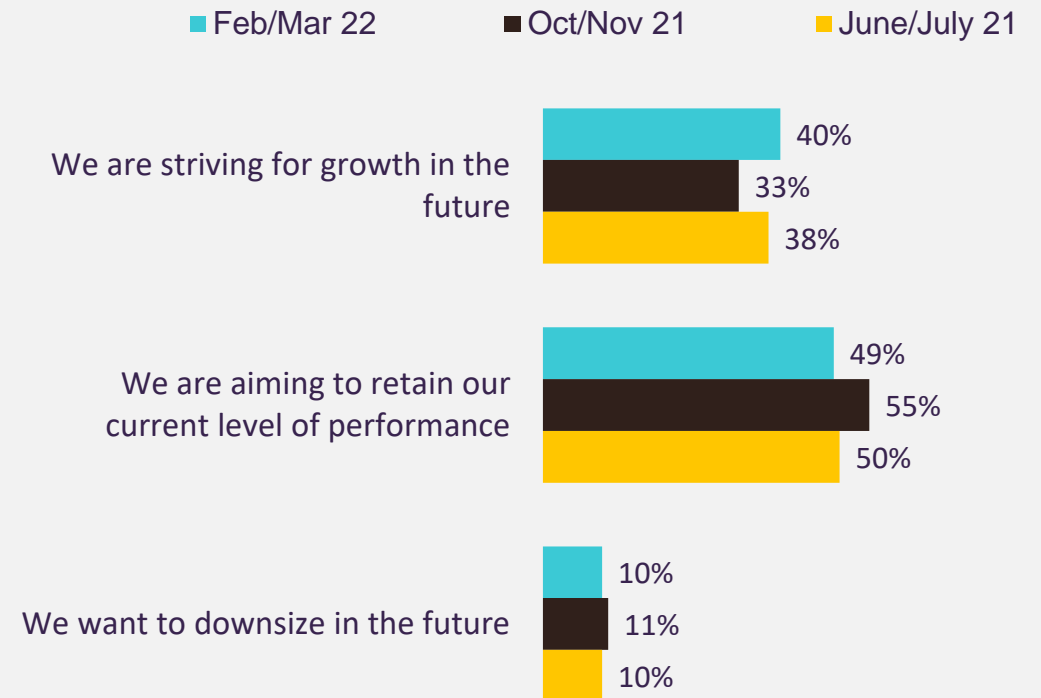
More likely to strive for growth

- Tourism (58%)
- Those with 5-10 staff (65%) and 11-24 staff (61%)
- Those selling to outside the UK (50%)
- Those in urban areas (48%)

More likely to want to remain stable

- Food and drink (57%)
- Small businesses (0-4 staff) (53%)

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



Base: All businesses (604)

03

Costs

Key findings

- **The vast majority (93%) of businesses were concerned about rising costs** (67% very, 26% fairly concerned). Just 7% were not.
- **Of those concerned about rising costs, the top concerns were the cost of fuel (66%) and energy (63%).** Almost two-fifths (38%) were concerned with the cost of goods sourced from within the UK.
- **To help respond to cost increases, around half of businesses were increasing their prices (51%),** while around a third were working with new suppliers (34%), exploring new markets (30%) and postponing investment plans (30%). Other actions included collaborating with other businesses (25%), using cash reserves (25%) and doing more online (20%).

Rising costs

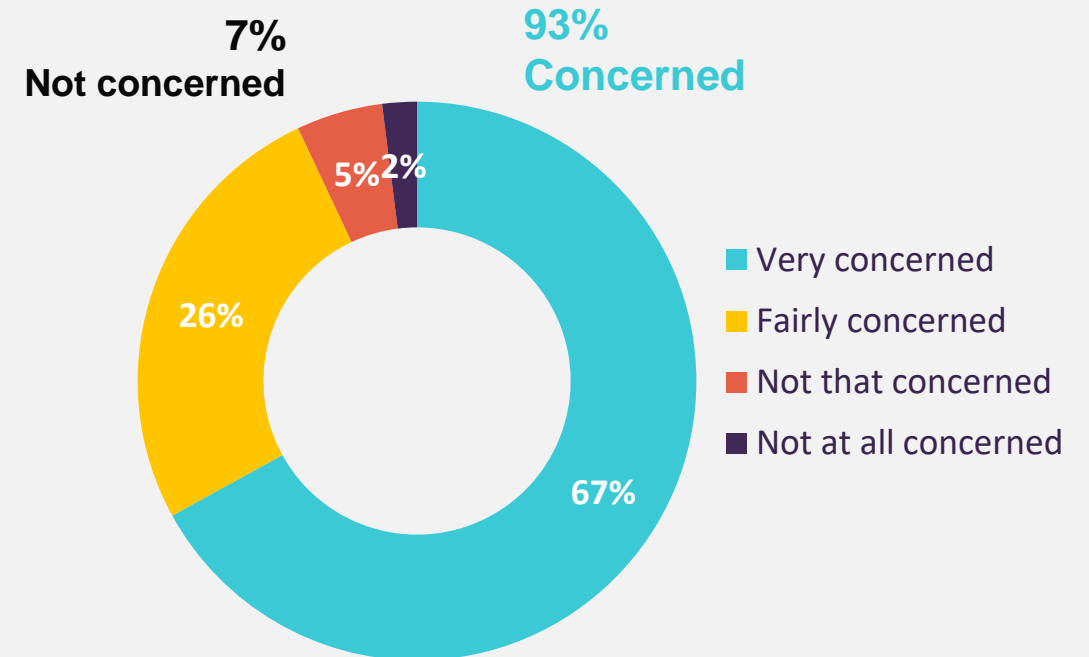
The vast majority (93%) of businesses were concerned about rising costs (67% very, 26% fairly concerned). Just 7% were not.

The findings reflect the economic context at the time of the survey, with cost increases for both businesses and households being widely reported in Scotland and across the UK.

They also echo the findings of the previous wave (October/November 2021) where the most significant concern for businesses was increased costs.

Concern about rising costs was high across the board. However, concern was lowest among **financial and business services** businesses (25% not concerned) and those operating **above their pre-pandemic levels** (12%)

Q. How concerned, if at all, are you about rising costs at the moment?



Base: All businesses (604)

Cost concerns

Of those concerned about rising costs, the top concerns were the cost of fuel (66%) and energy (63%). Almost two-fifths (38%) were concerned with the cost of goods sourced from within the UK.

Findings again reflect the economic context, with fuel and energy costs increasing during the fieldwork period and due to increase further (e.g. energy firms increased costs significantly in April 2022 with further increases expected in October 2022).

Certain concerns were more common among the following types of business:

Sector

- Food and drink – fuel (77%), goods imported from outside the UK (32%)
- Tourism – energy (79%), goods sourced from within the UK (50%), labour (32%)
- Financial and business services – energy (79%)
- Creative industries – exporting goods (8%)

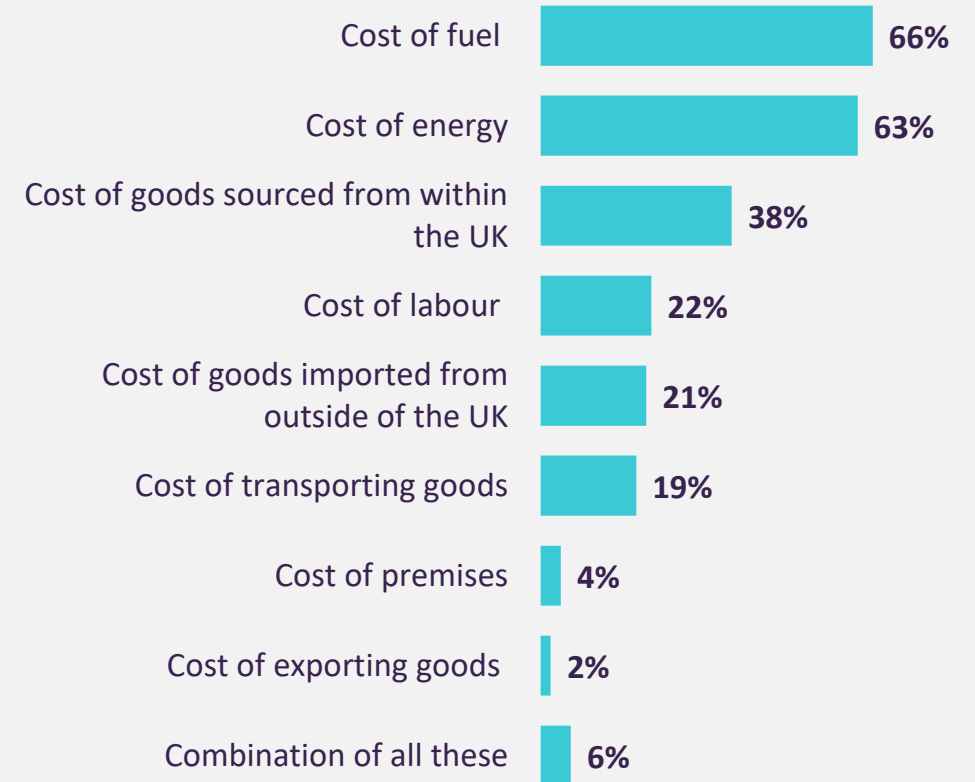
Operation

- Operating below pre-pandemic levels – energy (74%)

Markets

- Sourcing from rest of UK – goods sourced within the UK (41%)
- Importing from outside the UK – goods imported from outside UK (37%)
- Exporting outside the UK – exporting goods (10%)

Q. Which two or three of the following are you most concerned about?



Base: Businesses concerned about rising costs (565)

Responding to cost increases

To help respond to cost increases, around half of businesses were increasing their prices (51%), while around a third were working with new suppliers (34%), exploring new markets (30%) and postponing investment plans (30%). Other actions included collaborating with other businesses (25%), using cash reserves (25%) and doing more online (20%).



Variation by sector

- **Food and drink** – postponing investment plans (38%) and scaling back production or services (22%)
- **Tourism** – increasing prices (65%) and using cash reserves (33%)
- **Financial and business services** and **creative industries** – doing more online (39% and 31%)

Variation by markets

- **Importing** from outside the UK – working with new suppliers (41%), postponing recruitment plans (24%) and seeking external finance (18%)
- **Selling to rest of UK** – doing more online (23%) and changing product/service (17%),

Variation by location

- Businesses in **urban** areas – increasing prices (63%), postponing recruitment plans (24%)

Variation by operating level

- **Below** pre-pandemic levels – increasing prices (59%), postponing investment plans (41%), using cash reserves (38%), postponing recruitment plans (29%), scaling back production/services (24%), changing product/service (21%).

Variation by aspiration

- Businesses **striving for growth** were more likely to be taking a number of actions (see Appendix).

04

Planning ahead

Key findings

- **Over half of businesses were currently focussing on their resilience (58%), compliance with regulation or legislation (55%), and enhancing productivity (52%).** Around two in five were focussing on reducing carbon emissions (45%) and supporting growth (41%), while around a third were focussing on succession planning (33%) and addressing labour challenges (30%).
- **Areas of focus were linked to growth aspiration** – those who were striving for growth were more likely to be currently focussing on a number of areas, including business resilience and compliance with regulation or legislation.
- **The most important factor in helping businesses achieve their plans was their workforce (45%)** followed by new technology (34%), adapting products or processes (29%), and market and customer insights (25%).

Areas of focus

Over half of businesses were currently focussing on their resilience (58%), compliance with regulation or legislation (55%), and enhancing productivity (52%). Around two in five were focussing on reducing carbon emissions (45%) and supporting growth (41%), and a third on succession planning (33%) and addressing labour challenges (30%).

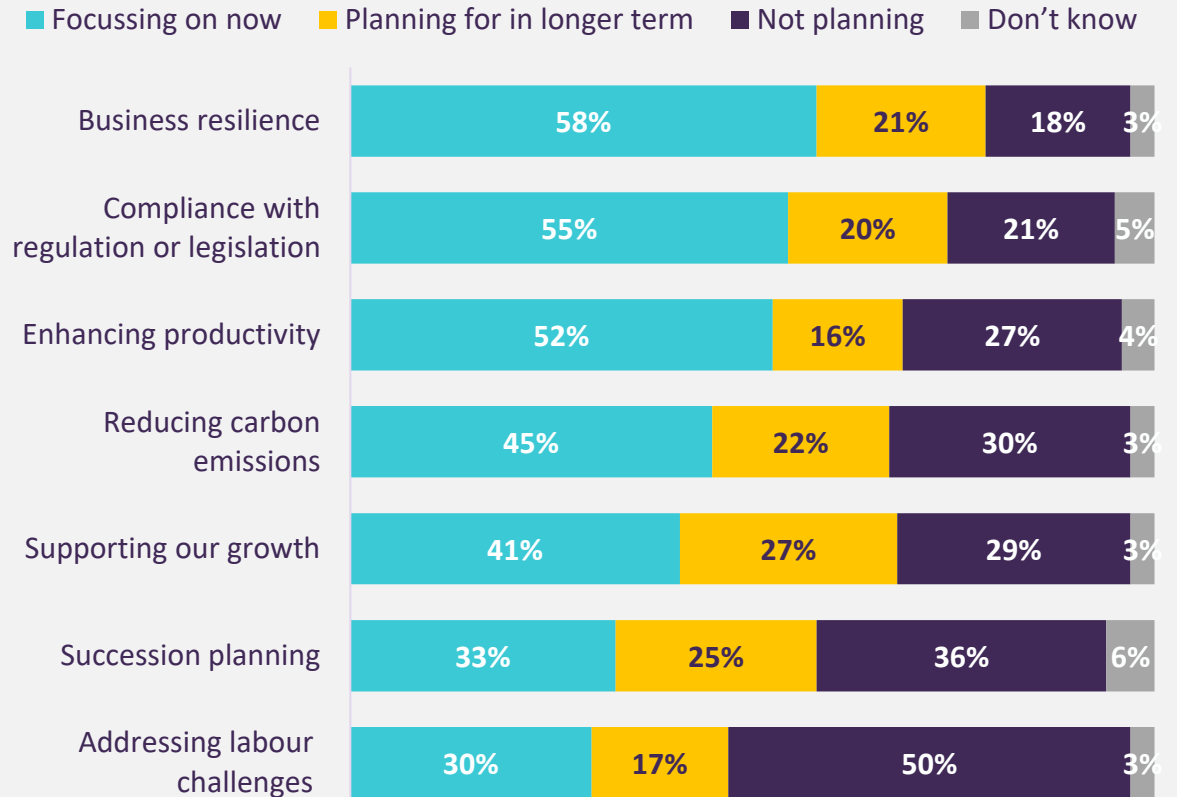
The areas that businesses were most likely to *not* be planning for at all were addressing labour challenges (50%) and succession planning (36%).

Variation

Certain businesses were more likely to be focussing on these aspects now:

- **Food and drink** - compliance with regulation or legislation (63%), reducing carbon emissions (54%) and succession planning (46%)
- **Tourism** - addressing labour challenges (40%)
- **Those striving for growth** – business resilience (64%), compliance with regulation or legislation (60%), enhancing productivity (60%), supporting growth (57%), addressing labour challenges (37%), and succession planning (37%)
- **Those optimistic about their future** – business resilience (64%), supporting growth (44%)

Q. Is this something you are focussing on now, planning for in the longer term, or not planning for at all?



Base: All businesses (604)

Helping business achieve plans

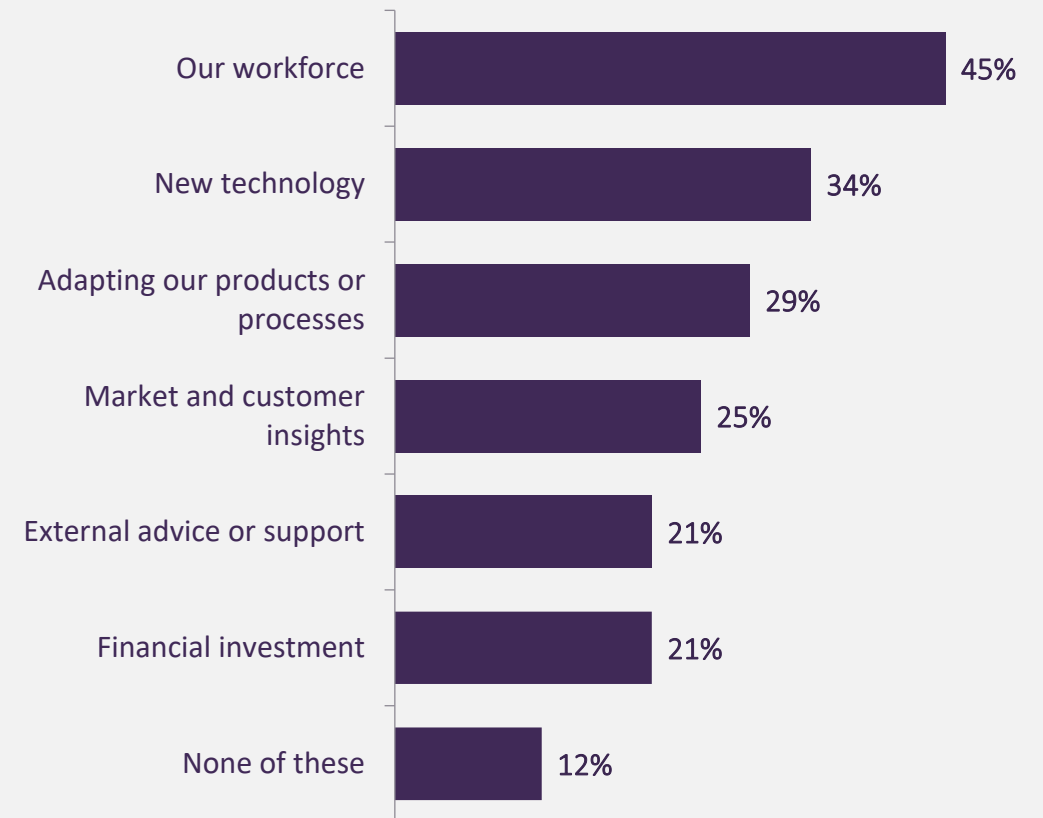
The most important factor in helping businesses achieve their plans was their **workforce (45%)** followed by new technology (34%), adapting products or processes (29%), and market and customer insights (25%).

Variation

Specific factors were more important for:

- **Financial and business services** – new technology (63%) and adapting products or processes (42%)
- **Tourism** - market and customer insights (43%)
- **Food and drink** - financial investment (30%)
- Those operating **above their pre-pandemic levels** –adapting product or processes (37%)
- Those operating **below their former levels** - market and customer insights (33%)
- **Exporting** to rest of the UK and international markets - market and customer insights (38% and 34% respectively)
- **Striving for growth** – workforce (54%), new technology (39%), and market and customer insights (30%)

Q. Which two or three of the following will be most important for helping your business achieve its plans?



Base: All businesses (604)

05

Workforce

Key findings

- **Just over a fifth of businesses described themselves as women-led (22%),** while 75% did not.
- **Almost two thirds of employers were experiencing workforce related challenges (63%).** The most common challenge was the cost of labour (32%), followed by skills gaps (26%), unfilled vacancies (22%) and staff absences (21%).
- **The top two issues contributing to workforce related-challenges were a lack of candidates (54%), difficulties accessing specific skillsets (49%).** Around a quarter said poor transport connections (29%), being unable to offer competitive pay (26%) and having unattractive working hours or conditions (25%).
- **The top action employers were taking in relation to their workforce was upskilling or re-skilling existing staff (50%)** followed by investing in new technology (37%) and making pay more competitive (36%).
- **Two thirds of employers were confident they could address their workforce challenges (66%),** while one third were not (32%).

Women-led businesses

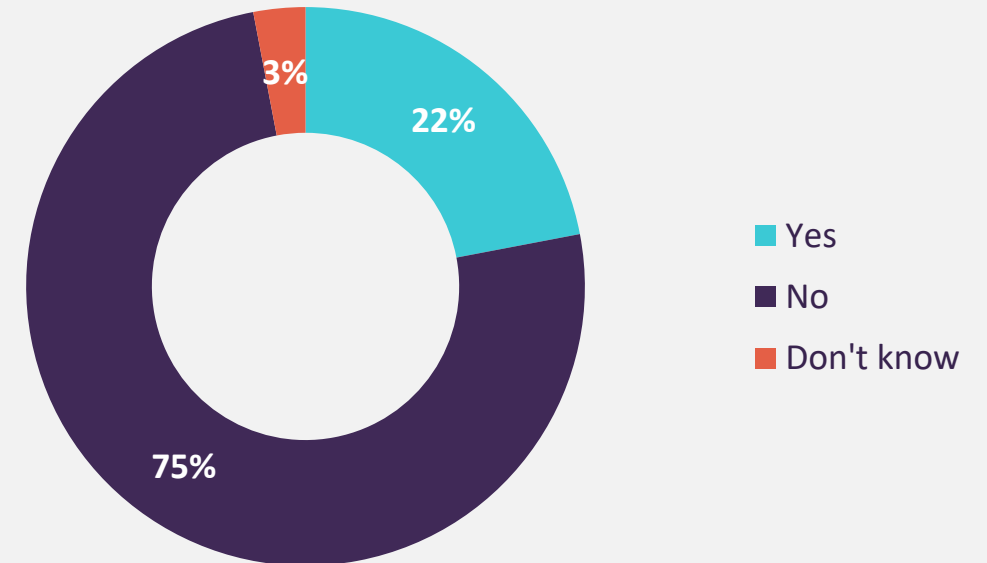
Just over a fifth of businesses described themselves as women-led (22%), while 75% did not.

This question was asked openly, allowing businesses to interpret “women-led” for themselves. However, for those that asked for clarification of what this meant, they were provided with the Scottish Government’s definition: “controlled by a single woman or having a management team composed of a majority of women.”

Women-led businesses were higher than average among:

- **Tourism and financial services businesses** (34% and 33%).
- Businesses in **urban areas** (27%).

Q. Would you describe your business as women-led?



Base: All businesses (604)

Workforce-related challenges

Almost two thirds of employers were experiencing workforce related challenges (63%). The most common challenge was the cost of labour (32%), followed by skills gaps (26%), unfilled vacancies (22%) and staff absences (21%).

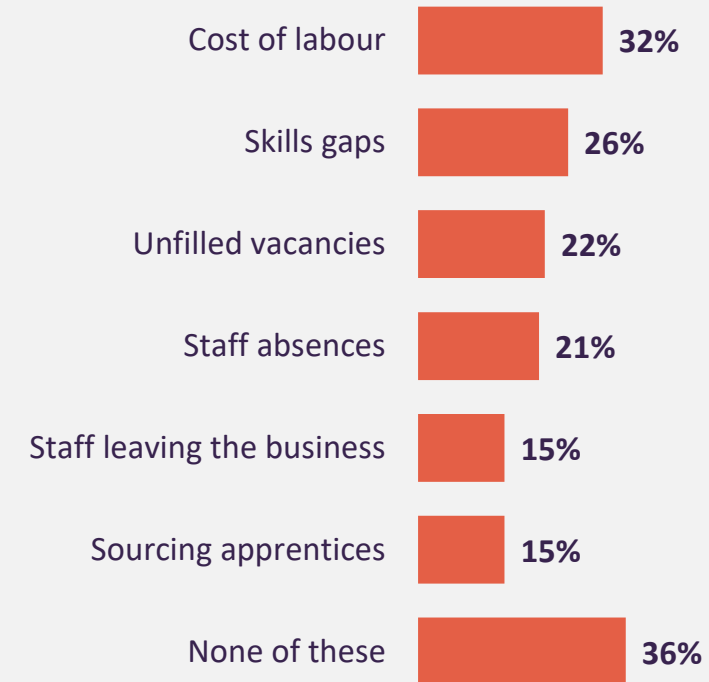
Variation

Certain challenges were more common among:

- **Tourism** businesses – unfilled vacancies (31%)
- Businesses operating **below pre-pandemic levels** – cost of labour (39%), staff absences (28%)
- Those in **urban** areas – staff absences (31%), staff leaving the business (21%)
- Those **sourcing goods from rest of UK** – staff absences (23%), sourcing apprentices (17%)

Those least likely to face any challenges were creative industries businesses (52% faced none) and those in accessible rural areas (43%)

Q. Which of these workforce-related challenges is your business currently experiencing?



Base: All employers (490)

Factors contributing to workforce-related challenges

The top two issues contributing to workforce related-challenges were a lack of candidates (54%) and difficulties accessing specific skillsets (49%).

Around a quarter said poor transport connections (29%), being unable to offer competitive pay (26%) and having unattractive working hours or conditions (25%).

Variation by:

Sector

- **Food and drink** – unattractive working hours or conditions (40%), lack of accommodation (17%), unable to recruit from EU (16%), and lack of opportunities for partners or spouses (15%)
- **Tourism** – unattractive working hours or conditions (42%), unable to offer competitive pay (38%), and lack of accommodation (18%),

Location

- Businesses in **accessible rural** areas – lack of candidates (66%), unattractive working hours or conditions (35%)

Markets

- Those **importing** goods from outside the UK – unable to recruit from EU (14%)

Growth aspiration

- Those **striving for growth** – poor transport connections (35%)

Q. What in particular is contributing to those [workforce-related] challenges?



Base: All businesses who are facing workforce challenges (319)

Workforce actions

The top action employers were taking in relation to their workforce was **upskilling existing staff (50%)** followed by **investing in new technology (37%)** and **making pay more competitive (36%)**.

Small businesses (0-4 staff) were more likely than average to say they were taking no actions related to their workforce (30%). There was further variation by:

Sector

- **Food and drink** – providing accommodation for staff (17%),
- **Tourism** – recruiting staff with different skills (26%), recruiting from different markets (15%)

Location

- **Accessible rural** areas – making pay and rewards more competitive (45%), investing in technology (45%)

Markets

- Sourcing goods from the **rest of the UK** – up-skilling or re-skilling current workforce (53%), changing working practices (24%), making pay and rewards more competitive (40%), investing in technology (40%)

Operating level

- **Above** pre-pandemic levels – offering apprenticeships (22%) and recruiting from different markets (16%).

Q. What actions are you currently taking in relation to your workforce?



Base: All employers (490)

Confidence to address workforce challenges

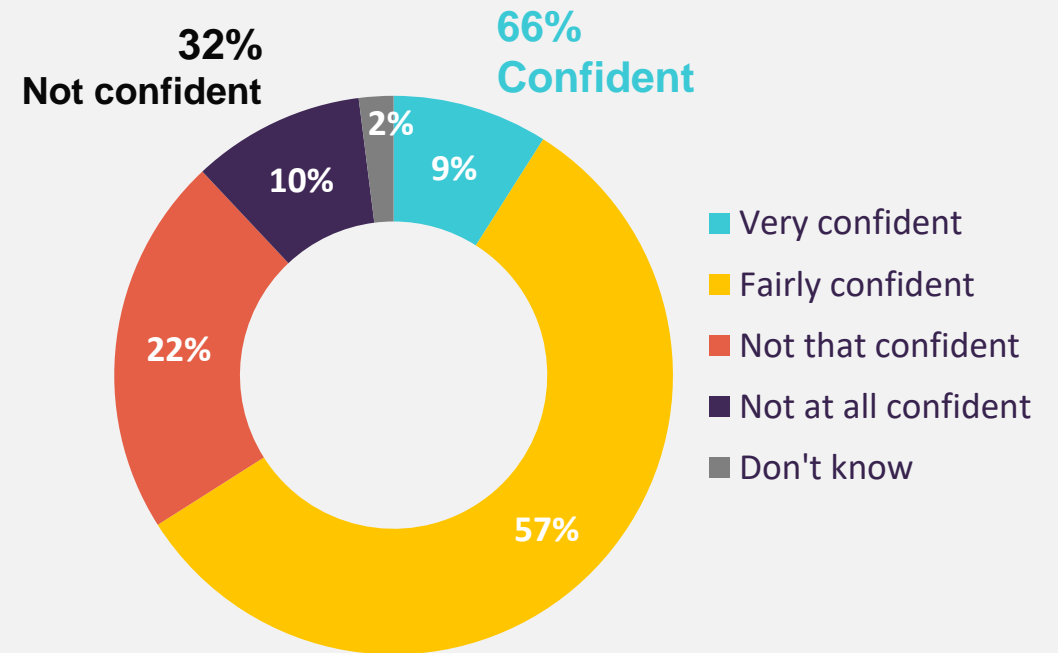
Two thirds of employers were confident they could address their workforce challenges (66%), while one third were not (32%).

Confidence was linked with overall business optimism – 73% of those that were optimistic about the next 12 months were also confident they could address workforce challenges.

Those least likely to be confident were:

- Food and drink businesses (54% confident, 45% not confident)
- Businesses in Dumfries and Galloway (62% confident, 37% not confident) – however, this may be driven by the higher proportion of food and drink businesses in this area (35% compared with 21% in the Scottish Borders)

Q. Overall, how confident are you that you can address the workforce challenges you are facing?



Base: Businesses who are facing workforce challenges (319)

06

New technology

Key findings

- **Almost three quarters of businesses (71%) were using or planning to use new technologies.** The top two technologies businesses were using or planning to use were low carbon technology (36%), and the Internet of Things and sensor technologies (29%).
- **The top barrier to adopting new approaches and technologies was cost (54%)** followed by lack of time (48%), lack of knowledge or skills (41%), and more pressing priorities (40%).

New technology

Almost three quarters of businesses (71%) were using or planning to use new technologies. The top two technologies businesses were using or planning to use were low carbon technology (36%), and the Internet of Things and sensor technologies (29%). The other technologies asked about were used by around a quarter of businesses.

Variation by:

Sector

- **Tourism** – mobile app development (34%), data analytics (31%) and cyber resilience and security technologies (30%)
- **Financial and business services** – Internet of Things and sensor technologies, cyber resilience and security technologies (both 46%), and data analytics (36%)
- **Food and drink** – low carbon technology (49%)
- **Creative industries** – cyber resilience and security technologies (34%)

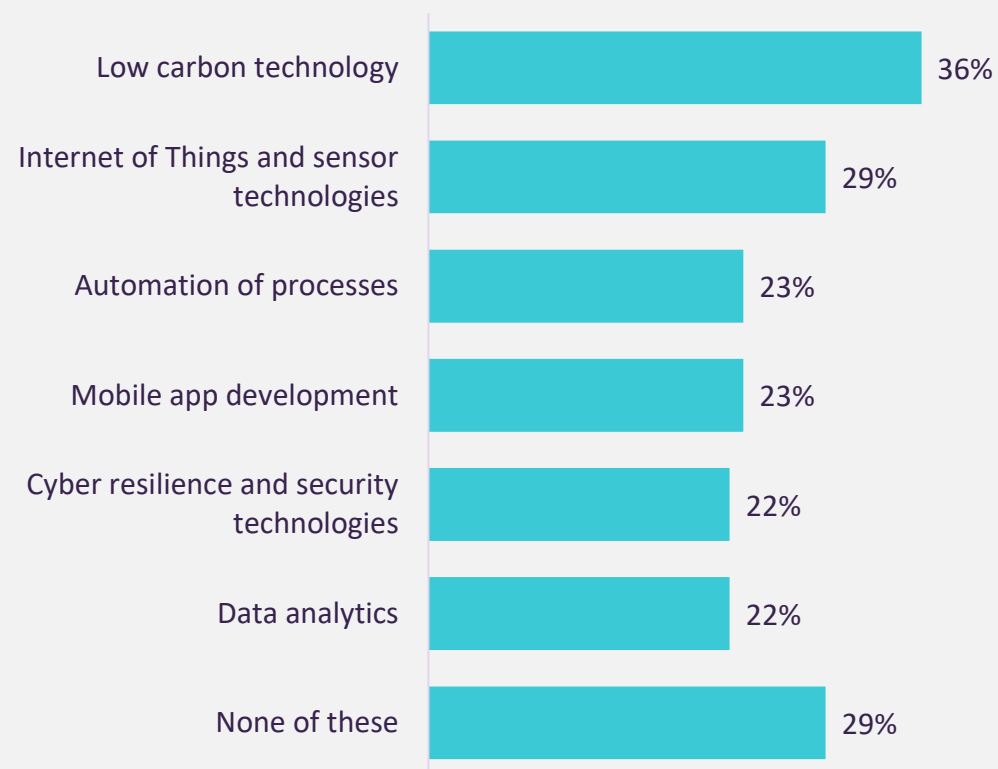
Location

- **Urban** areas – cyber resilience and security technology (28%)

Growth aspiration

- **Striving for growth** – automation of processes (32%), data analytics (31%), and mobile app development (30%)

Q. Which of the following technologies are you using or planning to use?



Base: All businesses (604)

Barriers to new technology

The top barrier to adopting new approaches and technologies was cost (54%), followed by lack of time (48%), lack of knowledge or skills (41%), and having more pressing priorities (40%).

Variation by:

Sector

- **Food and drink** – cost of new technology (62%)
- **Financial and business services** – concerns over data security (33%)

Markets

- **Importing** from the rest of the UK or outside the UK – more pressing priorities (44% and 47% respectively)

Q. What barriers might your business face in adopting new approaches and technologies such as those we just discussed?



Base: All businesses (604)

07

Low carbon

Key findings

- **Almost three quarters (71%) of businesses were taking action to help them move to low carbon working.** The most actions were investing in premises, making a plan or updating business plans, investing in low carbon technology (all 34%) and bringing in external advice and support (30%).
- **The majority (84%) of businesses were taking or planning actions to improve their energy efficiency.** The most common actions was reducing energy consumption (62%) followed by installing more energy efficient systems (47%), using greener sources of energy (43%) and greener sources of transport (43%).
- **The most frequently mentioned barrier to moving to low carbon working was the cost of making changes (64%).** This was followed by lack of green transport options and difficulty making existing premises more energy efficient (both 48%).

Actions to support low carbon working

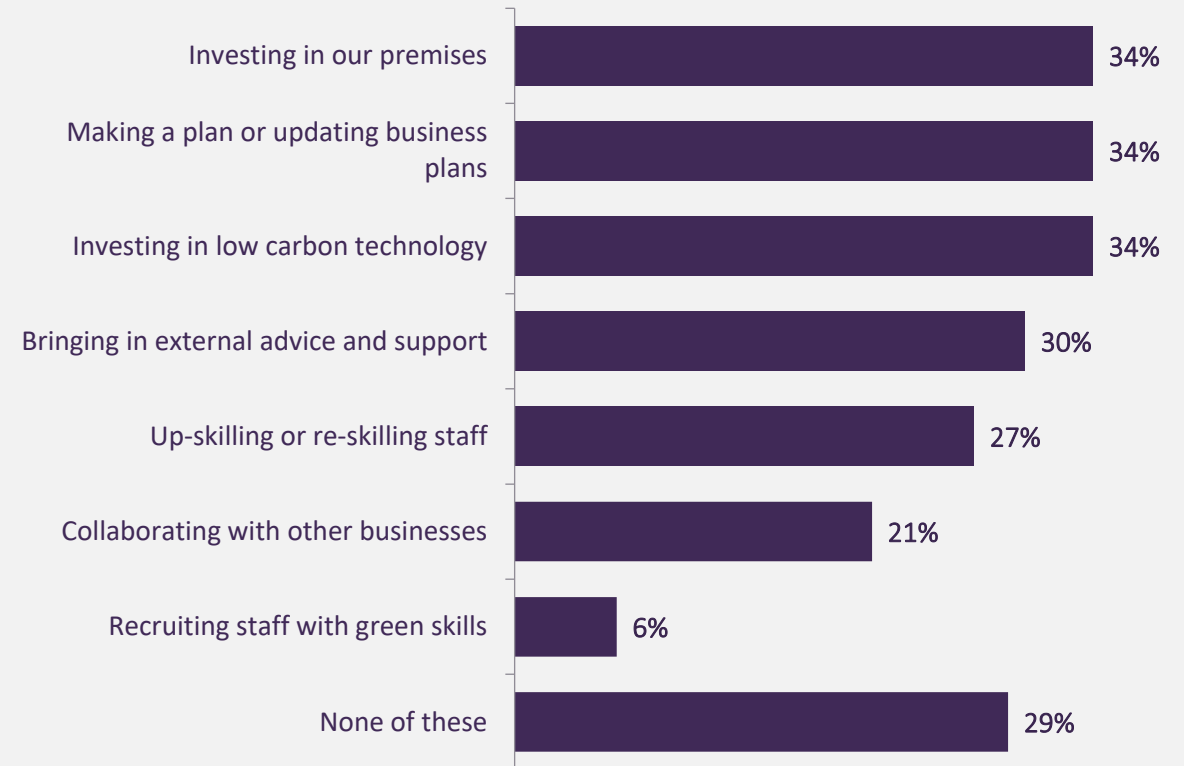
Almost three quarters (71%) of businesses were taking action to help them move to low carbon working. The most common actions were investing in premises (34%), making a plan or updating business plans (34%) and investing in low carbon technology (34%), and bringing in external advice and support (30%).

Variation

Certain actions were more common than average among:

- **Food and drink** – making a plan/updating business plans (47%), bringing in external advice and support (45%) and investing in low carbon technology (44%)
- **Tourism** – investing in premises (49%)
- Those **sourcing goods from the rest of the UK** – making/updating business plans (37%), and upskilling/re-skilling existing staff (30%)
- Those **importing from outside the UK** – bringing in external advice and support (37%)

Q. What actions, if any, are you taking to help equip the business for a move to low carbon ways of working?



Base: All businesses (604)

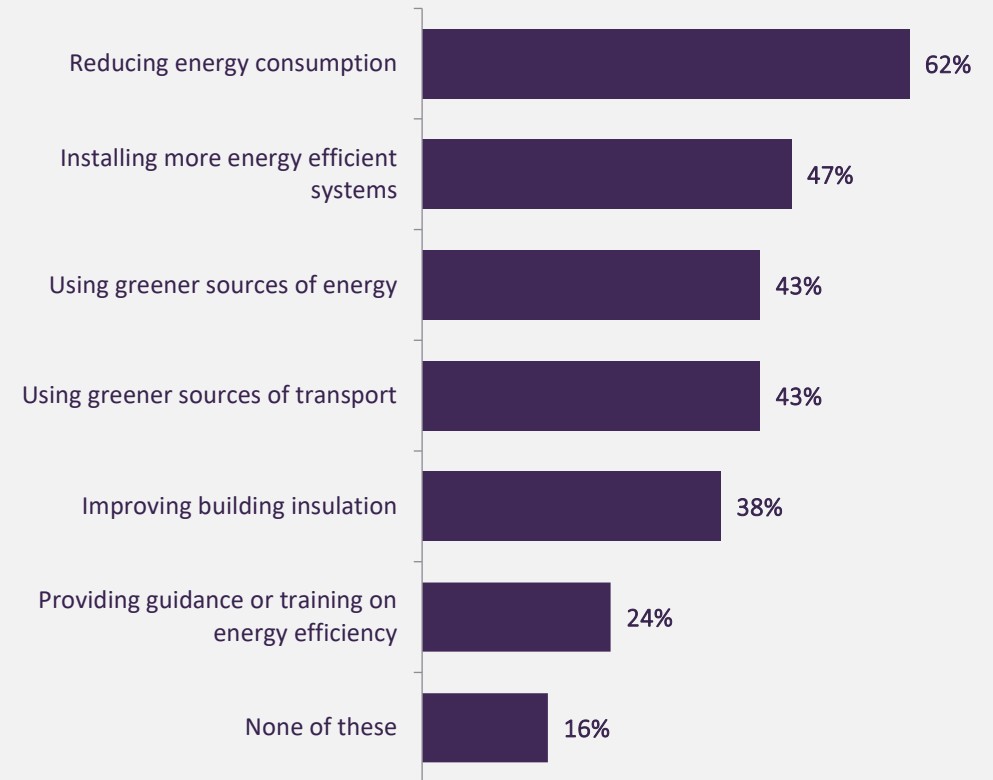
Energy Efficiency

The majority (84%) of businesses were taking or planning actions to improve their energy efficiency. The most common actions was reducing energy consumption (62%) followed by installing more energy efficient systems (47%), using greener sources of energy (43%) and greener sources of transport (43%).

Variation

- **Tourism** – reducing energy consumption (76%) and installing more energy efficient systems (65%)
- **Food and drink** – using greener sources of energy (51%)
- **Financial and business services** – using greener sources of transport (48%)
- Those in **accessible rural areas** – using greener sources of energy (52%).
- Those **importing** from outside UK – installing more energy efficient systems(50%), improving building insulation (40%), providing guidance or training on energy efficiency (27%), and improving building insulation (46%).

Q. Thinking specifically about your energy efficiency, which of these activities have you taken or are planning to take?



Base: All businesses (604)

Barriers to low carbon working

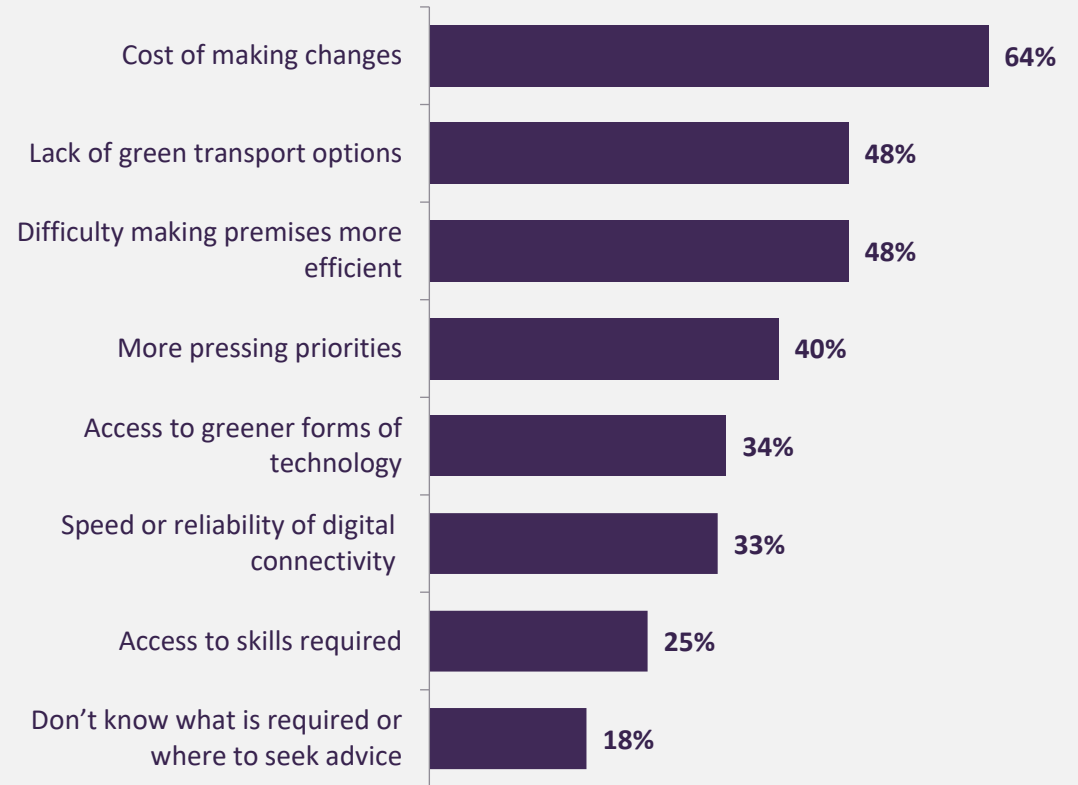
The most frequently mentioned barrier to moving to low carbon working was the cost of making changes (64%). This was followed by lack of green transport options and difficulty making existing premises more energy efficient (both 48%).

The top three barriers were the same as those seen in October/November 2021 (when businesses were asked about barriers to reducing their greenhouse gas emissions).

Variation

- **Food and drink** – speed or reliability of digital connectivity (40%)
- **Accessible rural** businesses – speed or reliability of digital connectivity (39%).
- Those **importing** from outside the UK - cost of making changes (71%) and more pressing priorities (48%).
- Those exporting to Scotland were more likely to report lack of green transport (49%), and access to skills required (26%) as barriers.

Q. What barriers might your business face in moving to low carbon ways of working?



Base: All businesses (604)

08

Markets

Key findings

- **85% of businesses were importers**, with 82% importing from the rest of the UK and 33% from outside the UK. The majority of businesses (90%) sourced goods and materials from Scotland.
- **Around two thirds (65%) of businesses were exporters (selling to markets outside Scotland)**, with 64% selling to the rest of UK and 16% outside the UK. The majority (96%) of businesses sold goods or services within Scotland.
- **Most (97%) businesses were taking, or planning, action in relation to their markets**: 88% were maintaining their existing markets, 27% expanding into new markets and 9% concentrating on few markets.
- **The most important actions for helping businesses achieve their market plans were**: adapting their product or service (46%), investing in technology (40%), re-skilling or up-skilling staff (38%), bringing in external advice or support (38%), and collaborating (34%).
- **The majority (79%) of businesses were taking action relating to their supply chain**, with the most common actions being sourcing supplies from within the UK (52%) or more locally (48%).

Import markets

85% of businesses were importers*, with 82% importing from the rest of the UK and 33% from outside the UK. The majority of businesses (90%) sourced goods and materials from within Scotland.

The past three waves have seen an increase in the proportion of businesses sourcing goods and materials from the rest of UK (from 64% in June/July 2021 to 82% this wave).

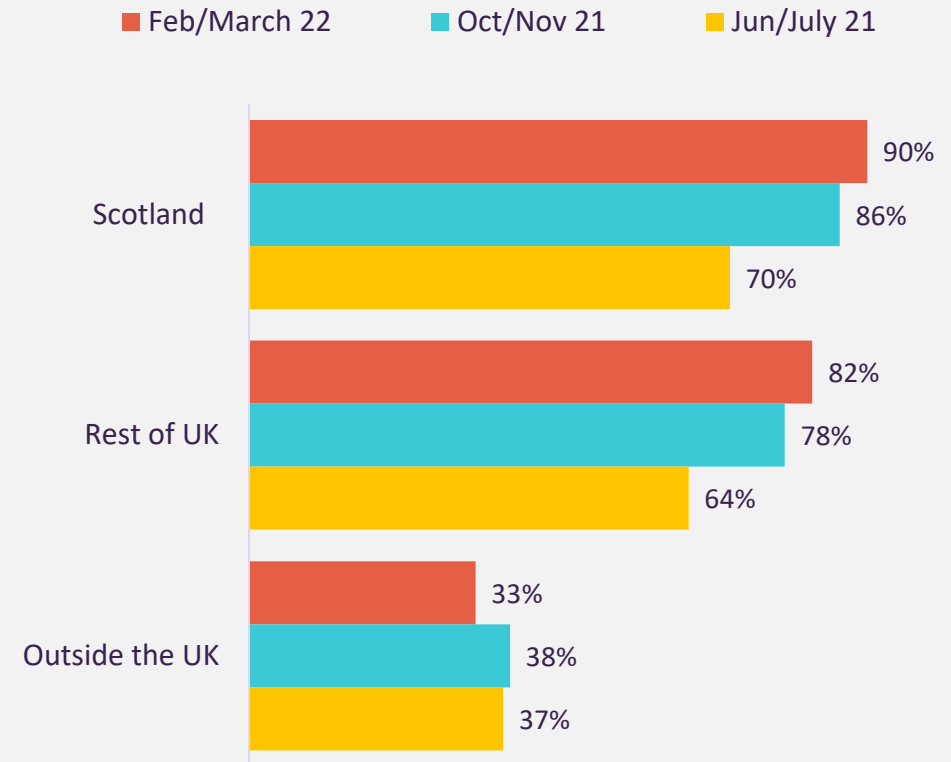
In the same period there has been a slight decrease in those importing from outside the UK (from 37% in June/July 2021 to 33% this wave). This may suggest that businesses are turning to more UK-based rather than overseas suppliers.

Variation

Food and drink, tourism, and remote rural businesses were all more likely than average to source goods from Scotland (96%, 96%, and 94%).

There was no significant variation in the types of businesses that were importers.

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



Base: All businesses (604)

*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

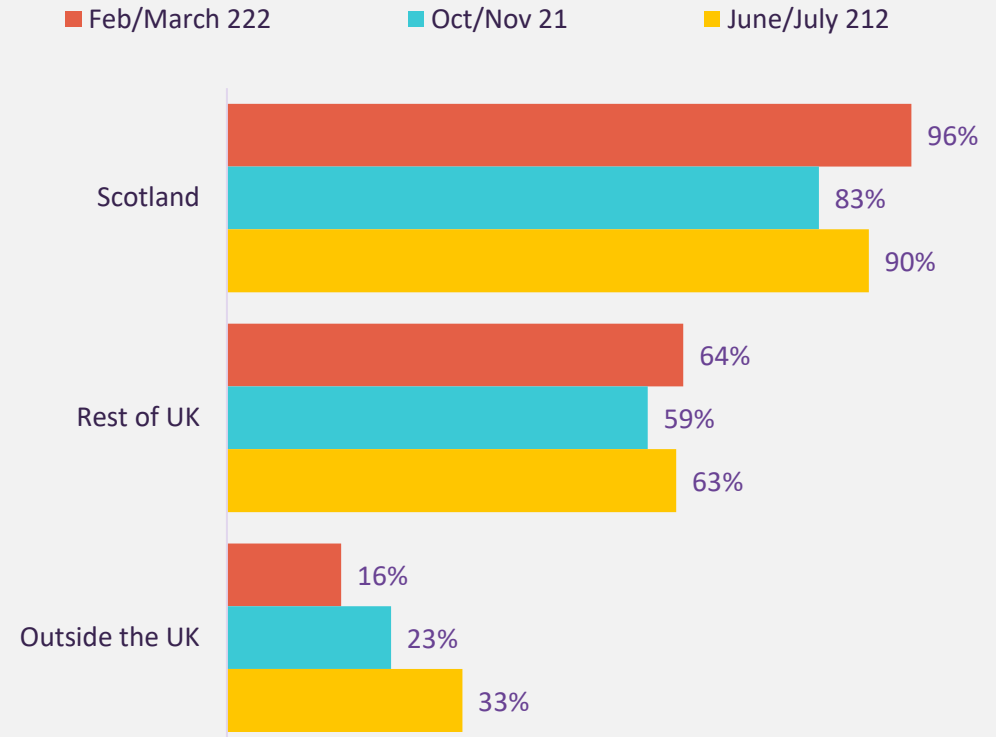
Around two thirds (65%) of businesses were exporters (selling to markets outside Scotland), with 64% selling to the rest of UK and 16% outside the UK. The majority (96%) of businesses sold goods or services within Scotland.

Since October 2021, the proportions selling within Scotland and to the rest of the UK have increased, whereas that selling outside the UK has decreased. This suggests a move towards more domestic trading by businesses in the region.

Variation

- **Creative industries** was more likely to sell to the rest of the UK (91%).
- **Creative industries, tourism, and financial and business services** businesses were more likely to sell outside the UK (37%, 33% and 28%).
- Those operating **below pre-pandemic** levels were more likely to be selling to outside the UK (24%), whereas those operating at the same level were more likely to be selling to the rest of the UK (70%).

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



Base: All businesses (604)

*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.

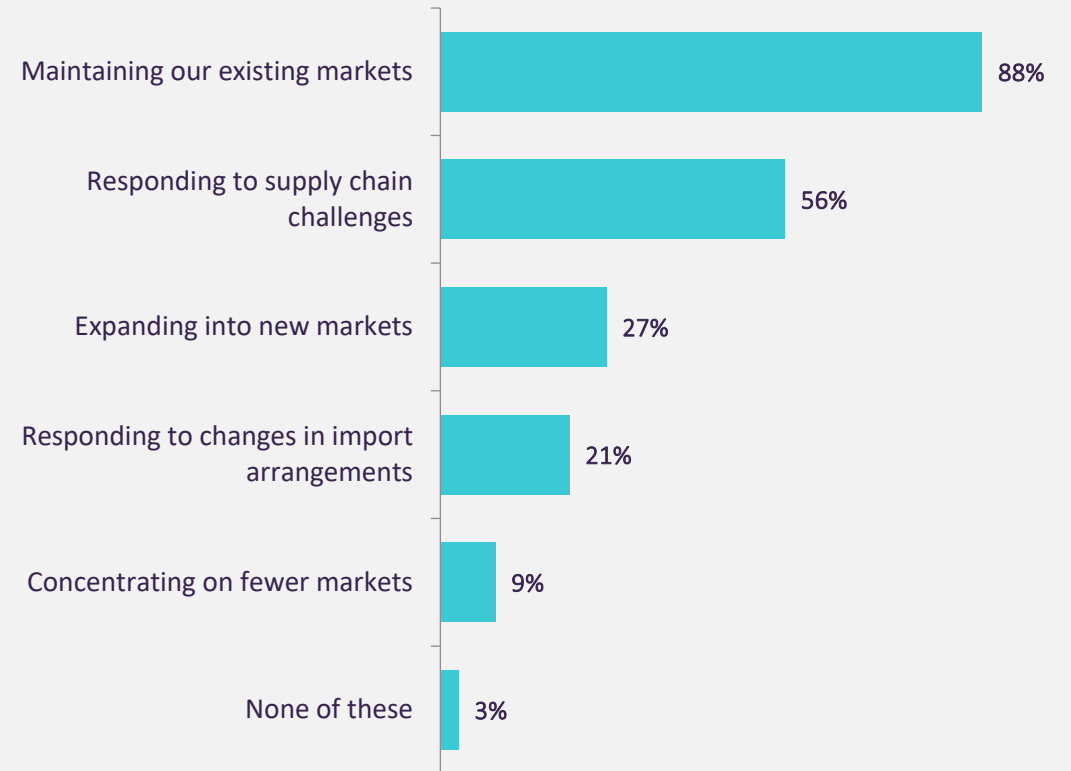
Market activity

Most (97%) businesses were taking, or planning, action in relation to their markets: 88% were maintaining their existing markets, 27% expanding into new markets and 9% concentrating on few markets. Just over half (56%) were responding to supply chain challenges and around a fifth (21%) were responding to changes in import arrangements.

Variation

- **Creative industries** and **tourism** – expanding into new markets (45% and 40%)
- Businesses in the **Scottish Borders** – expanding into new markets (32%)
- Those **importing** from both the rest of UK and outside the UK – responding to supply chain challenges (58% and 66%) and responding to changes in import arrangements (23% and 44%)
- Those **exporting** to both the rest of UK and outside the UK – expanding into new markets (31% and 45%)
- Those operating above pre-pandemic levels, those striving for growth and those optimistic about the next 12 months were all more likely to say they were expanding into new markets

Q. Thinking about the markets you operate in, which of the following are you doing or planning to do?



Base: All businesses (604)

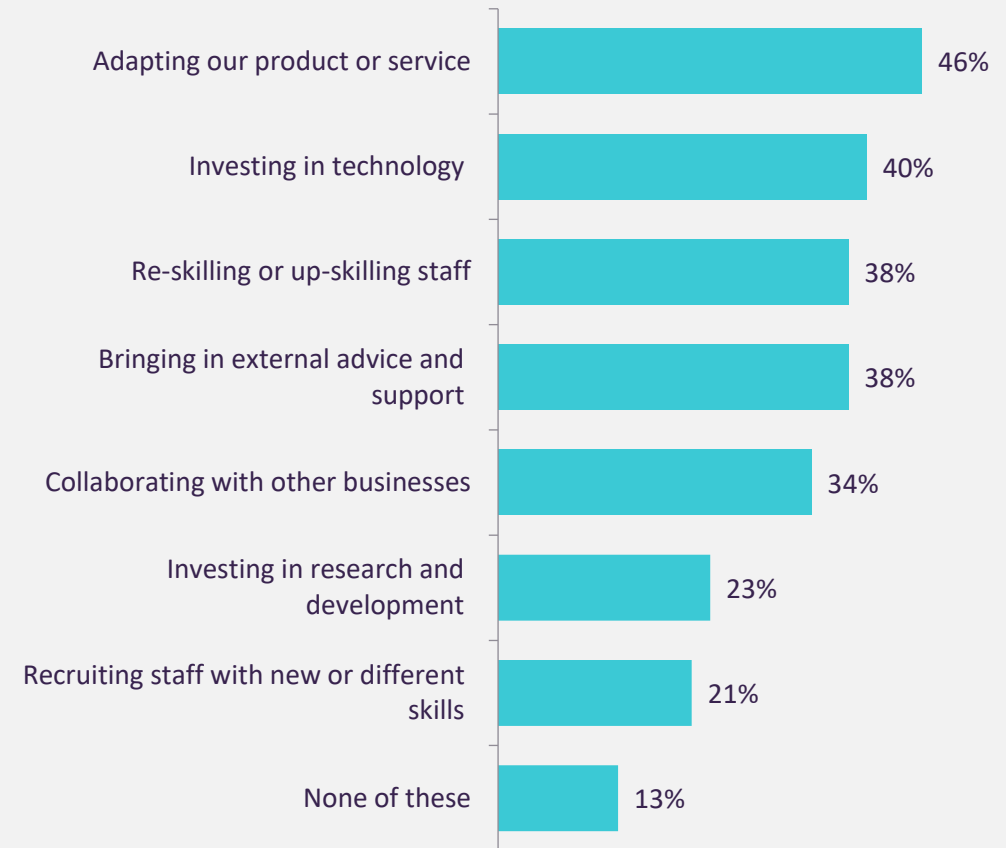
Supporting market activity

The most important actions for helping businesses achieve their market plans were: adapting their product or service (46%), investing in technology (40%), re-skilling or up-skilling staff (38%), bringing in external advice or support (38%), and collaborating (34%).

Variation

- **Tourism** – re-skilling or up-skilling staff (52%), bringing in external advice and support (50%), and recruiting staff (34%)
- **Food and drink** – bringing in external advice and support (48%) and investing in research and development (35%)
- **Financial business services** – collaborating (54%) and investing in technology (54%)
- **Creative industries**– collaborating (49%)
- Those in **accessible rural** areas – bringing in external support and advice (45%)
- **Exporting** to outside the UK – collaborating (47%)

Q. Which of these will be most important in helping you achieve those plans?



Base: All businesses with a strategy for their markets (580)

Supply chain actions

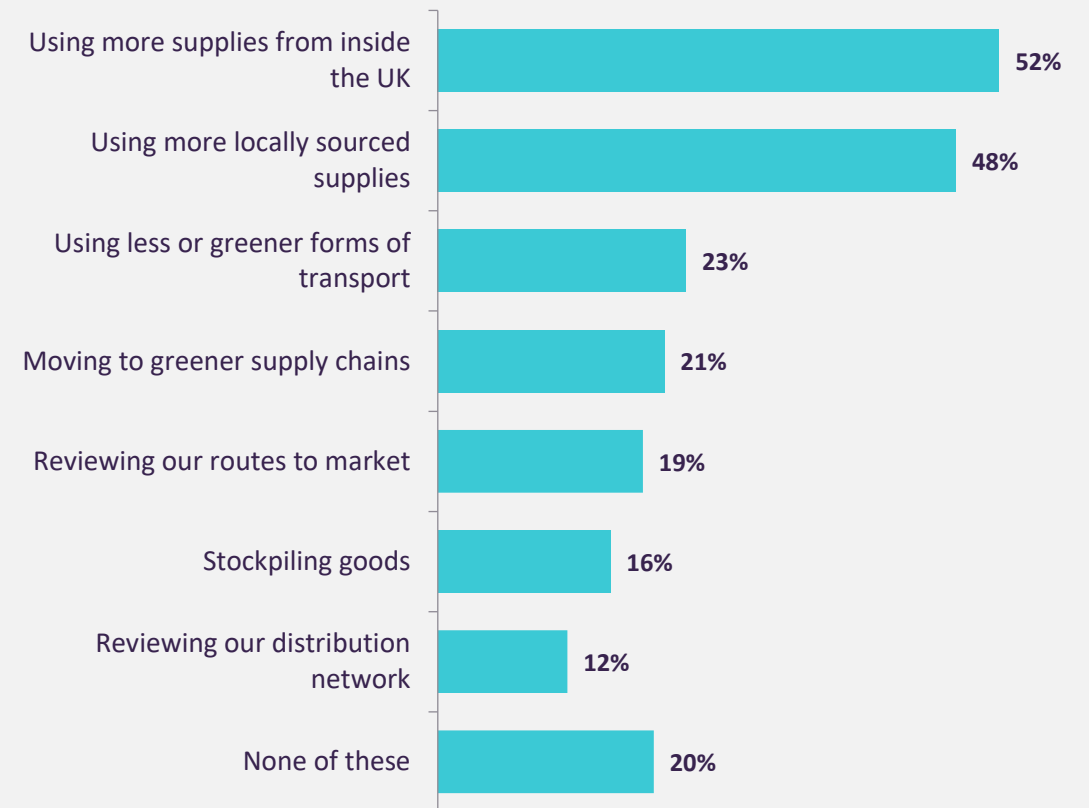
The majority (80%) of businesses were taking action relating to their supply chain, with the most common actions being sourcing supplies from within the UK (52%) or more locally (48%).

Around one in five were moving to greener forms of transport, greener supply chains, and reviewing routes to market.

Variation

- **Tourism** – using more locally sourced supplies (68%)
- **Financial and business services, accessible rural businesses, and those in the Scottish Borders** were all more likely than average to be using less or greener forms of transport (36%, 29% and 28%)
- Those **exporting** to the rest of the UK – move to greener supply chains (24%).
- Those **importing** from rest of the UK were more likely than average to be taking all actions (except using less or greener forms of transport and stockpiling goods).

Q. What actions you are taking in relation to your supply chain?



Base: All businesses (604)

09

Appendix

Additional variation – responding to cost increases

Actions currently taken in relation to cost increases	%	%	%	%
		Growth aspiration		
	Total	Striving for growth	Content	Aiming to downsize
Increasing prices	51	58	44	57
Working with new suppliers	34	40	32	27
Exploring new markets	30	41	22	24
Postponing investment plans	30	31	28	35
Collaborating with other businesses	25	32	20	27
Using cash reserves	25	28	18	46
Doing more online	20	24	18	10
Postponing recruitment plans	18	22	12	29
Scaling back production or services	15	10	14	38
Changing our product or service	14	14	10	31
Seeking external finance	13	18	7	17
<i>Base</i>	604	282	271	46



Additional variation – workforce-related challenges

Workforce-related challenges	%	%	%	%	%
		Size of business			
	Total	0-4	5-10	11-24	25+
Cost of labour	32	27	43	39	54
Skills gaps	26	20	37	48	42
Unfilled vacancies	22	16	34	38	46
Staff absences	21	15	28	59	37
Staff leaving the business	15	12	12	28	51
Sourcing apprentices	15	15	13	24	15
None of these	36	43	23	7	8
<i>Base</i>	490	275	126	56	33



Additional variation – workforce actions (1)

Actions currently taken in relation to workforce	%	%	%	%	%
		Size of business			
	Total	0-4	5-10	11-24	25+
Up-skilling or re-skilling	50	44	61	77	65
Investing in technology	37	33	46	56	39
Making pay and rewards more competitive	36	30	48	56	59
Collaborating with other businesses	23	24	19	26	20
Changing our working practices	22	19	28	40	11
Recruiting staff with different skills	16	11	24	39	24
Offering apprenticeships	15	8	19	40	58
Recruiting from different markets	9	5	15	21	22
Providing accommodation for staff	9	6	15	10	16
None of these	24	30	11	3	5
<i>Base</i>	490	275	126	56	33



Additional variation – workforce actions (2)

Actions currently taken in relation to workforce	%	%	%	%
		Growth aspirations		
	Total	Striving for growth	Content	Aiming to downsize
Up-skilling or re-skilling	50	63	39	48
Investing in technology	37	48	32	33
Making pay and rewards more competitive	36	42	32	33
Collaborating with other businesses	23	29	19	19
Changing our working practices	22	25	19	19
Recruiting staff with different skills	16	25	9	9
Offering apprenticeships	15	20	12	3
Recruiting from different markets	9	11	7	4
Providing accommodation for staff	9	10	9	-
None of these	24	12	35	23
<i>Base</i>	<i>490</i>	<i>247</i>	<i>210</i>	<i>30</i>



Profile of businesses interviewed

Size (no of employees)	%
Sole trader	22
1-4	55
5-10	13
11-24	6
25+	3

Growth sector	%
Creative industries	4
Energy	1
Financial and business services	9
Food and drink	29
Life sciences	*
Tourism	9
Non-growth	48

Location	%
Dumfries and Galloway	56
Scottish Borders	44

Urban/Rural	%
Remote rural	29
Accessible rural	37
Urban	34



Profile of businesses by local authority

Size (number of employees)	Dumfries and Galloway	Scottish Borders	Total
	%	%	%
Sole trader	21	24	22
1-4	53	58	55
5-10	15	11	13
11-24	7	5	6
25+	4	1	3

Urban/Rural	Dumfries and Galloway	Scottish Borders	Total
	%	%	%
Remote rural	38	17	29
Accessible rural	32	43	37
Urban	29	41	34

Growth sector	Dumfries and Galloway	Scottish Borders	Total
	%	%	%
Creative industries	4	5	4
Energy	1	2	1
Financial and business services	9	8	9
Food and drink	35	21	29
Life sciences	-	1	*
Tourism	9	9	9
Non-growth	42	55	48



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



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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.



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



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



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