

# Scottish Enterprise **BUSINESS PLAN 2011/14**



Supporting a globally competitive Scotland

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# OUR PRIORITIES

**In the current climate, Scotland needs economic development more than ever.**

The Scottish Enterprise Business Plan 2011/14 sets out how we intend to support and accelerate economic recovery.

We're about helping Scotland become more globally competitive: supporting companies that will drive Scotland's economy forward by creating more and better jobs; working with sectors where Scotland has advantages that can be exploited within the global marketplace; and building a world class business environment which supports growth and attracts investment.

In the current climate, this will see us prioritise five key areas:

## RENEWABLES

Capitalising on our existing competitive advantage in renewable energy could generate an extra £11 billion added value for Scotland's economy by 2020. We will work to attract investment and help Scottish companies to establish a strong supply chain.

## GROWTH COMPANIES

We will focus our support on those companies who can make the greatest contribution to the Scottish economy. We will help them do things bigger, better or faster.

## INTERNATIONALISATION

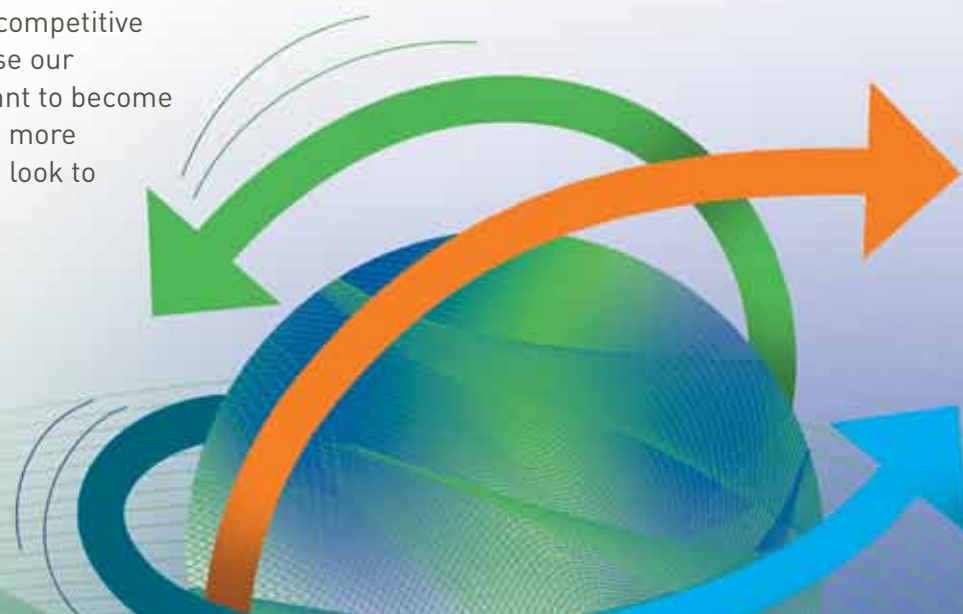
Scotland is operating in a highly competitive global economy and we must raise our international aspirations if we want to become more productive. We will support more companies to trade overseas and look to attract new inward investment.

## INNOVATION

Low business expenditure on R&D is an issue for Scotland and we will increase our investment in this area to help companies boost their productivity. Our support to Scottish companies will also help translate great business ideas into great business practice.

## TRANSITION TO A LOW CARBON ECONOMY

This presents major new economic opportunities for Scotland. There are real win:wins as 'green' opportunities are exploited and we are weaving this through everything we do.



# CHAIRMAN'S FOREWORD



Over the past year, there has been a lot of debate about the role of the enterprise networks in growing Scotland's economy.

There have been a number of views expressed about how best to transform Scotland's economic performance.

This debate has been very timely. Both the current economic environment and the challenges being experienced across the public sector mean that more than ever, we need to identify how best to accelerate Scotland's economic recovery and ensure Scotland is ready to respond to changes in the global economy.

Over the past 30 years, Scotland's economy has shifted away from our old industrial base and we've successfully built a knowledge-based economy with world leading strengths across a number of sectors.

Other parts of the UK, which have not adapted as well as us, have fared much worse.

However, we know that despite this there continues to be a gap in the growth rates between Scotland's economy and those of the UK as a whole and our European competitors.

I don't believe there is a silver bullet that will help us address that.

Some commentators believe there needs to be a greater focus on equity investment. Or that we need to export more. Or that we need to innovate more.

In fact, we need to do all three while at the same time also improve Scotland's business environment and increase the number of ambitious and growing companies in Scotland.

These are all things that we've been focusing on in recent years and will continue to do so over the duration of this business plan. It is this integrated approach

to investment, rather than focusing on a single issue, combined with the knowledge and expertise that exists across SE, which will ensure we can have the biggest impact with the resources we have available.

To truly have a transformational impact, we need something more and that is collaboration between all public agencies behind a single strategy and approach.

This is something we are working on in Scotland and have seen some real progress over the past year, especially in developing joint plans for Scotland's key sectors.

But we need to do more. We need to establish a culture where we can all show the leadership and ambition to work together and collectively seek the necessary levels of investment across the public and private sectors to achieve greater economic growth.

I am determined that the Scottish Enterprise Board and its Executive team plays its part by demonstrating real ambition for Scotland and Scotland's economy. Scottish Enterprise is not responsible for the economy. Rather we are a catalyst that makes a real difference.

A handwritten signature in black ink, reading 'Crawford Gillies'. The signature is written in a cursive, flowing style.

Crawford Gillies  
Chairman

# CHIEF EXECUTIVE'S FOREWORD



**This business plan sets out our focus for the next three years.**

**It shows a coherent and targeted set of actions that will make a major contribution to delivering sustainable economic growth for Scotland.**

Budget challenges across the wider public sector mean that now more than ever, our investment decisions must be informed by a deep understanding of both the Scottish and international economy. The evidence we've built up in recent years tells us what works in the field of economic development.

In order to seize the opportunities available we must maintain this level of expertise and focus so we can be confident that our actions provide a genuine competitive edge for Scotland.

We have identified areas where Scotland has real competitive advantage at a global level and we know what needs to be done to develop and exploit these locally, nationally and internationally.

Scotland has significant strengths in key sectors and these need to be nurtured. Developing Scotland's renewables sector will be a primary focus in the coming years. We will capitalise on our offshore wind capabilities, as well as other low carbon technologies, which offer some of the best opportunities for Scotland's economy in a generation.

It is widely recognised that we also need to grow the number of ambitious companies in order to increase their competitiveness, maximise their full contribution to the economy and create new employment. So, we are helping more companies innovate, trade overseas and invest.

We can directly support these goals by;

- helping exporters and growth companies access investment capital and debt financing through the Scottish Investment Bank;
- supporting many more companies to internationalise – through initiatives such as Smart Exporter;
- competing for and attracting foreign investment – using our knowledge, connections and investment, often through Regional Selective Assistance, to bring new investment to Scotland;
- increasing overall levels of research and development – by sharing the risk of investment with innovative companies.

Scottish Enterprise has a pivotal role to play in delivering economic growth. However, we can have greater impact from our activities by working together to harness the collective contributions of our public and private sector partners.

We have shared our proposals with a number of partners in order to identify opportunities for alignment and greater collaboration. We have also benefited from our network of over 100 business leaders who regularly give us their advice and support.

I believe that this programme of action can help deliver a step change in Scotland's economic performance.

A handwritten signature in black ink, reading 'Lena Wilson'.

Lena Wilson  
Chief Executive

# 1. CONTEXT

In the current climate, we have had to look again at the range of projects and programmes we deliver and identify the areas that will allow us to have the biggest impact.

## ECONOMIC ENVIRONMENT

While there are some signs of economic recovery, there is no doubt that businesses continue to face significant challenges, as well as opportunities, in the coming year.

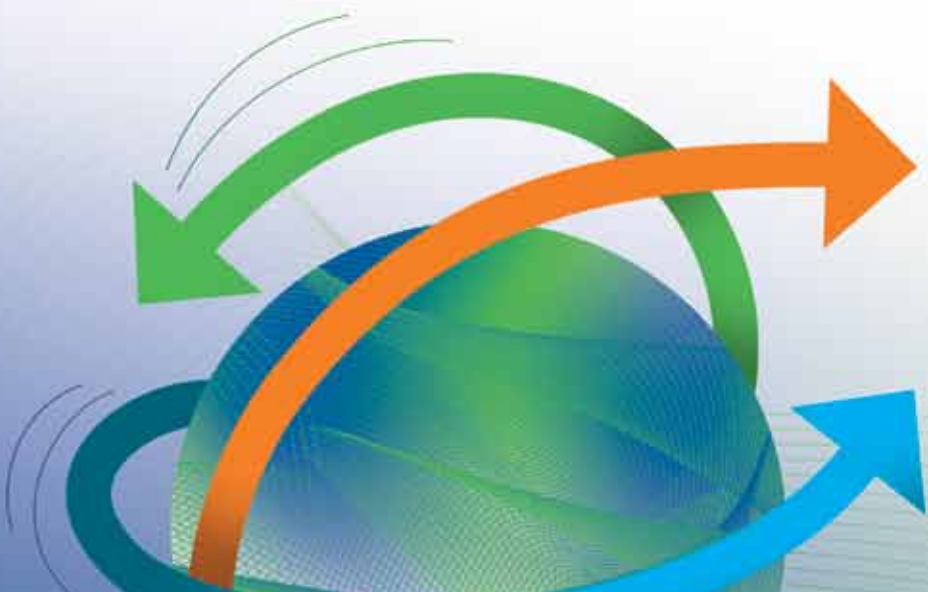
2010/11 was mixed in terms of Scotland's economic performance, underlining the fact that post-recession companies will still be operating in a changing and dynamic environment.

Forecasts for 2011/12 indicate continuing uncertainty. Some international markets will recover, with significant new opportunities in areas such as renewable energy. However, there will be other challenges around inflationary pressures, unemployment and reductions in public sector investment.

Despite these challenges, there are reasons to believe that Scotland's recovery can be maintained and supported.

In response to the economic downturn, the businesses we work most closely with have been both increasing efficiency and investing, ensuring they are in the best position possible to respond to new opportunities. Half of them expect to increase their export sales over the next six months, while 60% indicate they will increase turnover and 40% believe they will increase employment.

We will work with these companies on new opportunities both at home and overseas, focusing our efforts and investment on the areas that will have the biggest impact on their performance and that of the wider economy.



## HOW WE HAVE PRIORITISED OUR PLAN

Like all other public agencies across Scotland, we're operating with limited resources. As a result, we need to make our money work harder and ensure that every £1 we invest makes a difference. We have made significant changes in recent years and we firmly believe that we're at the point where all of our activities make a positive difference.

We have looked closely at what we deliver to identify where we have the biggest impact.

While this is a process we carry out every year, the increased pressure on our budgets has meant that this year, we have had to make choices – sometimes difficult choices – between competing priorities.

In making these decisions, we have considered a number of factors:

- We must maximise our contribution to the goals of the Government Economic Strategy. We must also increasingly align our work to achieving the economic opportunities presented in the Low Carbon Economy Strategy and the detailed plans for exploiting the opportunities in Scotland's key sectors.
- We must maximise our economic impact. We have developed a robust and independent evidence base of what works in economic development. We know, for example, that our support for companies through our account management programme (as well as our internationalisation and inward investment activity) has the biggest impact in the short term. Conversely, our business infrastructure projects, investment funds and R&D grants have the biggest long term impact. This understanding has helped us balance our investment priorities.
- Finally, we looked at the wider economic environment and the opportunities and challenges this presents.

We have listened to our customers about the support they value most and prioritised this. We have worked with our partners, in industry and elsewhere in the public sector, to align all of our investment towards common goals.

Inevitably, this has meant we have had to make some difficult decisions. For example, we will make fewer investments in areas such as large scale Intellectual Property (IP) / commercialisation programmes.

Finally we will continually improve 'how' we deliver. We have a very impressive track record of driving out costs in our operations and this will continue to maximise our value for money.

## 2. GLOBALLY COMPETITIVE COMPANIES

Scotland needs a thriving private sector. We need more companies creating new jobs, investing in innovation and operating internationally.

Currently there are around 290,000 businesses in Scotland. Two thirds of which are self employed businesses with no employees. Only 20,000 employ 10 people or more and research by NESTA suggests that just 6% of these will create more than half of all new jobs.

Our focus, therefore, is to work with those companies that will make the biggest difference to Scotland's economic performance.

### HOW WE SUPPORT COMPANIES TO GROW

The greater a company's growth potential, the greater our support.

This does not necessarily mean financial support. The feedback we get from our customers is that we often add most value through the connections we make and the intelligence we can provide.

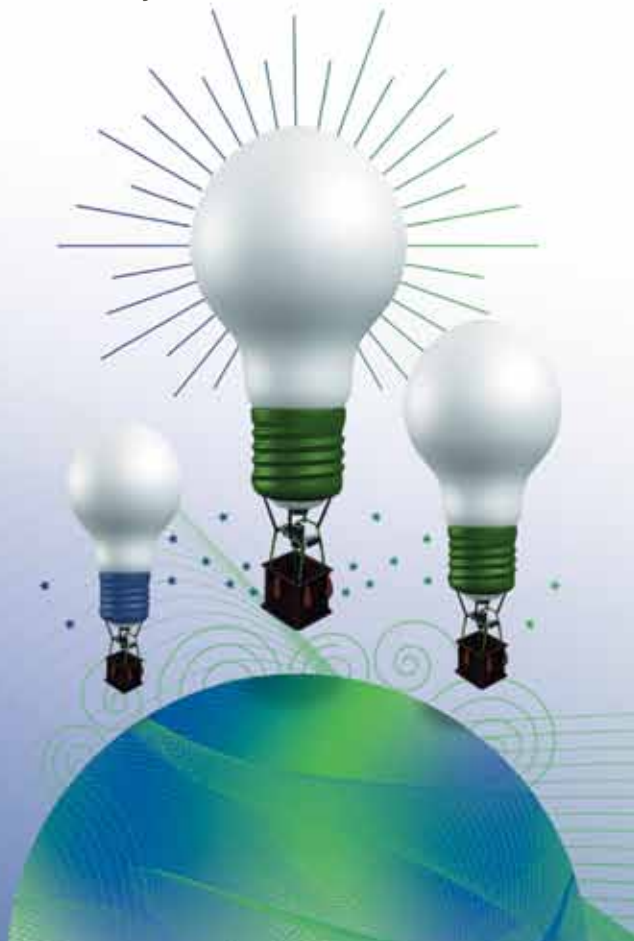
For example, we work most intensively with around 2,000 businesses through our account management programme. These companies vary in size and scale but each has been selected as a result of their significant growth potential.

Our approach with these companies is to work closely with them to really understand their business. In doing so, we can help them identify new opportunities for their business and develop a tailored action plan that will allow them to target new business opportunities both at home and overseas. Key to these efforts will

be creating a culture of world class leadership within these businesses so they can identify and respond to emerging opportunities.

We also work with a further 7,000 companies that have longer term growth potential or which are significant employers in a particular region or sector. This is usually through specialist support to improve a particular aspect of their business, such as innovation, business efficiency or working overseas.

Underpinning our approach is the need to add value to the businesses we work with. We do not invest in activity that would have happened anyway and we aim to help companies reach a stage where they can grow without our support. Working with our local authority partners in Business Gateway, we offer an integrated business support model where businesses can access the right type of support at the right stage of their growth.



## WHAT WE WILL DELIVER

As with all of our activities, we have looked at the range of support we offer to understand where our investment should be focused.

As a result, we've identified the following areas that will help companies achieve growth quickly while also boosting productivity and addressing Scotland's long term economic performance.

- **Increase Scotland's international trade and investment** by supporting more companies to work overseas and attracting new inward investment to Scotland.
- **Encourage companies to invest more in innovation** to develop new products, services or new ways of working that will open up new markets for their business.
- **Increase the availability of investment for Scottish companies** by attracting new risk capital and providing debt finance through the Scottish Investment Bank.
- **Improve the leadership capabilities of high-potential companies** by helping more companies to achieve growth to significant scale.
- **Contribute to the wider low carbon economy** by supporting companies to increase efficiency, reduce waste and exploit new markets.

## CASE STUDY | CARIESCAN



*The last 12 months has seen this Dundee based dental technology company grow from six staff to 22 and achieve turnover of £1 million. This young ambitious company has aspirations to truly be a globally competitive company operating in a global market place.*

*The company was created in 2008 to commercialise a new innovative handheld device for the early detection of tooth decay. The company has benefited from a package of SE support, including co-investment funding, leadership training and international support to develop its technology and bring it to market.*

*This has enabled CarieScan to secure major distribution deals for its product in the USA and Canada while the company has recently been awarded an R&D Grant to develop new software for the next generation of its dental device, ensuring innovation is at the heart of the company's future growth plans.*

*The company continues to be recognised for its groundbreaking technology having won awards for the Best New Diagnostic Device category at a US Dental Excellence Awards and Most Promising New company at the Scottish Life Sciences Awards.*

*"The support we have received from Scottish Enterprise has benefitted the company considerably." Graham Lay, Chief Executive*

## INTERNATIONAL TRADE AND INVESTMENT

With the volume of world trade expected to grow by up to 10% this year compared with the UK growth forecast of 2.0%, it is clear that international economies offer some of the best prospects of growth in the short term.

We also know companies that operate internationally are more productive and more innovative so helping our customers access new international markets will continue to be a top priority.

Encouraging more companies to export is as much about developing the ambition of Scottish companies as it is about financial assistance. Providing intelligence about specific overseas markets and making connections with global international players is a key way we support companies to work overseas.

Attracting new inward investment will also be vital. In recent years, overseas firms have played an important role in creating new jobs in Scotland. We continue to exploit opportunities to attract overseas investors to Scotland, typically through our sector plans. These opportunities, along with financial support, such as RSA, R&D and Training Plus grants, will ensure we can continue to secure new investment, as well as encourage those already operating in Scotland to expand their business here.

The work of our international arm, Scottish Development International (SDI) – our joint venture with the Scottish Government and Highlands and Islands Enterprise (HIE) – and our GlobalScot network will continue to support our overall efforts to increase Scotland's international trade and investment.

- We will broaden our support so that any company which has the capability to work internationally is assisted to convert this potential to overseas sales. This includes the delivery of training through the Smart Exporter initiative with Scottish Chambers International to around 8000 businesses over the next three years.

- We will deepen our support, so that every account managed company we work closely with is both challenged to consider new global markets – and supported to exploit them. We will help them understand the global market opportunities in their sector through our range of international strategy development, sales and marketing skills and in-market intelligence. We will then support them to access these markets through our programme of trade missions and learning journeys.
- We will develop compelling propositions based on the world class strengths of our key sectors to attract new inward investment and talent that will complement our existing capabilities. In the longer term we will work with investors both corporately and locally to grow their presence in Scotland including increasing the impact achieved through working with local supply chains.

## INNOVATION

Low business expenditure on research and development (R&D) is still an issue for Scotland and affects our overall productivity.

Independent research, though, has shown that our support to help companies invest in R&D is working – almost half of the R&D projects we support would not happen in Scotland without these grants while a further 20% would happen but on a much smaller scale.

We are continuing to see a significant increase in demand for R&D support from the companies we work with. Increasing our investment will help those companies boost their productivity while at the same time help Scotland's key sectors to achieve their ambitions and build on their competitive advantage.

We will also continue to support the commercialisation of our academic research but with an increased focus on those ideas that have the greatest commercial potential globally.

- We will offer support through our specialist innovation advisors, alongside the information and support for collaboration through Enterprise Europe Scotland.
- We will increase investment through our R&D funds and align our investment more with sector plans to ensure greater impact.
- We will improve Scotland's wider innovation system by enhancing links between businesses and Scotland's universities and delivering online innovation support to the wider business base.
- We will help businesses in our key sectors to innovate and exploit significant new opportunities emerging in global markets.

## CASE STUDY | SABRE SAFETY



*Fife based Sabre Safety has successfully built a £5 million company over the past eight years, becoming a world leader in providing the oil and gas drilling sector with health and safety support.*

*Working closely with their account manager, the company has been able to access a wide range of SE support to help it achieve this growth. In particular, the company participated in the Global Companies Development Programme to identify how best to target new international business and build on its success in the UK market.*

*This, together with training support and an innovation grant has helped the company to change its leadership structure to make the company less reliant on its senior leadership team for day-to-day operational decisions, allowing them to focus on implementing a globalisation strategy and new business development.*

*The company recently opened a Canadian office and has a growing overseas order book with technicians operating in Mauritania, Morocco, Nigeria and Oman, with excellent opportunities emerging in Iraq and Pakistan.*

***"Our current success comes from having our eyes opened and being challenged by Scottish Enterprise."** Doug Smith, Managing Director*

## INVESTMENT CAPITAL

Ambitious companies need money to invest in their growth plans, whether it is capital investment to expand their facilities or cash-flow to help them target a new overseas market.

Over the past two years, Scotland's risk capital market has increased at a time when it is declining in other parts of the UK. This is largely down to the success of our co-investment funds.

However, we still need more investment capital and more investable companies. The Scottish Investment Bank will allow us to build on the momentum created by the success of our investment funds while the introduction of the new Scottish Loan Fund will allow us to provide debt finance for ambitious Scottish companies.

- We will be seeking to attract new specialist partners to get more value from our investments. This will include attracting investment partners with a sector focus that will build on our competitive advantage as well as international investors who can help companies target new global markets.

- As our investment portfolio continues to mature, we expect to see more successful exits from our investments, which will allow us to re-invest funds in new companies and continue the success of the wider risk capital market in Scotland.
- We will roll out the new Scottish Loan Fund, which allows companies to access loans of between £250,000 and £5 million to support their growth plans. We will continue to seek additional sources of private sector investment to build on the £55 million already available for Scottish companies through the fund.

This approach is contributing to a dramatic growth in the number of venture backed companies, with Scotland proving to be the most active area in the UK for venture-backed firms in recent years, supporting businesses as they continue to experience difficulty in raising finance in the current economic climate.

“Our focus, therefore, is to work with those companies that will make the biggest difference to Scotland's economic performance.”

## CASE STUDY | GENTECH INTERNATIONAL



*This Ayrshire based company was established in 1972 and manufactures sensors and reed switches for the automotive, agricultural, construction and food and drink sectors.*

*Over the past year two years, we have worked with Gentech through our account management programme, providing intensive one-to-one support to develop its business. This has also helped the company access specialist support to identify and enter new markets, both at home and internationally, as well as management training to enhance its leadership team.*

*In that time, the company has been able to develop and launch an innovative sensor for the transportation market, doubling their turnover from £3 million in 2009 to £6 million in 2010. The company has also expanded into new markets outside the Europe and the US and is now supplying products to Brazil, Japan, China and India.*

*“Gentech could not have succeeded without the help and support of Scottish Enterprise, our growth and global presence in the sensor arena has outperformed the economic climate. The training provided and global introductions made by Scottish Enterprise have been invaluable”. Angela Simkins, Managing Director*

## SUPPORTING THE LOW CARBON ECONOMY

Scotland has the most ambitious targets for carbon emission reduction in the world and the Scottish Government’s Low Carbon Economic Strategy outlines some of the key opportunities to achieve these.

Every business and sector has a role to play in achieving these ambitions. We have a clear role in championing the importance of the low carbon agenda. Initiatives like Scottish Manufacturing Advisory Service and our lean management programme help companies to reduce waste and improve resource efficiency, providing real business benefits and productivity gains for their business.

We will also help companies and industries identify how the low carbon agenda can provide new opportunities and generate significant new value for their business, either by opening up new markets or improving their business.

- We will encourage every company and sector we work with to become more competitive by using resources more efficiently and adopting sustainable business practices.
- We will help Scottish companies capitalise on “first mover advantage” by investing in low carbon technologies, products and services that will help them to increase turnover, employment and competitiveness.

## 3. GLOBALLY COMPETITIVE SECTORS

In Scotland, we are fortunate to have significant world class 'niche' capabilities in a number of sectors that make us highly competitive on the global stage.

We also have some internationally renowned companies operating in these sectors which are competitive locally, nationally and internationally.

Like many other countries around the world, our focus is to build on these capabilities – both at a sub-sector and a company level – to create clusters of activity that will drive growth in the wider economy.

Having a concentration of businesses from the same sector operating together, for example, increases productivity and attracts talent.

The sharing of knowledge and ideas between these businesses can lead to new innovation. Crucially, it can help us identify the biggest global opportunities for growth in these sectors based on the competitive advantage we already have.

By looking at our activity through a "sector lens", we can ensure our investment is always focused on capitalising on these opportunities and targeting new niche areas that can have a transformative impact on the Scottish economy.

### WHAT WE WILL DELIVER

Over the past year, we have continued to work closely with industry leaders and public sector partners to identify how best we can help Scotland's key sectors respond to these global opportunities.

The Industry Advisory Groups continue to play a key role in providing strategic leadership and advice to both Scottish Enterprise and the wider public sector by identifying these opportunities and what we need to do to respond to them.

Clearly the development of a renewable energy sector offers the biggest opportunity we've seen in Scotland for a generation. We are determined not to let the opportunity pass us by.

This is reflected across each part of our business plan. We will ensure the right infrastructure is in place for the renewables sector to thrive and attract new investment. We will support Scotland's renewables companies to secure investment, to innovate more and to develop their international operations.



We will also ensure that other sectors in Scotland can benefit from growth in renewables by developing a strong supply chain of local companies.

Renewables, however, cannot have a transformational impact alone. We need to continue to invest in Scotland's other key sectors to ensure we have a balanced and mixed economy.

Not all sectors will require the same level of investment or, indeed, the same type of support.

On one hand, we already have critical mass in sectors such as financial services and oil & gas, which are firmly established in Scotland with substantial infrastructure and networks in place to support their growth.

On the other hand, sectors such as life sciences and digital media are still maturing and will require more investment to nurture company growth and innovation.

The key is understanding the composition of each sector, its competitive advantage and the global opportunities which it can respond to.

## CREATIVE INDUSTRIES

Our role is to maximise the economic potential of all of the creative industries but in particular those companies operating in the high growth area of digital media.

Scotland has highly innovative companies in all areas of digital media, from international leaders in games development and interactive platforms to national broadcasters, successful production companies and some of the most creative digital agencies in the UK. This is supported by global centres of research excellence developing next generation technologies to support ongoing growth in the digital media environment.

To ensure that Scottish companies take advantage of the opportunities within this massive global market, we will focus on providing company growth support via account management and initiatives like Interactive Scotland where digital media companies can access in-depth market research and intelligence together with product and technology support. Exposure to international market opportunities will be promoted

through schemes like SMART exporter and company attendance at key industry events. We will work with SDI to bring further inward investment in the sector to Scotland where major infrastructure investments at Digital Media Quarter, part of Creative Clyde in Glasgow, and Seabraes Yard in Dundee offer business locations of national and international significance for creative industry companies.

## ENABLING TECHNOLOGIES

Technology innovation continues to drive growth in the global economy and Scotland has some world class expertise in areas such as informatics, modelling, simulation, sensors and advanced manufacturing – all of which could be used to drive growth in other key sectors such as food and drink, life sciences and renewable energy.

Our focus will be to support the development of these technologies by encouraging companies to invest more in R&D and secure investment to bring these technologies to market faster. Assisting companies to access UK funding through the Technology Strategy Board and European funding through initiatives like Framework 7 is seen as an important priority.

We will also look to commercialise more of Scotland's existing intellectual property through projects such as the School of Informatics at the University of Edinburgh and the Advanced Forming Research Centre based at Strathclyde, which helps build Scotland's leading position as a world-class centre for advanced manufacturing.

We will also continue to build on Scotland's reputation as a world leading location for technology development to help secure new inward investment and support more companies to enter new global markets.

## CASE STUDY | NATIONAL RENEWABLE INFRASTRUCTURE FUND



*The publication of the National Renewable Infrastructure Plan in 2010 was a major first step in identifying locations across Scotland which offered the biggest potential for offshore wind developers to base their manufacturing operations.*

*The Plan revealed that more than 5,000 green jobs could be created through the development of three regional offshore energy manufacturing zones built around key port locations.*

*In response, together with Highlands & Islands Enterprise, we have established the National Renewables Infrastructure Fund, which will make available £70million to help stimulate the market and trigger vital capital investment to launch the next phase of Scotland's renewables revolution.*

*The National Renewables Infrastructure Fund is designed to work with Local Authorities to strengthen port and manufacturing facilities and supply chain provision for manufacturing offshore wind turbines and related components, including test and demonstration facilities.*

## ENERGY

The biggest opportunities for Scotland's economy over the next three years undoubtedly lie in renewable energy. Capitalising on our existing competitive advantage in offshore wind and marine energy could, for example, help to create 35,000 direct jobs and generate an extra £11 billion in GVA by 2020.

We will make significant investment in the National Renewable Infrastructure Fund and the International Technology Renewable Energy Zone to help create the infrastructure required to grow the sector and attract key inward investment. We will also work alongside indigenous companies to establish a strong supply chain able to meet the needs of the renewables sector in areas such as design, manufacturing, installation, operations and maintenance.

In Oil & Gas, we will focus on ensuring that Scottish companies can exploit emerging opportunities in important subsectors such as subsea, arctic and decommissioning as well as expand into the wider renewables sector and new global energy markets.

By capitalising on the expertise of Scotland's Oil & Gas sector, we will also support the testing and demonstration of Carbon Capture and Storage strategies. Although more long term in nature than other areas of renewables, its potential for Scotland's economy is equally significant.

## FINANCIAL AND BUSINESS SERVICES

Financial and business services cover a wide range of sub-sectors and while there have been major changes in global market conditions, most notably in the banking sector, there continue to be significant market opportunities that we will seek to exploit. For example, in Asset Management, where Scottish-based firms continue to be internationally competitive. Even in banking, the attraction of new entrants such as Tesco and Virgin demonstrates that Scotland can continue to be a key centre for this important sub-sector.

We are seeking to create a business environment which supports our key strengths and assets in financial and business services in Scotland. This includes continuing our success in attracting inward investment, company development, retaining a skilled workforce, and supporting infrastructure projects, such as the International Financial Services District in Glasgow, the Edinburgh Exchange District and Dundee Waterfront.

With inward investment, our focus is on the competitive offering Scotland continues to present as the UK's strongest financial and business services centre outside London and the South East, addressing opportunities which will arise from the restructuring of the industry.

We will also work with our partners in the financial sector in addressing issues, such as access to risk capital for growth companies and exporters, by seeking to engage banks and other financial institutions as investors in the Scottish Investment Bank and the Scottish Loan Fund.

## CASE STUDY | FOOD AND DRINK HEALTH INNOVATION SERVICE



*This new £4 million project will help Scottish food and drink companies tap into global opportunities in the rapidly expanding health and nutrition sector, which is expected to be worth around £350 billion by 2012.*

*The Service will help 400 companies over the next five years to access Scotland's leading research in food and health to develop and launch new products to target new markets at home and overseas.*

*The project will build on Scotland's reputation for quality natural products such as berries, fish, meat and oats as well as the wealth of research expertise at institutions such as the University of Aberdeen's Rowett Institute, Queen Margaret University, the Scottish Crop Institute and Heriot Watt University.*

*We expect the project will help to grow turnover in the participating companies by a combined £80 million within five years.*

## FOOD AND DRINK

Growing consumer demand for premium foods, an increased focus on health and nutrition and building on Scotland's provenance are the three biggest opportunities for Scotland's food and drink sector.

To fully capitalise on these opportunities, our focus will be to continue to support companies to increase investment in innovation and expand their businesses into new international markets.

We will support companies to access and exploit the leading edge research being carried out by our universities and research institutes through our new Food and Drink Health Innovation Service as well as encourage greater levels of innovation through our R&D funds and specific projects such as the Food and Drink Innovation Challenge. We will identify new opportunities in the key growth markets for this sector, such as North America, France, Italy, Spain, Belgium and Netherlands with intensive support for those companies that are best placed to exploit these markets.

## LIFE SCIENCES

There are significant opportunities for Scotland in Life Sciences, driven by global trends in health care, wellbeing and demographics.

In supporting the Life Sciences Scotland Strategy, we are focused on building a sustainable company base across all sub-sectors, developing more of companies of scale; realising the significant economic benefit from areas of world-class research strengths, such as stem cells and regenerative medicine, and clinical/translational medicine; and capitalising on key opportunities for Scotland in medical technologies and pharmaceutical services.

This will be achieved by supporting greater levels of innovation and R&D, by accelerating and increasing the uptake of innovative products and to supporting open and collaborative R&D within the sector. We will also seek to attract inward investment, as well as increasing the international activity of our company base. An important task is to help companies access investment funds to stimulate growth and to increase connectivity and capability across Scotland and internationally.

## TOURISM

As the global tourism sector continues to recover, Scotland boasts distinctive strengths that allow us to compete internationally - our cities, our National Parks and a natural environment that provides opportunities for golf, mountain biking and other outdoor activities.

We will continue to work in partnership around these opportunities. As well as delivering key pieces of supporting infrastructure such as the SECC National Arena, we will work with industry around the opportunities in Edinburgh, Glasgow, Royal Deeside, St Andrews, Loch Lomond and the National Parks. Additionally, we will work to take advantage of Scotland's growing reputation in mountain biking and to capitalise on the global recognition of Scotland as the home of golf.

We will also continue to work with the sector to improve levels of innovation by providing businesses with the latest market intelligence through Tourism Intelligence Scotland, business collaboration opportunities and support through our Tourism Innovation Fund, which aims to increase tourism spend, improve the visitor experience and develop new markets.

## UNIVERSITIES

As world-class institutions, universities are a key part of Scotland's economic infrastructure, contributing significantly to Scotland's overall business environment. In recognition of this, the Government has made the universities one of its key sectors, reflecting their ability to add value to Scotland's long-term economic growth. We are working with the universities to develop their international revenue, reflecting their strengths in global markets. We also work closely with the universities in terms of their contribution to developing Scotland's key sectors and the role they play in stimulating R&D and innovation. The universities and other higher education institutions are key partners in some of our major investments, such as the Edinburgh BioQuarter (the University of Edinburgh), the Food and Drink Health Innovation Service (University of Aberdeen, Rowett Institute of Nutrition and Health) and International Technology and Renewable Energy Zone (ITREZ, University of Strathclyde).

## OTHER SECTORS

As well as those highlighted above, we work closely with a number of other sectors that can make a sizeable contribution to Scotland's economy - including some that play an important role in rural areas or in specific regions of Scotland. These other sectors include:

- **Aerospace, Defence and Marine**, which forms an important part of Scotland's advanced manufacturing base, contributing significantly to R&D and innovation.
- **Chemical Sciences**, another innovative sector with significant R&D activity, and a significant supply chain within Scotland that supports life sciences.
- **Forestry**, an important natural resource for Scotland, that can contribute to the low carbon economy as well as the development of the tourism sector.
- **Textiles**, a traditional sector with a significant global opportunity based on a strong quality brand, and key strengths in terms of fashion and design, innovation in terms of high-tech fabrics.
- **Construction**, reflecting the important contribution that this sector can make to Scotland's physical infrastructure, and contributing to the Government's low-carbon strategy.

We will continue to work with the Industry Advisory Groups in each of these sectors to help these industries address the opportunities for growth. This will include providing support through our mainstream programmes such as account management, inward investment and innovation services, as well as more specialist programmes such as R&D support in the Aerospace and Chemical Sciences sectors, and SMAS in Textiles.

## 4. GLOBALLY COMPETITIVE BUSINESS ENVIRONMENT

**Our infrastructure investment is targeted towards creating a business environment that is truly world class and which helps Scotland's growth companies and key sectors to grow faster.**

High impact projects such as the International Financial Services District in Glasgow, Edinburgh BioQuarter and the Digital Media Quarter in Glasgow have demonstrated how our support can help to attract new talent and investment to Scotland while also providing the right environment for our own companies to grow.

With resources under increasing pressure, our partnerships across the private and public sector delivering these projects are more important than ever.

### WHAT WE WILL DELIVER

We know that targeted infrastructure investment is needed now if we are to take full advantage of the opportunities that exist within renewables.

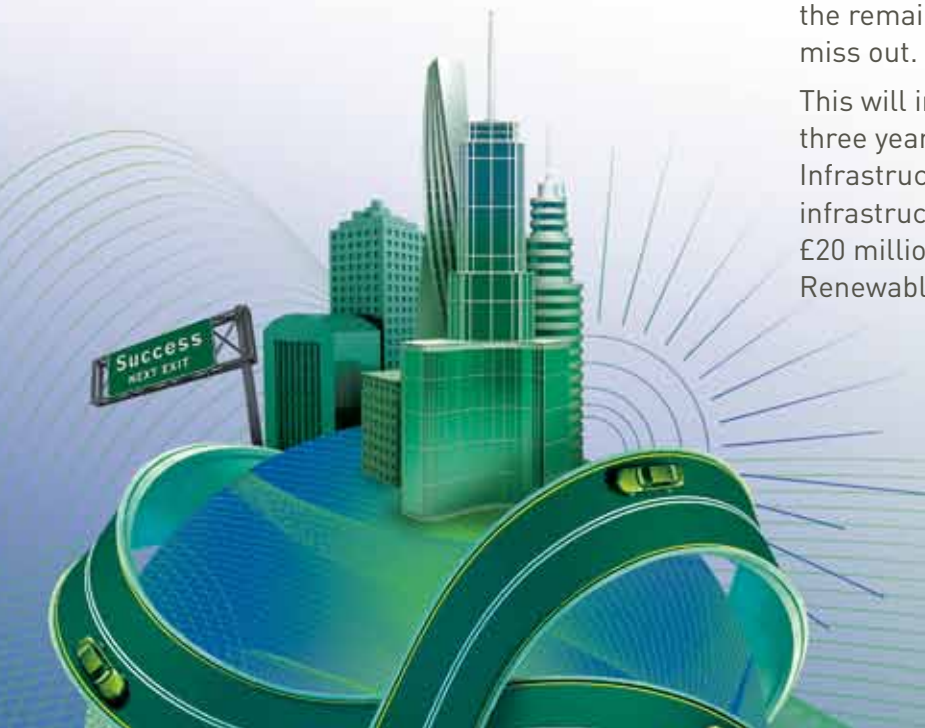
Development of the sector will be fast paced and there is global competition for investment as other countries wake up to the potential.

In response, as some of our major infrastructure investment projects come to an end in 2011/12, we will be allocating more resources to investments in renewables over the remainder of this plan to ensure we do not miss out.

This will include £70 million over the next three years in the National Renewable Infrastructure Fund (NRIF) to enhance infrastructure around Scottish ports and £20 million in the International Technology Renewable Zone (ITREZ).

In addition, there are opportunities in other sectors that we will continue to invest in, for example:

- **Energy Park, Fife; Energetica, Aberdeen City and Shire and Power Networks Demonstration Centre, Cumbernauld Energy**
- **Edinburgh BioQuarter Life Sciences**
- **Scottish Exhibition and Conference Centre, Glasgow Tourism**



We will also continue to provide funding to deliver national regeneration priorities, including continued investment in Urban Regeneration Companies and Dundee Central Waterfront - including the focus on supporting Clyde Gateway to prepare for opportunities arising from the Commonwealth Games in 2014.

With limited budget available for any significant new infrastructure investment, we will be working with our partners to ensure that our current portfolio of property deliver the maximum possible impact while generating additional income through property disposals. We will also pursue further opportunities to secure European funding where appropriate in developing strategic infrastructure projects for the future.

## CASE STUDY | INTERNATIONAL TECHNOLOGY AND RENEWABLE ENERGY ZONE (ITREZ)



*This ambitious £100 million project, based in Glasgow's city centre, will help establish Scotland as a world leader in the research, development and design of next generation offshore marine renewables and associated enabling technologies.*

*A 2.02 hectare site, which lies between Glasgow's Merchant City and the University of Strathclyde, will be transformed into a centre of excellence for academic research, commercialisation and industry collaboration leading to a potential 700 new jobs and £100 million of GVA boost to the Scottish economy.*

*The project will also complement the University of Strathclyde's Technology and Innovation Centre that will be situated in Glasgow city centre and will be a centre of research excellence and innovation, offering strategic engagement with industry and new approaches to knowledge exchange, primarily in energy and enabling technologies.*

*Scottish Enterprise is supporting the project both by making a significant investment and by ensuring ITREZ is fully integrated with our work with companies, our work to develop trade and investment and the work we are carrying out within Scotland's key sectors.*

# 5. STRATEGIES FOR A LOW CARBON ECONOMY

The Scottish Government's Low Carbon Economic Strategy outlines the framework for how public agencies can help reduce carbon emissions across Scotland by 42% by 2020.

We aim to maximise the opportunities for economic growth arising from the transition to a sustainable and low carbon economy in Scotland. This plan has set out some of the practical steps we are taking. In particular:

- We will work with individual companies to help to improve their **global competitiveness** by encouraging them to exploit new low carbon business opportunities. There are 'top line' benefits through increased turnover (from new markets, for example) or 'bottom line' benefits with cost savings from energy and resource efficiency.
- We will support **globally competitive sectors** to understand what a low carbon economy means for them through research, foresighting and collaboration. In some sectors, such as renewable energy, there are already strong market drivers and clear economic opportunities for Scotland. However, low carbon opportunities exist in every sector and we will work with them to identify and develop new sources of sustainable economic growth.

- We will help develop a more **competitive business environment** that can actively support a low carbon economy. For example, we will ensure that we build our own infrastructure developments to high environmental standards and help position Scotland as a low carbon location of choice for inward investment and the expansion of indigenous companies. We will also continue to collaborate with partner organisations to more actively join up our services to customers, and seek to influence the wider business environment in areas such as planning, transport and the property market.

We will also lead by example in reducing our own carbon emissions and ensure that low carbon thinking is embedded across all of our internal operations. We will regularly assess the carbon impact of our activities to ensure that our overall 'carbon account' decreases year-on-year.

## CASE STUDY | MALCOLM GROUP



*Originating as a family owned business in the 1940's, The Malcolm Group is a leading provider of logistics, construction and maintenance services, operating over five million square feet of warehousing throughout the UK.*

*We worked with the company last year through our lean management programme; identifying ways to reduce its energy usage at Malcolm Logistics Newhouse facility that would help the company reduce costs and increase resource efficiency.*

*By recommending improvements to current practices and encouraging staff to look at ways to reduce costs in each part of their business, we were able to work with Malcolm Logistics to identify major efficiency savings. These include potential annual savings of 5,100 litres of heating oil and a total of almost 120 tonnes of CO<sub>2</sub> emissions.*

***"The Lean Management programme has allowed staff to take responsibility for driving down costs for their part of the business. We're now more efficient than we've ever been."***  
*Jim Clark, Managing Director, Malcolm Logistics.*

## 6. RESPONDING TO SCOTLAND'S ECONOMIC GEOGRAPHY

The Government Economic Strategy (GES) sets a challenge to achieve “balanced economic growth across Scotland to give all areas across Scotland the chance to succeed”.

This has become even more important in recent years with some areas more severely impacted than others as a result of the economic downturn.

In order to maximise growth while at the same time helping to address geographic inequalities, we aim to understand each region's strengths and capabilities and how they can each contribute to the growth of Scotland's economy, particularly around its key sectors.

Our Regional Advisory Boards and Scotland's Industry Advisory Groups, which are made up of representatives from industry, academia and the wider public sector, will continue to play a vital role in helping us do this.

We will look to identify “win-win” opportunities where we can both address regional inequality and contribute to Scotland's overall economic growth at the same time. Investment in Fife Energy Park, for example, is helping us to exploit new opportunities for Scotland's renewables sector while helping to address unemployment levels in Fife and Dundee.

These opportunities include support for new forms of enterprise, such as our work with social enterprises as part of the third sector, and the work to we do to stimulate greater use of co-operative forms of enterprise, such as the significant employee buy-outs supported by our subsidiary organisation, Co-operative Development Scotland.

Our rural group will continue to support the growth of rural economies across lowland Scotland by addressing issues specific to rural areas. This includes delivering projects such as the Rural Leadership and Planning to Succeed programmes, in partnership with Highlands & Islands Enterprise and local authorities.

It also includes the work we're doing with the South of Scotland Alliance to access UK government funding for the roll out of next generation of broadband in rural areas that will help deliver the Scottish Government's Digital Strategy.

Finally, we also recognise the significant opportunities in Scotland's city regions, reflecting the lead role that the urban metropolitan areas have in shaping our economy, leading the development of some of our key sectors and playing an important role in key issues such as creativity and innovation, social trends and lifestyle, and acting as important destinations in tourism. An example is our involvement in the Glasgow Economic Commission, which is setting out clear long-term visions for the future development of the Glasgow city-region.

## WHAT WE WILL DELIVER:

- **Make use of Regional Selective Assistance (RSA) grants** to encourage Scottish companies to expand as well as attract new investment to Scotland in more disadvantaged areas.
- **Identify opportunities within Scotland's key sectors** that will help to improve the performance of under-performing regions.
- **Support Scotland's rural economy** by supporting the growth of rural businesses; identify new opportunities in the energy, food & drink and tourism sectors; and improve access to next generation broadband in rural areas.
- **Provide regional economic intelligence and work with partners** to inform city-region and Strategic Development Planning as well Regional Transport Partnerships and Community Planning Partnerships.

## CASE STUDY | CREAM O GALLOWAY



*Cream O Galloway was established in 1994 and manufactures luxury organic ice creams targeting the premium and ethical markets.*

*Tough conditions in the premium food sector have seen the company look towards new markets to grow its business. Through our account management programme, it was able access specialist support from one of innovation advisors as well as expert advice from our SDI field team. As a result, the company has been able to conclude its first deal in the South Korea market while the company is keen to build on this success and target new overseas markets.*

*“The support SE has given me as we move into exporting has ensured that everything is in place to allow us to build the company and sustain increased revenue and sales.” Wilma Finlay, Managing Director*

# 7. PARTNERSHIP WORKING

The delivery of the Government Economic Strategy (GES) depends on the efforts of all public agencies across Scotland working towards the same goal.

**Our work is also underpinned by strategic partnerships with businesses, academia, industry and third sector organisations.**

It is this collective effort which will ensure we can make the biggest difference to Scotland's economy with the resources we have available.

At a time when agencies across the public sector are under increasing budget pressures, this spirit of collaboration has never been more important. More than ever, we need to look at how we can demonstrate greater strategic alignment across the public sector to boost Scotland's economy.

There will continue to be a focus on the work of the Strategic Forum partners, which include the Scottish Government, Highlands & Islands Enterprise (HIE), Scottish Funding Council (SFC), Skills Development Scotland (SDS) and VisitScotland (VS).

In the past year, significant progress has been made with these partners. We have moved away from simply developing joint projects to establishing joint plans that support Scotland's key sectors.

In food and drink for example, a number of partners have come together to identify how they can individually contribute to the industry strategy developed by Scotland Food and Drink. This has seen Skills Development Scotland, lead on the Scottish Food and Drink Skills Academy while we have developed the new Scottish Food and Drink Health Innovation Service.

We recognise, though, that more can be done to build on examples of best practice and achieve greater levels of collaboration and integration with our public sector partners.

Set out below are opportunities where we will be looking to work more closely with individual partners over the coming three years.

## HIGHLANDS AND ISLANDS ENTERPRISE

- Continue to develop a shared approach to enhance company support across Scotland through services such as Scottish Manufacturing Advisory Service, Smart Exporter and the Scottish Investment Bank.

- Develop joint industry sector plans in line with recommendations from Industry Advisory Groups, particularly in renewable energy, life sciences and tourism.
- Help secure greater international trade and investment opportunities across Scotland through the work of Scottish Development International.

## SCOTTISH FUNDING COUNCIL

- Continue to exploit the wide range of intellectual property assets within Scotland's universities through developing better links with Scottish companies and delivering commercialisation programmes to create new or support existing companies of scale.
- Significant joint working on sector specific initiatives in renewable energy, smart grids, life sciences and enabling technologies – and working collaboratively to respond to future opportunities flowing from our Industry Advisory Groups.

- Significant joint working with Scottish Development International to promote the capabilities and expertise within Scottish universities to the international market, developing collaborations and agreements with overseas institutions.
- Using shared research and market intelligence to support investment decisions of the agencies.

### SKILLS DEVELOPMENT SCOTLAND

- Help identify and address skills gaps within Scotland's key sectors and our company base, particularly around leadership and organisational development.
- Work together to exploit new opportunities identified by Industry Advisory Groups and respond to demand from major employers.
- Support SDS's lead role in delivering redundancy support through Partnership Action for Continuing Employment (PACE).

### VISITSCOTLAND

- Gather and disseminate market intelligence to the industry through the joint SE, HIE, VisitScotland Tourism Intelligence Scotland project.
- Support local destination development plans to enhance Scotland's main tourism destinations.
- Strengthen overseas collaboration particularly in relation to the promotion of Scotland; attracting major events; innovation and commercialisation; and support wider business engagement.

### CREATIVE SCOTLAND

- Play an active role in the Scottish Creative Industries Partnership (SCIP), alongside Creative Scotland, to deliver joined up support for the Creative Industries.
- Continue to support the Creative Industries across our work with key and growth sectors: Construction (supporting architecture), Digital Markets, Textiles (supporting design) and Tourism (music and the arts).

### LOCAL AUTHORITIES

- Play an active role on the Business Gateway Scotland Board and work with our local authority partners to raise awareness of the business support available to Scottish companies and how to access it.
- Contribute to the development and delivery of Single Outcome Agreements for each Local Authority area and participate in local Community Planning Partnerships.
- Share economic intelligence and market insight reports to help inform local economic development.
- Work alongside individual local authorities on strategic infrastructure projects to help improve the business environment. These include Energetica in the North East; the West Edinburgh Planning Framework; Dundee Central Waterfront and the International Financial Services District in Glasgow.

We will also work with a range of other public sector agencies such as **Transport Scotland** and **SEPA** on specific projects and will continue to look at opportunities for how we can join up our services more effectively.

## 8. FINANCIAL SUMMARY

**Next year, Scottish Enterprise will invest £332 million in the Scottish economy. This is a significant amount and we must achieve excellent value for money.**

**In recent years, we have been able to make significant efficiency savings.**

We have done this by streamlining our operations and management structures, reducing our accommodation costs by sharing office space with other organisations, and reducing expenditure in areas such as IT, marketing and research.

For example, last year we developed a shared approach to IT services with Skills Development Scotland, which is expected to result in £2 million of annual savings for each organisation, totalling £20 million of savings for the Scottish public sector over the next five years.

Given the substantial savings already achieved and the improvements we've made to our services, it is proving increasingly challenging to reduce costs while maintaining service provision and the impact from our activities.

However, we believe we can still make our money work harder by securing greater investment in our projects from both the private sector and other public sector bodies.

European Structural Funds continue to support the delivery of a number of our key projects, including our R&D and investment funds, the Smart Exporter initiative as well as a number of key infrastructure projects. We aim to build on past success and look for new opportunities to maximise the available funding to Scotland through our participation in other European funding programmes.

Our planned expenditure for 2011-12 is shown over the page.

In publishing its spending plans for 2011-12, the Scottish Government confirmed that it intends to set budget allocations for the period 2012-13 to 2014-15 through a spending review to conclude in autumn 2011, which will take into account the conclusions of the Commission on the Future Delivery of Public Services.

The financial summary therefore focuses on 2011-12.



	INDICATIVE RESOURCE ALLOCATION 2011/12 EM
<b>Supporting Globally Competitive Business</b>	
Strategy, Leadership and Organisational development Domestic Market Development Business Efficiency	11.2
Innovation and R&D Support	22.3
RSA and SMART Support	43.2
Enterprise Support Programmes	5.6
Internationalisation, including export market development & GlobalScot	13
Commercialisation - Development & Exploitation of Intellectual Assets	16.3
Direct staff costs supporting globally competitive businesses	29.2
<b>TOTAL</b>	<b>140.8</b>
<b>Supporting Globally Competitive Sectors</b>	
Industry Sector project support	14.7
Direct staff costs supporting globally competitive sectors	8.1
<b>TOTAL</b>	<b>22.8</b>
<b>Globally Competitive Business Environment</b>	
Business Infrastructure Projects	55.3
Equity Investments and Loans	26
Scottish Loan Fund	10
Urban Regeneration Company Support	12.5
Property Portfolio Operational Costs	7.6
Direct staff costs supporting a globally competitive business environment	4.5
<b>TOTAL</b>	<b>115.9</b>

	INDICATIVE RESOURCE ALLOCATION 2011/12 £M
<b>Marketing, Research and Stakeholder Engagement</b>	
Domestic	2.4
Overseas, including promotion of Scotland	4.3
<b>TOTAL</b>	<b>6.7</b>
<b>Running the Business</b>	
Support staff costs	12.8
<b>Premises and Facilities Management</b>	
Domestic	14.7
Overseas	5.5
Corporate services, including ICT, Legal, Travel, etc	12.6
<b>TOTAL</b>	<b>45.6</b>
<b>TOTAL CASH INVESTMENT</b>	<b>331.8</b>
<b>Income Analysis</b>	
Grant in Aid per Scottish Government budget	194.4
Less Local Regeneration transfer to Local Authorities	- 4.0
Add RSA and SMART budget transfer from Scottish Government	44.7
Add anticipated in-year additional budget transfers from Scottish Government	3.0
Revised Grant in Aid	238.1
EU Funds	12.0
Property Disposals	35.6
Property Income	5.0
Co-Investment Fund	14.2
Scottish Loan Fund	10.0
Other Business Income	16.9
	<b>331.8</b>

**Notes:**

1. The budget allocations are indicative only. SE manages its budgets in a flexible manner to allow us to react to opportunities and threats that may arise from developments in the global economy.
2. Marketing, research and stakeholder engagement includes the development of the Business Gateway website into a single portal where businesses can access all relevant public sector regulation, information and advice from one place including reserved UK matters, such as tax and VAT.
3. Delivery costs include services we provide on behalf of partners and across the whole of Scotland, including: Scottish Development International, Business Gateway website and enquiry service; Scottish Manufacturing Advisory Service; Co-operative Development Scotland and the Scottish Investment Bank.

## 9. MEASURING OUR PERFORMANCE

The Government Economic Strategy sets out high-level targets for increasing Scotland's sustainable economic growth and the diagram on page 34 illustrates the contribution that Scottish Enterprise makes to the National Outcomes and Purpose Targets of the National Performance Framework, used to track progress against the Government Economic Strategy.

As a public agency, we need to be able to demonstrate the impact we achieve from our investment.

Private sector businesses tend to measure their success in terms of profit, as income increases and costs are reduced. Rather than "profit", our goal is economic impact: additional growth in the Scottish economy that would not have taken place without us and our partners.

Whilst our own income has been flat, we aim to continually stimulate more investment across the economy (Scotland's "income") and reduce Scotland's "costs" by leveraging investment by others. We also strive to reduce our own operating costs to provide greater value for money.

This plan outlines the actions we take to increase private investment and reduce public costs. Set out below is the comprehensive measurement framework that brings this together to help us continually improve the impact we have on the economy - Scotland's economic "bottom line".

It should be noted, that the balance of work we carry out may shift over time. Some areas will increase, while others may decrease, as we modify the range of activity we undertake to increase our impact. As part of coherent plans for each sector, for example, some of our quantifiable outputs may go down, as well as up, as the balance of activity changes to meet new opportunities. This is a sign of a well thought through business plan geared towards maximising the overall impact.

An overall assessment of that impact – as a result of the activities and outcomes set out in this Business Plan – suggests that every £1 of operational spend in 2011-12 could generate an additional economic impact (GVA) of between £6 to £9 for Scotland over the next ten years. This represents a potential additional benefit of £1.7 billion to £2.5 billion for Scotland's economy by 2021.



This estimate is derived from a continuous programme of independent evaluation and appraisal to assess our return on investment. The methods used have been independently verified and follow HM Treasury Green Book principles. All of our evaluations are published and are publicly available on our Evaluations Online website ([www.evaluationsonline.org.uk](http://www.evaluationsonline.org.uk)).

We remain focussed on the longer-term strategic goal of the Government Economic Strategy: to raise Scotland’s long-term sustainable economic growth. In the current economic climate, we are also giving more consideration of the impact of our activities on employment, by tracking the number of jobs being created and safeguarded as a result of SE’s work. This includes the creation of higher value-added jobs that add most to Scotland’s global competitiveness. There is an important regional dimension to this, where creating and sustaining jobs will help ensure economic growth is shared across different areas of Scotland.

**Note:** Impacts in net present value terms and are based on best available appraisal and evaluation evidence. They are presented as a range to reflect future economic uncertainties, and the further ahead we project the less certain the impacts are.

	CUMULATIVE NET PRESENT IMPACT (£M) AT:		
	3 YEARS	5 YEARS	10 YEARS
<b>Investment in support of:</b>			
Globally competitive companies	540 – 800	700 – 1,090	1,120 – 1,680
Globally competitive sectors	10 – 20	30 – 50	80 – 120
Globally competitive environment	60 – 80	170 – 250	520 – 780
<b>Total</b>	<b>610 – 900</b>	<b>930 – 1,390</b>	<b>1,720 – 2,580</b>

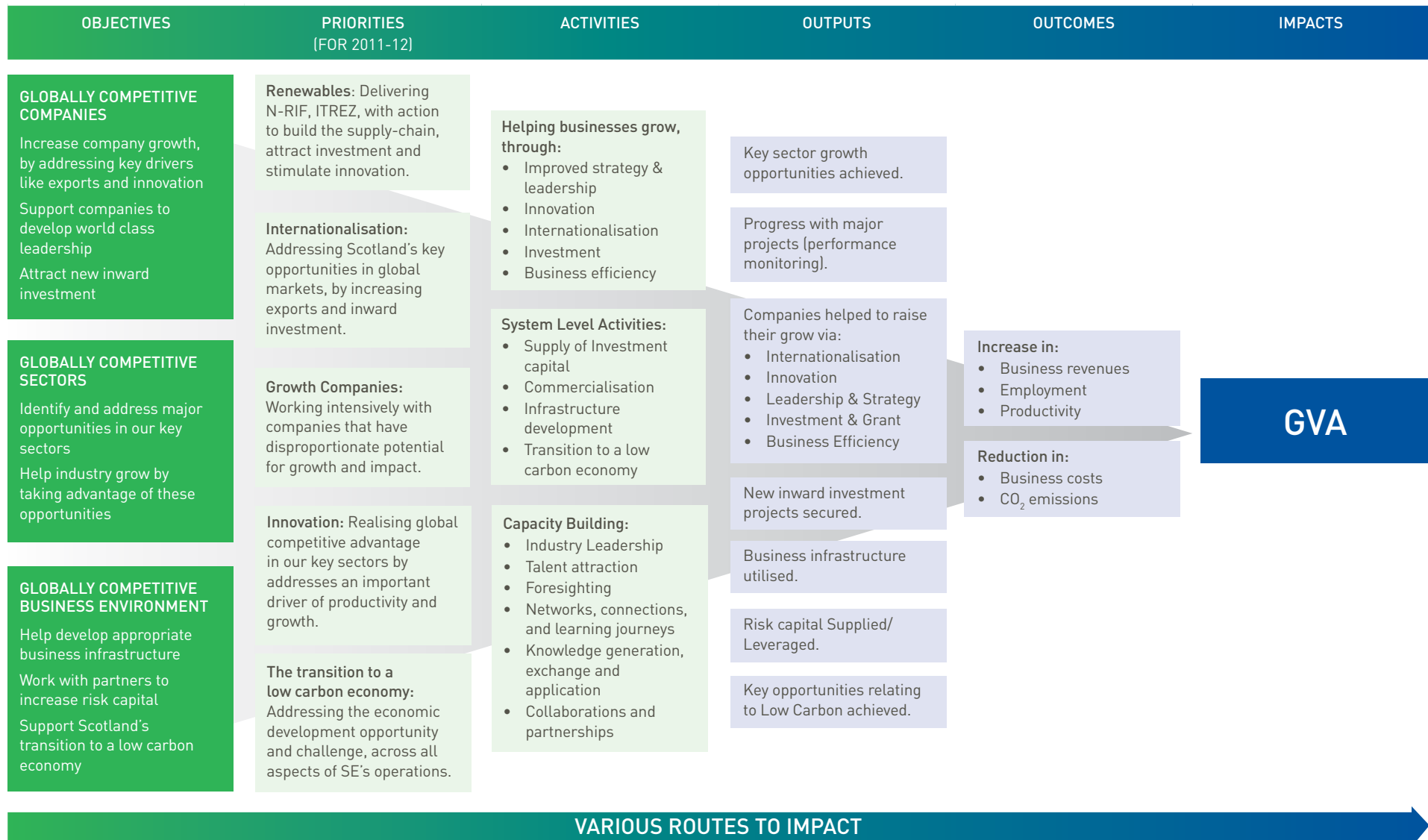
### MONITORING OUR PERFORMANCE

As well as tracking our contribution to the goals of the Government Economic Strategy, Scottish Enterprise also analyses the progress of our key programmes and projects to measure our performance in detail. Our overall performance framework, used to monitor the progress of our entire range of activities, is illustrated by the diagram overleaf.

The diagram on page 32 highlights our overall objectives across the themes of supporting more globally competitive companies, developing globally competitive sectors and building a globally competitive business environment. It also highlights the activities we will deliver; the outputs and outcomes of these activities; and, ultimately, the impact that this will generate for the Scottish economy over time.

Also listed on page 33 are the Performance Measures and Targets we use to track our progress and manage our business – including the milestones we aim to deliver during the coming year, across the strategic priorities set out in this plan.

## SCOTTISH ENTERPRISE MEASUREMENT FRAMEWORK



## MILESTONES AND MEASURES (SCOTTISH ENTERPRISE'S PRIORITIES 2011/12)

PRIORITY	MILESTONES	MEASURES
<p><b>Renewables</b> Develop a globally competitive offshore renewables (wind and marine) sector in Scotland by 2015</p>	<ul style="list-style-type: none"> <li>Secure "first mover" advantage in infrastructure investments in National Renewables Infrastructure Fund (NRIF)</li> <li>Attract private &amp; public R&amp;D investment to the International Technology and Renewable Energy Zone (ITREZ)</li> <li>Drive significant reductions in CO<sub>2</sub> emissions in power generation</li> <li>Development and expansion of the domestic supply chain in renewable related opportunities</li> <li>More renewables companies achieving significant growth</li> </ul>	<ul style="list-style-type: none"> <li>Secure 1-3 anchor private investors in key NRIF project(s)</li> <li>Leverage of £130m-£150m of private sector investment to public support on NRIF</li> <li>Leverage of private sector investment in offshore renewables</li> <li>Increased coverage through:                             <ul style="list-style-type: none"> <li>Account Management</li> <li>R&amp;D and Innovation Grant Awards (£15m-£25m additional investment)</li> <li>Inward Investment (450 high-value jobs)</li> <li>Export activity (20 companies helped to internationalise)</li> <li>Regional Selective Assistance</li> </ul> </li> </ul>
<p><b>Internationalisation</b> Stimulate the globally competitive position of Scotland's companies and sectors</p>	<ul style="list-style-type: none"> <li>Focus export and inward investment activities on the competitive advantages in our key sectors</li> <li>Secure anchor investors for NRIF and Edinburgh Bio Quarter (EBQ)</li> <li>Implementation of Smart Exporter</li> <li>Take-up of Scottish Investment Bank products and Scottish Loan Fund by Scottish exporters</li> </ul>	<ul style="list-style-type: none"> <li>1,600 - 2,400 new High Value Jobs from inward investment</li> <li>110-170 additional companies achieving significant turnover growth from exporting</li> <li>Number of new companies into exporting</li> <li>Significant inward investment and talent attracted to key sector infrastructure (Advanced Forming &amp; Research Centre, Edinburgh Bio Quarter and Informatics Scotland)</li> </ul>
<p><b>Growth companies</b> Support increased growth from the companies and sectors we work with.</p>	<ul style="list-style-type: none"> <li>More companies growing to scale within the key sectors</li> <li>Create more sustainable new high growth technology firms from the Commercialisation process</li> <li>Increase in business efficiency/productivity and reduce CO<sub>2</sub> impacts</li> <li>Take-up of Scottish Investment Bank products and Scottish Loan Fund by Growth Companies</li> </ul>	<ul style="list-style-type: none"> <li>£500m - £700m additional turnover growth by account- managed firms</li> <li>4-6 new entrepreneurial companies achieving £5m turnover after 5 years of trading</li> <li>£200-£250m of additional capital investment in projects supported by Regional Selective assistance (RSA) grants</li> <li>£55m-£75m of leveraged investment from equity provision through the Scottish Investment Bank</li> <li>400 - 500 companies achieving significant productivity improvements through projects like SMAS</li> </ul>
<p><b>Innovation</b> Improve the operational efficiency or competitiveness of companies and sectors through the exploitation of new ideas.</p>	<ul style="list-style-type: none"> <li>Increase greater levels of market lead innovation driven from market intelligence activity, such as Food Insights, Technology Foresighting &amp; Tourism Intelligence Scotland</li> <li>Secure first 50 companies implementing innovation projects through the Food &amp; Health Innovation Service</li> <li>Successful company innovation through the Supply Chain programme in Energy</li> <li>Secure new funding sources for collaborative and procurement driven innovation</li> </ul>	<ul style="list-style-type: none"> <li>Between £65m to £75m of additional business R&amp;D investment from SE-assisted projects (R&amp;D and SMART grants)</li> <li>350-450 companies introducing new products/ services/process that generate significant value</li> <li>Increased leverage of collaborative R&amp;D funds from other public sources (Technology Strategy Board, Framework Programme 7 and Small Business Research Initiative)</li> <li>Number of companies accessing key sector market intelligence initiatives</li> </ul>
<p><b>The transition to a low carbon economy</b> Increase economic impact of reduced CO<sub>2</sub> emissions across all aspects of our operations</p>	<ul style="list-style-type: none"> <li>Exploit key market opportunities for Scotland across the key sectors e.g. Low-carbon Construction/Built Environment</li> <li>Increase in business efficiency/productivity and reduce CO<sub>2</sub> impacts</li> </ul>	<ul style="list-style-type: none"> <li>Between 25,000- 30,000 tonnes of CO<sub>2</sub> savings arising from SE company support that improves productivity</li> </ul>

## SCOTTISH ENTERPRISE ACTIVITIES: LINKS TO OVERALL NATIONAL PERFORMANCE FRAMEWORK

The Government Economic Strategy sets out high-level targets for increasing sustainable economic growth. These targets, along with 15 national outcomes, have informed the development of SE's Business Plan. This diagram highlights the areas where SE activities contribute to National Outcomes and Purpose Targets as part of the National Performance Framework.

NATIONAL OUTCOMES		SE PRIORITIES: LINKS TO TARGETS AND OUTCOMES		7 PURPOSE TARGETS										
1.	We live in a Scotland that is the most attractive place for doing business in Europe	◀◀▶▶	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2">SE OBJECTIVES</th> </tr> </thead> <tbody> <tr> <td style="background-color: #0070C0; color: white; text-align: center;">1</td> <td style="background-color: #0070C0; color: white;">Supporting globally competitive companies with growth &amp; internationalisation opportunities, innovation &amp; commercialisation and workforce development.</td> </tr> <tr> <td style="background-color: #003366; color: white; text-align: center;">2</td> <td style="background-color: #003366; color: white;">Building globally competitive sectors utilising Scotland's existing capabilities and ensuring that Scotland is recognised as a world leader in growing sectors.</td> </tr> <tr> <td style="background-color: #70AD47; color: white; text-align: center;">3</td> <td style="background-color: #70AD47; color: white;">Establishing a globally competitive business environment creating the right conditions for Scotland to compete with other international locations.</td> </tr> </tbody> </table>	SE OBJECTIVES		1	Supporting globally competitive companies with growth & internationalisation opportunities, innovation & commercialisation and workforce development.	2	Building globally competitive sectors utilising Scotland's existing capabilities and ensuring that Scotland is recognised as a world leader in growing sectors.	3	Establishing a globally competitive business environment creating the right conditions for Scotland to compete with other international locations.	▶▶▶▶	Economic Growth (GDP)	To raise the GDP growth rate to the UK level by 2011 To match the growth rate of small independent EU countries by 2017
SE OBJECTIVES														
1	Supporting globally competitive companies with growth & internationalisation opportunities, innovation & commercialisation and workforce development.													
2	Building globally competitive sectors utilising Scotland's existing capabilities and ensuring that Scotland is recognised as a world leader in growing sectors.													
3	Establishing a globally competitive business environment creating the right conditions for Scotland to compete with other international locations.													
2.	We realise our full economic potential with more and better employment opportunities for our people	◀◀▶▶		▶▶▶▶	Productivity	To rank in the top quartile for productivity amongst our key trading partners in the OECD by 2017								
3.	We are better educated, more skilled and more successful, renowned for our research and innovation	◀◀▶▶		▶▶▶▶	Participation	To maintain our position on labour market participation as the top performing country in the UK and to close the gap with the top five OECD economies by 2017								
4.	Our young people are successful learners, confident individuals, effective contributors and responsible citizens			▶▶▶▶	Population	To match average European (EU15) population growth over the period from 2007 to 2017, supported by increased healthy life expectancy in Scotland over this period								
5.	Our children have the best start in life and are ready to succeed				Solidarity	To increase overall income and the proportion of income earned by the three lowest income deciles as a group by 2017								
6.	We live longer, healthier lives	◀◀▶▶			Cohesion	To narrow the gap in participation between Scotland's best and worst performing regions by 2017								
7.	We have tackled the significant inequalities in Scottish society	◀◀▶▶			Sustainability	To reduce emissions over the period to 2011 To reduce emissions by 80 per cent by 2050								
8.	We have improved the life chances for children, young people and families at risk			▶▶▶▶										
9.	We live our lives safe from crime, disorder and danger			▶▶▶▶										
10.	We live in well-designed, sustainable places where we are able to access the amenities and services we need	◀▶		▶▶▶▶										
11.	We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others	◀▶		▶▶▶▶										
12.	We value and enjoy our built and natural environment and protect it and enhance it for future generations	◀▶												
13.	We take pride in a strong, fair and inclusive national identity													
14.	We reduce the local and global environmental impact of our consumption and production	◀◀▶▶												
15.	Our public services are high quality, continually improving, efficient and responsive to local people's needs	◀◀▶▶												

Key:

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◀ Major contribution

◀ Support contribution



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