

NATIONAL ECONOMIC FORUM – NINETEENTH MEETING : 13 DECEMBER 2017

DISCUSSION PAPER – BUILDING A BACKBONE TO SUPPORT ENTERPRISE, ENTREPRENEURSHIP, AND INNOVATION

Hosts:

- Paul Wheelhouse MSP, Minister for Business, Innovation and Energy;
- Michael Russell MSP, Minister for UK Negotiations on Scotland's Place in Europe

Facilitators:

- Sandy Kennedy, Chief Executive, Entrepreneurial Scotland;
- James Stuart, Managing Director, Entrepreneurial Scotland

Summary

This discussion group enabled public, private, and third sector representatives to engage on the future shape of entrepreneurial support within Scotland, in particular focussing on the “Backbone” aspect of the Enterprise and Skills Review. The role of the Backbone (to be hosted by Entrepreneurial Scotland) is to work with stakeholders to ensure ongoing alignment of vision, delivery of mutually reinforcing actions, continuous communications, and an agreed monitoring framework. Under the banner of Scotland CAN DO, it will help fuel our ambition to be ‘the most entrepreneurial society in the world’.

Introduction and Background

Mr Wheelhouse, Minister for Business, Innovation and Energy, and Mr Russell, Minister for UK negotiations on Scotland's Place in Europe, welcomed delegates to the discussion group and thanked them for their attendance. Mr Wheelhouse provided some background on the Enterprise and Skills Review, the Backbone, and the on-going commitment of the Scottish Government to support entrepreneurial activity.

Building on key recommendations made in the 2014 Regional Entrepreneurship Acceleration Programme (REAP) report, the recent Enterprise and Skills Review committed to the creation of a “Backbone” in support of entrepreneurship and innovation. Its aim is to foster innovation-driven entrepreneurship in Scotland through stakeholder collaboration and engagement.

In the same year as the MIT REAP report was published, Scotland CAN DO was launched by the Scottish Government. Developed and led by partners, CAN DO represents a shared statement of intent towards becoming a world-leading entrepreneurial and innovative nation: a CAN DO place for business. It is the aim of the Backbone to build on the considerable support and goodwill that Scotland CAN DO as a movement has already gathered.

Topics Discussed

The facilitators asked participants to consider three main topics. Contributions were welcomed for a period of 20-25 minutes per topic and several common strands emerged in each.

Imagine it is 2030 and Scotland has realised the CAN DO vision... what does it feel and look like?

This part of the workshop focussed on discussing a future in which the CAN DO vision has been realised. Participants' suggestions grouped around three main themes;

Diversity of Involvement:

Participants agreed that a crucial feature of success is that entrepreneurship and innovation are embedded and accepted traits; that they should be admired and regarded as worthy career choices for people of every age group and background rather than viewed as high-risk pursuits.

Success should be celebrated, failure should be acknowledged, and the value of both states should be recognised. Entrepreneurs and innovators should be inspired, resourced, and rewarded, and feel at home within Scotland. The community would be mutually supportive and encourage collaboration.

The participants indicated that being the world's most entrepreneurial society would require greater recognition of different scales of success – while larger scale and international businesses would rightly be celebrated, so too would local enterprise. Local hubs would be widely available offering a range of accessible and informal support.

Scotland would be recognised as a world leader in areas of established strength such as food, drink, and energy, as well as in new and emerging areas.

Education:

A common theme was the acknowledgement that success would be accompanied by better integration between entrepreneurial activity and youth/education. At the earliest stages, children would better understand the relationship between economic life and the lessons they receive.

At later stages, colleges and universities would be fully integrated into the entrepreneurial ecosystem, offering greater access to support for new entrepreneurs, and greater opportunities for innovation, research & development.

Finance and Business Support:

Several participants emphasized the importance of finance and business support as key aspects of realising the CAN DO vision. Access to finance for entrepreneurs and innovators would be streamlined and tied to a more efficient system of business support, which would see decisions made within a much shorter timescale than is currently standard. A common theme which emerged when describing a more efficient system of business support was the idea of discrete parts being better "joined up". At present the system could be described as a series of gates or doors which slowed down progress. In the future it would be more like a river.

As alternative finance platforms such as crowdfunding and peer-to-peer lending become more prominent, Scotland would emerge as a beacon of financial excellence and integrity. World-leadership in this sector would not only see Scotland become a viable choice for international investment and increase its profile on the world stage, but would encourage more people of talent to come to these shores.

Ideally, the capital for innovation would primarily be sourced locally. While the group were not opposed to international investment, they were aware that the sale of Scottish companies to international interests may diminish local investment and inclusive growth.

What is stopping us from realising this vision?

While the goal of realising the CAN DO vision appears achievable, participants acknowledged that more needed to be done. This part of the workshop focussed on possible barriers to success.

Measures of Success:

Participants agreed that it may be beneficial to move to a model which focussed less on margins and more on “soft” profits like resilience, employee retention, and job-satisfaction. If the factors which previously influenced the success of a business were Money, Management, and Markets, many participants believed that a new generation of entrepreneurs are more likely to favour People, Planet, Purpose, and Profit – in that order.

Some participants expressed a concern that there is an emphasis on businesses securing investment, not on customers, and that access to finance can often foster a reluctance to further develop a product or build customer relationships. This indicated a need to focus more on sales and marketing skills. On the other hand, there was an acknowledgement that different businesses have different capital needs, and that undercapitalization remains a significant risk for some.

More generally, the discussion acknowledged that an emphasis on a single measurement of success is not fitting for all business - in particular in Scotland where the vast majority of businesses employ fewer than 50 people - the trajectory of *begin, build, buyout* may not always be helpful. Similarly, a drive to internationalise or to have a digital strategy simply does not exist in some businesses due to their nature or size, and failure to acknowledge this could be harmful.

Culture, Institutions & Skills:

Participants discussed cultural and institutional barriers to successfully realising the CAN DO vision. In general, it is perceived that a silo mentality still exists between public, private, and third sector areas, between corporate and entrepreneurial interests, and even between user and business interests. The culture of many organisations may also favour the status quo.

Linked to this was a discussion about the fragmented support which some businesses receive. What is expected to be a single, smooth journey was perceived in some cases to be more like a series of small jumps. This can be exacerbated by double-handling, inefficiency, and delay. As many businesses seek support as part of a time-critical decision, this can pose a significant barrier to success.

In terms of innovation, the prevailing university model of intellectual property ownership was highlighted as a possible impediment to progress, however successful alternative models existed which could be followed.

Generally, the group acknowledged a limit on the capacity and skills present in some businesses, and the availability of opportunities to develop these skills – in particular on management and sales.

Starting now, what opportunities are there to build on?

Developing the two previous parts of the workshop, this part of the session invited participants to share their ideas for opportunities to build on. In particular, it expanded the concept of collective impact and the Backbone introduced at the beginning of the workshop.

Values:

Participants believed that continued transition to a values-based society and values-based business could be a multiplying factor in realising the CAN DO vision. This would be supported by the entry of a capable, values-conscious, educated youth to the workforce. There was discussion on harnessing these “millennial values” as “Scottish values” more generally, and how this might push the CAN DO vision forward.

Education:

Scotland’s human and intellectual capital was recognised as a crucial resource for future growth, but the readiness of the private sector and educational system to collaborate could be expanded further,. The group agreed that the exposure to entrepreneurial activities and thinking at an earlier age could be life changing and have a significant impact.

New and Existing Markets:

Scotland’s expertise and established market share in energy, food, drink, life sciences, etc... could be further utilised, and the identification and focus on emerging markets could provide new areas for innovation and entrepreneurship to flourish.

General:

Participants considered the connectivity between public, private, and third sector players in Scotland economy and enterprise & support ecosystem to be an excellent base on which to build, and agreed that discussion group represented the type of collaboration which could have a beneficial impact and provide positive direction to future actions. They emphasized the importance of future participation of this type in helping to shape Scotland’s future, and the power of building such change together rather than from the top down.

Closing Comments.

Mr Wheelhouse and Mr Russell thanked delegates and facilitators for their helpful discussion on the entrepreneurial and innovative society which Scotland aspires to be.

**Scottish Government
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