

EVALUATION OF TEAM SCOTLAND'S INWARD INVESTMENT SUPPORT: SUMMARY REPORT



1. Introduction

Scotland’s Inward Investment Plan: **Shaping Scotland’s Economy** (hereafter referred to as the IIP) defines inward investment as when a business entity from outside of Scotland (including the rest of the UK) establishes, expands, or safeguards¹ its business operations in Scotland. The IIP sets an ambition for Scotland to be a leading destination for inward investment globally, with a key focus on enjoying not only direct impacts, but wider “spillover” benefits - those that occur within the wider Scottish economy – of inward investment activity. The delivery of the plan has been focussed on a series of actions, one of which highlights the importance of developing a robust monitoring and evaluation (M&E) framework. This summary outlines the key findings of this work.

Figure 1: Delivery partner (DP) organisations



Action to attract inward investment to Scotland is primarily undertaken for the Scottish Government by delivery partners in a “Team Scotland” approach (see figure 1). Companies are provided with assistance by delivery partners who aid companies to realise their ambitions before, during and after locating in Scotland. In collaboration with delivery partners, the Scottish Government developed an M&E framework to look at both the impact of delivery partner support and the process of the support delivered. The main outcomes of interest from the evaluation are related to additionality of support, employment in the opportunity areas² outlined in the IIP, and the increased spillover benefits across the economy through supply chains and knowledge exchange.



Impact Questions

AND



Process Questions

A theory of change (ToC) model was developed in collaboration with delivery partners at the start of the evaluation process (see Appendix 1 of the full report), in order to articulate the purpose of this evaluation and to outline the key outcomes and impacts mentioned above. These evaluation questions are shown in table 1 below.

¹ Safeguarding refers to supporting a business to maintain operations in Scotland when considering relocation, downsizing, or closure.

² Opportunity areas are Decarbonisation of Transport, Digital Business Services, Digital Financial Services, Energy Transition, Food & Drink Innovation, Healthtech, Software & IT, Space, and Transformation of Chemical Industries.

Table 1 – Impact and process questions from the Theory of Change (ToC) model

Impact Questions	Process Questions
<ul style="list-style-type: none"> • What are the direct and indirect impacts of inward investment support on the pace / size / effectiveness of a project and job creation? • Are businesses better off because of the support? • What approach / combination of support add the most value for businesses? • Do those in receipt of support differ from those without? • What effect does support have on the wider Scottish economy? 	<ul style="list-style-type: none"> • How does inward investment support affect the project cycle? • How/why does the support make a difference to their project? • How is support delivered and is it effective? • How do beneficiaries interact with delivery partners and what was their experience of the support?

The evaluation approach employed a mix of research methods outlined in Table 2 below. The intended research outputs link back to the ToC model developed and seek to answer the evaluation questions above. This report and factsheet below summarises the key messages from the suite of research which are associated with the ToC model.

Table 2 – Summary of research methods and intended measurable metrics.

Research Strand	Analytical Methods	Intended Research Output
1. DP Management Information (MI) Review and Analysis	- Descriptive Data Analysis - Cross-sectional data analysis	Impact of support ³ on planned jobs ⁴ . Assess the link between the combination of support and investor patterns and trends.
2. Business survey and economic impact assessment (EIA)	- Online & Computer Assisted Telephone Interview (CATI) survey - Economic Analysis	Assess the barriers to investment and the additionality of support provided. Evaluate process satisfaction, and wider “spillover” benefits of support.
3. Administrative Dataset Linking	- Linking of MI with official administrative data.	Identify performance of inward investors in receipt of support through turnover and employment. Assess the link between planned jobs and real jobs.
4. Qualitative research	- Business telephone interviews - Case studies	In depth exploration of effects of the support on suppliers, competitors, and customers of the inward investor. Rationale for investment location decisions.

The first two research strands in table 2, and interview element of the fourth were conducted externally by the Enterprise Research Centre (ERC). Their full report and methodology are provided as supporting documents to this summary. The evaluation period covers inward investment projects into Scotland between the financial years 2018/19 and 2020/21⁵ and focuses on the companies that have been in receipt of support from delivery partners. This suite of research provides Scottish Government, Ministers, and delivery partners with a better understanding of the impact of support offered to inward investors, where this is successfully leading to increased investment and employment, and spillover effects for the Scottish economy and areas for consideration. These will serve to inform future policy decisions that will improve operational delivery pertaining to investment promotion in Scotland, help to maintain Scotland’s focus on areas of competitive advantage, and maintain and enhance the attractiveness of Scotland as an investment destination.

³ Includes financial and non-financial instruments, as well as interventions such as signposting and advice.

⁴ Planned jobs measure is a KPI used by delivery partners.

⁵ Analysis of the Management Information was conducted across financial years 2016/17 – 2021/22, which is available in the report by the Enterprise Research Centre.

2. Factsheet – Scottish Inward Investment Support Evaluation (2018/19 – 2020/21)

282	£4.88	£1.7 bn	£147,611	8.3/10
Number of businesses supported by delivery partners between financial years 2018/19 and 2020/21.	Average amount inward investors contributed to projects for every £1 of planned public financial assistance.	Total turnover of matched ⁶ firms supported by delivery partners with new or safeguarding projects.	Average turnover per employee of matched firms supported by delivery partners for new /safeguarding projects.	Average investor rating of satisfaction with the way the support was delivered.

£1 billion value of all planned inward investment that flowed into Scotland that was supported by delivery partners.

174 inward investors with a successful project in Scotland were surveyed (51 responses)

50% of respondents said that without the support, they definitely or probably would not have been able to carry out the new/expansion project.

28% of respondents said that without the support, the project would have happened, but at a later date.

81% of respondents were SMEs⁷

58% of respondents were in receipt of offers of financial support

89% of respondents attributed the support to increasing and/or safeguarding jobs.

66% of respondents with new/expansion projects considered investing elsewhere but decided on Scotland.

England⁸
USA
Germany Most popular alternative countries considered for Scottish investment projects.

8.3 out of 10 Average investor rating of satisfaction with the way the support was delivered

Scottish inward investment companies are typically engaged in **innovation**. They play a significant part in **global value chains**, bring “headquarter” benefits to Scotland and develop **partnerships** with Scottish universities, colleges, and domestic firms, exhibiting integration into crucial **knowledge exchange** processes.

⁶ 206 out of 282 firms were matched into the interdepartmental business register (IDBR). The majority (97%) of the £1.7 billion is the turnover of safeguarded firms. These are established firms likely to be at a different stage in their growth cycle.

⁷ Based on the size of the business’ Scottish operations – less than 250 employees.

⁸ The most popular English regions were London, North West and North East.

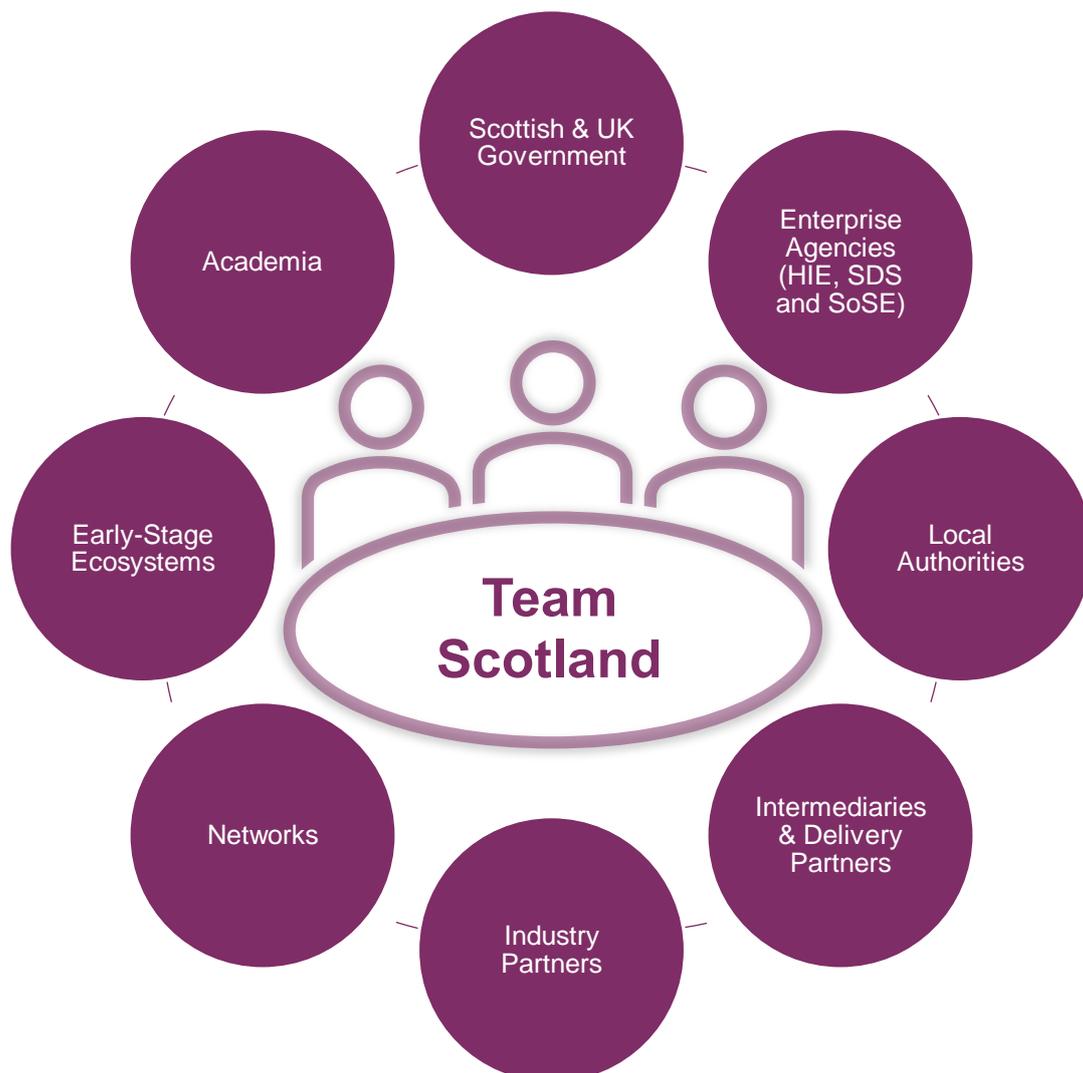
3. The support process

Scottish Development International (SDI) is Scotland's trade and inward investment agency, helping businesses from around the world do business in or with Scotland. SDI promotes Scotland as a place for investment and trade, helping to create a more dynamic and globally competitive economy in Scotland. This is achieved by providing information, partnering with businesses and investors that want to set up or invest in Scotland, and helping businesses find the connections they need. Support includes:

- Property searches and advice to help businesses find the right facilities
- Academic connections to Scottish universities and colleges
- Supply chain development to identify partners and suppliers that can support business
- Links to intermediary business professionals
- Talent, recruitment, and skills advice to access the skills and experience businesses need
- Flexible workforce development to support staff development needs
- Links to local and global business networks
- Business support and advice from dedicated advisers who help strategize and signpost businesses to the right support
- Financial support to locate, expand or maintain operations in Scotland.

The approach is supported by a unique 'Team Scotland' partnership, which sees the public sector, including delivery partners, working together with academia and industry to promote the very best Scotland has to offer.

Figure 2: A collaborative approach to delivering results



Partnership working at local, regional, national and international levels underpins work to develop and implement a Team Scotland approach to amplifying efforts to build Scotland's reputation and reach in strategically important international markets. Analysis from the beneficiary survey highlighted the following key headline findings when considering the impacts of this support.

3.1 Impact analysis

3.1.1 Attracting Investment

A significant volume of inward investment projects come to Scotland without assistance, however, in a global environment with competing locations, a more focussed and targeted approach to inward investment promotion can favourably influence the choice of location.

The evaluation has shown that delivery partner support has been a key factor in delivering inward investment projects that are benefitting the wider Scottish economy through innovations, supply chains and embeddedness in the economy, supporting domestic suppliers, and engaged in knowledge exchange with higher/ further education institutions and businesses, resulting in a variety of impacts such as new and improved business processes and further R&D.

It is also clear that investment companies valued the offer of financial assistance and assigned a high degree of impact to it, with 50% believing that they would have definitely not, or probably would not have, carried out their project without public sector support, and a further 28% responding that they would have carried it out but not as quickly.

3.1.2 Nature of Investment

An important finding is that almost half of respondent investors stated that their operations in Scotland were strategic, with investors establishing central offices or headquarters. These projects exhibit a higher level of autonomy, more importance in the global value chain, a greater degree of decision-making capacity and integration into crucial knowledge exchanges with higher and further education. HQ functions typically offer higher wages and increased decision-making functions. This is in contrast with historical waves of inward investment which tended to be 'branch-plants'.

3.1.3 Jobs Impact

Key emerging themes from the results show that the majority of firms (54%) reported that the support helped them to deliver their investment project (new/expansion projects only), with more than 9 in 10 businesses reporting that they increased the number of people employed and/or safeguarded existing jobs as a result of the support. Moreover, 73% of businesses anticipate the number of people employed by the company in Scotland to increase over the next three years as a result of the support.

Inward investment impacts take time to materialise both in terms of job creation and wider economic benefits. Delivery partners therefore monitor the planned jobs outcome measure over a three-year period after receiving support, for businesses to achieve their projections. Only a third of respondents to the survey had exhausted this timeframe beneficiaries were yet to achieve the planned number of jobs created at the time of the survey. Therefore, taking anticipated job creation over the next three years from survey data into account, 73% of supported firms are expected to increase jobs in the future (ranging from 60% to 86%). This could result in additional 6,289 new jobs over the next three years (ranging from 4,193 to 8,703). Average estimates would indicate a 34% higher than planned job creation.

In addition, analysis was conducted to estimate whether jobs associated with inward investment were realised in practice. Over the period, businesses planned to create or safeguard 13,947 jobs

(62/38 per cent split between new and safeguarding jobs). Inferences were drawn from the share of respondents that reported that the support had an impact on their job creation/safeguarding. This resulted in total **actual** new jobs estimated to be 5,297⁹ over the evaluation period, while **actual** safeguarded jobs were estimated to be 5,863¹⁰. Compared to the planned jobs measure, this suggests that businesses are yet to achieve their outcomes when it comes to new jobs but had already exceeded plans for safeguarding jobs.

The achievement of spillover benefits was a key part of the Inward Investment Plan. Even though much of this analysis relates to the period prior to the publication of the plan, the evaluation did find that spillover effects were in evidence. Specifically, these relate to supply chain impacts and knowledge exchange. Survey results show that approximately 9 in 10 supported firms buy goods/services from Scottish suppliers and that, on average, 40% of all goods and 50% of all services were supplied by Scottish companies. Fifty-nine per-cent said they had bought more as a result of the support provided. Approximately six in ten sell their goods/services to the Scottish market.

3.1.4 Spillover effects

Of those that responded about half reported that knowledge and/or expertise transfer activities took place between them and different stakeholders in Scotland, for example:

- 50% of firms reported that knowledge and/or expertise transfer activities occurred between their firm and their Scottish suppliers
- 48% reported that knowledge/expertise transfer activities occurred between their firm and their Scottish business customers
- 45% of firms reported developing partnerships / relationships with Scotland's universities and/or colleges as a result of the support

The outcomes of these transfer activities included: reduced product costs and improved product quality (47%); improved product quality (29%); and other outcomes such as functionality, environmental technology, network, and IP (18%).

When asked about alternative investment locations, 70% of firms considered the option of investing elsewhere instead of Scotland but landed in Scotland (for new and expansions projects only), with the principal factors to firm's decision cited as:

- Skilled workforce availability (28%)
- Scottish Government support¹¹ (16%)
- Technology & innovation (13%)

3.2 Implementation and process analysis

The process analysis sheds light on how support led to these outcomes and how satisfied respondents were with that support. In addition, a key consideration for any investment decision for a potential investor is location. Data from the interview respondents provided a deeper sense of "why Scotland?"; this included factors such as skills access, DP relationship management, positive experience with the delivery partners and more attractive financial support.

On average companies rated their satisfaction with the way the support was delivered quite highly at 8.3 out of 10 (ranging from five to 10). About a third (34 percent) of businesses rated the way the support was delivered at below 8. Their reasons for this were mostly of a financial nature, such

⁹ Range estimate between 3,952 and 6,525 new jobs.

¹⁰ Range estimate between 4,839 and 6,622 safeguarded jobs.

¹¹ Referring to support from SG and DP.

as wishing for greater financial support, grant not having been allocated or being unsure if it will be allocated. Other factors included bureaucracy and administrative burden, timescales, speed of work, and a desire for greater engagement.

Respondents were positive about the quality of the support provided describing it as “good” or “very good”. Of those that elaborated, some specified reasons such as delivery partners’ responsiveness, engagement and professionalism, consistency of quality, and contribution to achieving results.

4. Analysis of management information

The Theory of Change model set out a range of resources that the programme had available, which would be used for the delivery of the support as well as monitoring the progress of projects through management information (MI) systems. Over the evaluation period, MI data shows that the Scottish Government and its delivery partners undertook a broad range of activities of support to 282 unique firms and 310 inward investment projects, with a planned total new jobs figure of 14,070. Support was provided for three inward investment types: new (support to establish a new company in Scotland), expansion (to expand the company in Scotland) and safeguarding (to prevent the company in Scotland from closing down or downsizing).

The MI review uses information gathered from validated success forms which are completed following a successful project landing in Scotland and a high degree of confidence can be placed in this data. In addition to the broader points above, this data also shows that over the period 2018/19-2020/21:

1. **Inward investors contributed £4.88** for every £1 of planned public financial assistance.
2. **England and the USA are the most common locations for parent companies** that receive assistance for inward investment projects in Scotland.
3. Inward investment support was **concentrated on projects in bigger cities**: over 50% of support offered falling to companies establishing operations in Edinburgh and/or Glasgow.
4. Scotland’s inward investment projects were also **concentrated in urban locations**, with 89% of projects being in an urban location.
5. Of Scotland’s **nine opportunity areas**, **Healthtech, Energy Transition** and **Software & IT** received the **most projects**, although the largest category was “Other”¹². The highest number of jobs per project was found in Digital Financial Services while the highest level of assistance per job was in Transformation of Chemical Industries.
6. **Most projects were expansion projects**, while safeguarding projects had the highest number of jobs per project.
7. Finally, projects **without an offer of financial assistance had a higher level of planned new jobs** when compared to projects with an offer (7,556 vs. 6,515) yet accounted for a smaller proportion of all projects (45%). Projects with offers of financial assistance had a higher level of safeguarded jobs than projects without.

Respondents highlighted a variety of factors and support types that were most influential in deciding to invest in Scotland, and which were most helpful. These can be seen in Figure 3 below.

¹² This includes all projects that do not fit into the opportunity areas. Approximately two-thirds of the projects in question predated the IIP and subsequent opportunity area definitions.

Figure 3: Principal factors and support types in business investment decisions



5. Administrative data linking

Analysis linking management information from delivery partners with an extract¹³ from the Inter-departmental business register (IDBR) achieved a matching rate of 73%. This showed a total of 206 businesses with inward investment projects over the period 2018/19 – 2020/21.

This analysis shows the economic footprint of inward investment companies in Scotland, which have been supported by the Scottish Government through its delivery partners over the evaluation period. It relates to a snapshot of the business stock as of March 2021 and presents the employment, turnover, and labour productivity of this cohort split by various characteristics.

Analysis allowed the figures to be split by project type – new, expansion, safeguarding, multiple – which allows inferences to be made with regards to the turnover and employment that can reasonably be attributed to the support offered. Figures associated with new and safeguarding projects are also likely to increase as business objectives materialise over the period following the support received.

Notably, the majority of projects that are attracted to Scotland are in fact expansion projects. This analysis provides the economic footprint of the business entity at a particular moment in time and will therefore include employment and turnover values that will precede any support which led to the expansion. As a result, analysis on expansion projects is limited as attribution to support cannot be inferred.

- Total employment in Scotland by these businesses is 78,700 and total turnover in Scotland is £20.6 billion. This equates to a turnover per employee (derived labour productivity) of £262,000 which exceeds that of Scottish (£109,000) and rest of the UK (£164,000) headquartered businesses, but not those headquartered abroad (£289,000).
- Average turnover per business was highest in businesses with expansion projects, relative to new and safeguarding projects. The fact that turnover and employment for expansion projects will include the period prior to intervention, is a factor.
- For new inward investment projects that were supported by DPs, total turnover of businesses was £45 million, and employment was 760.

¹³ Extract taken from March 2021.

- For safeguarding projects, turnover was £1.7 billion, and employment was 10,690. In addition, labour productivity for safeguarding projects exceeded the average for all registered private sector businesses in Scotland (£152,000).
- Average labour productivity for businesses with new and safeguarding projects was £148,000. This was higher than the Scottish and UK average (£109,000 and £120,000 respectively).
- In terms of labour productivity by IIP opportunity area, the top three areas were in Healthtech (£466,000), Food & Drink Innovation (£272,000), Other (£221,000) and Energy Transition (£157,000). All of which exceed the average labour productivity of Scottish and RUK headquartered companies¹⁴.
- Companies with projects in the services sector tended to have higher employment, while labour productivity for other sectors, including manufacturing (£317,000), was higher than that of services companies (£231,000).

Broadly speaking, this analysis shows that inward investment businesses with completed projects that were supported by delivery partners, tended to perform better than the Scottish and UK average, but slightly poorer than businesses headquartered abroad¹⁵.

Data tables for this research are provided and can be found in the supporting documents.

6. Depth interviews

Depth interviews were conducted to explore different journeys that led companies to invest in Scotland, and to better understand the wider benefits of the investment activity. These included a range of investment project objectives such as product development, process innovation and business/market growth. These interviews generally backed up the survey results and allowed a more detailed exploration of the findings, however the key points are summarised below.

All companies interviewed (10) considered that the investment support had an impact, often substantial, on their ability to deliver the project to completion. The depth interviews also sought to unpick the disparity between real job numbers and those planned. While some reported lower actual jobs figures due to Covid-19, the economic downturn and difficulty recruiting, on balance, the evidence suggests that planned jobs generally did translate into actual jobs, and in some cases the actual number of newly created jobs was higher than planned as a result of business growth, for example, through the introduction of new business functions not originally related to the investment project (marketing and customer service), as well as higher sales and growth.

A key component of the interviews was the impact of the support on partnerships and stakeholders – “wider” economic benefits. The largest reported impact was transactional, as firms described partnerships with their business customers and/or suppliers that resulted in knowledge and expertise sharing. The benefits of these partnerships included new channels to sell own or partner’s product, sharing software system knowledge and knowledge about net zero practices.

Some spillover impacts that stem from inward investment are not captured through administrative data or fully through quantitative surveys. A case study has been developed to illustrate the impact of DP support in delivery high-value jobs from an inward [investment project in the Scottish Highlands](#).

¹⁴ These figures include expansion projects and are therefore not necessarily linked to the support provided.

¹⁵ Note the definition of inward investment in this report stated in the introduction, which includes both rUK and overseas investment.

7. Conclusion

It is clear from the analysis of the management information data and the beneficiary survey responses that the landscape of UK based/abroad-owned businesses in Scotland is more diverse at the start of the 2020s than in any previous time periods. Scotland has a large SME community (99.4%), some of which are inward investment companies: the vast majority of those that responded to the survey (81%) were SMEs¹⁶. Firms' responses highlighted the impact and benefit that support had on their project, leading to further benefits to suppliers and customers as an extension of doing businesses in Scotland. About half of surveyed firms reported that knowledge and/or expertise transfer activities occurred between them and Scottish suppliers, business customers and Scottish universities/colleges. These activities resulted in a variety of impacts such as new or improved business processes, improved product quality, and R&D studies.

Analysis from this evaluation also shows that jobs associated with inward investment were realised in practice. Total actual new jobs were estimated to be 5,297¹⁷ over the evaluation period, while actual safeguarded jobs were estimated to be 5,863¹⁸. Survey data also showed that some firms achieved additional job outcomes, over and above planned jobs. Moreover, anticipated job creation over the next three years from the survey revealed that the majority of firms plan to increase the number of actual jobs in the future.

The delivery of this evaluation required a consideration of the wider context in which investment was taking place. The COVID-19 pandemic had a substantial impact on business investment and unprecedented government policy interventions affecting the movement of people and providing financial assistance were made within the evaluation period. In addition to experiencing other external events that negatively affected their performance, the negative impact appears to be worse than anticipated as there was already a downward trend in the number of planned jobs between 2018 and 2020. The majority of businesses (80%) reported that their investment project was affected by at least one negative factor, e.g., COVID-19, EU-exit, or other such as global supply chain disruption over the period. This could not be balanced by a small proportion of firms (11%) that reported that their investment projects were positively affected by some external factor. For the majority of businesses (83%) negative factors resulted in a decrease in the number of people employed and project delays.

8. Recommendations

The approach taken to this evaluation used mixed methods to provide a holistic understanding of what impacts have been achieved and how, with research strands looking to evaluate direct and indirect impacts, and the implementation and delivery of support. The large part of the analysis was conducted externally, and as a result some recommendations have been put forward to help build on the current evidence base for spillovers and suggest ways that future evaluations can be conducted with improved outputs. These recommendations include:

- Improved data collection – having access to business data would allow for a robust assessment of the survey sample, provide higher certainty on survey representativeness, and allow to add survey weights if needed.
- Target support - financial support (grants/ subsidies) was shown to be the greatest incentive for companies to consider investing in Scotland again, with other beneficial types of support varying by business type.
- Maximise inclusion of supported firms – a large share of supported firms were not included in the analysis due to opt-outs and other reasons. Including participation in surveys as a condition of the support received could help circumvent this issue in future, improve the sample size, and therefore the robustness and representativeness of the findings.

¹⁶ Based on the size of the business' Scottish operations – less than 250 employees.

¹⁷ Range estimate between 3,952 and 6,525 new jobs.

¹⁸ Range estimate between 4,839 and 6,622 safeguarded jobs.



© Crown copyright 2023



This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3 or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.scot

Any enquiries regarding this publication should be sent to us at

The Scottish Government
St Andrew's House
Edinburgh
EH1 3DG

ISBN: 978-1-83521-090-1 (web only)

Published by The Scottish Government, July 2023

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA
PPDAS1295302 (07/23)

W W W . g o v . s c o t