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Evaluation of the Scottish Government's Inward Investment Support

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Final report

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Executive summary

The Enterprise Research Centre (ERC) and Centre for Business Prosperity (CBP) at Aston University were commissioned by the Scottish Government (SG) to undertake the evaluation of Scotland's inward investment promotion support provided by its delivery partners. The evaluation consists of two strands:

- Detailed business survey and interviews with supported beneficiaries in the period of 2018/19 to 2020/21 intended to identify and assess the following: impacts from the support (incl. to the wider economy), mechanisms of how impact was achieved, which support types work best, and lessons learned for the delivery; and
- Management Information review and analysis of inward investment activities over six financial years from 2016/17 to 2021/22 intended to provide additional context.

The evaluation focused on “validated successes” as categorised by the delivery partners; that is, inward investment projects that successfully landed in Scotland following the support. Inward investment support was provided to new projects (first time investors to Scotland), expansion projects (existing investors in Scotland, supported to create new jobs), safeguarding projects (existing investors in Scotland, supported to safeguard/maintain existing jobs) and projects involving both (expansion and safeguarding, new and expansion). The key performance metric for inward investment is the number of planned jobs created and/or safeguarded in Scotland.

The Scottish Government provides funding to delivery partners to deliver the customer facing inward investment support and services offered to businesses. Scottish Development International (SDI), as Scotland's trade and inward investment agency, leads the direct delivery of this inward investment support to businesses, working closely with the Enterprise Agencies (Scottish Enterprise (SE), Highlands and Islands Enterprise (HIE) and South of Scotland Enterprise (SOSE)) and Skills Development Scotland (SDS) on skills development and support.

The evaluation employed a mixed-methods approach consisting of an online/phone survey with 49 supported beneficiaries, 10 in-depth qualitative interviews with beneficiaries, and a desk review of Management Information data.

The key findings from the evaluation are:

- In 2016/17 to 2021/22 (the period of the Management Information Review), the Scottish Government-funded delivery partners led by SDI provided a wide range of inward investment support to 688 investment projects across the country. Most supported projects were expansion projects, while safeguarding projects had the highest number of planned jobs per project.
- In 2018/19 to 2020/21 (the period of the business survey), 282 unique firms and 310 investment projects were supported. Of them, 174 opted into the evaluation survey and 49 responded.
- Majority of inward investors (81%) had fewer than 250 employees in Scotland. Inward investors tended to have one site in Scotland (65%) and produce both goods and services in a number of business sectors in Scotland. However, Scotland and the rest of the UK were not their exclusive markets: these were global businesses that tended to sell to the rest of the world (Europe, the Middle East and Africa countries in particular).

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- Inward investors had varying and multiple reasons for considering Scotland in the first instance, which were related to their business objectives and plans rather than the availability of public sector support. Sixty-six per cent of inward investors (new/expansion projects only) also considered investing elsewhere instead of Scotland, most often the rest of the UK and the EU. At this decision-making stage, public sector support was one of the most common considerations, along with the availability of a skilled workforce and support for developing skills. For some firms the support was a deciding factor in the investment, and a contributing factor for the majority.
- Over 8 in 10 firms accessed multiple types of support with the most common ones being financial support and different types of signposting, i.e., to specialist advice, to existing training, or to financial assistance. Satisfaction with the way the support was delivered was high at 8.3 out of 10. Financial support was considered the most useful in helping to create/safeguard jobs. For delivering investment projects and other objectives, the usefulness of different non-financial support activities varied.
- Businesses reported a high level of impact as a result of the assistance: for 73% of firms the support had an impact on their company's performance and/or ability to deliver their project, for 89% of firms the support helped to increase the number of people employed and/or safeguard existing jobs, and 73% expected to create new jobs over the next three years.
- Assisted firms are estimated to have delivered 5,297 new jobs and 5,863 safeguarded jobs in Scotland as a result of the support. Taking anticipated job creation into account, supported businesses are likely to achieve, and possibly overachieve, their planned job creation at project inception in the next three years, and are likely to overachieve planned safeguarding jobs.
- Newly created and safeguarded jobs can be expected to be quality local jobs: 7 in 10 firms report that their employees are paid at or above the real living wage, and an estimated 8 in 10 firms report that majority of their employees were recruited from the local area.
- Assisted inward investors are also benefiting the wider economy in Scotland. Eighty-nine per cent of firms are buying goods and services from Scottish suppliers (equalling to 30% of all firms' suppliers) and 62% sell their products in Scotland (equalling to 42% of their total sales). Typically, suppliers and customers of assisted firms come from the Glasgow City Region and Edinburgh and South East Scotland City Region, which is also where the majority of inward investment projects were located.
- Over 60% of firms also generate wider impacts through knowledge and/or expertise transfer activities with Scottish suppliers, business customers, Scottish universities/colleges and other Scottish businesses. These activities result in a variety of impacts such as new or improved business processes, improved product quality, and R&D projects.
- The COVID-19 pandemic and EU-exit negatively affected investment projects of 80% of businesses: majority of them also reported that these factors decreased the number of people employed and caused project delays. Without these events, it is fair to assume that job creation by inward investors would have been swifter and/or greater.
- For future investment decisions, companies consider grants and/or subsidies to be the strongest incentives that could be offered. While typically positive about the support, some companies would like to see less red tape associated with obtaining financial support.

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- It is clear from the analysis of the Management Information data and the beneficiary survey responses that the foreign-owned/externally-owned sector in Scotland is more diverse at the start of the 2020s than in any previous time periods. Since the late 1960s Scotland, as well as Northern Ireland, Wales and the peripheral English regions have been characterised as 'branch-plant' economies with inward investment projects that have a lowly position in the value and command chain.
- The evidence points to inward investment projects in this most recent period that exhibit a:
 - higher level of autonomy in the inward investment plants supported in recent years,
 - more important role in global value chains
 - greater degree of integration into crucial knowledge exchange processes with the Higher and Further Education sectors,
 - greater diversity in the nature of the businesses (manufacturing and services)
 - higher levels of innovation in the Scottish operations.

The structure of this report is as follows: introduction; inward investment support (background & objectives); methodology; findings from the Management Information review; findings from the beneficiary survey; findings from beneficiary interviews; assessment of job outcomes; and conclusions & recommendations.

1. Introduction

- 1.1. The Scottish Government provides funding to delivery partners to deliver the customer facing inward investment support and services offered to businesses. Scottish Development International (SDI), as Scotland's trade and inward investment agency, leads the direct delivery of this inward investment support to businesses, working closely with the Enterprise Agencies (Scottish Enterprise (SE), Highlands and Islands Enterprise (HIE) and South of Scotland Enterprise (SOSE)) and Skills Development Scotland (SDS) on skills development and support.
- 1.2. The Enterprise Research Centre (ERC) and Centre for Business Prosperity (CBP) at Aston University were commissioned by the Scottish Government in May 2022 to undertake the evaluation of Scotland's export promotion and inward investment support over the period of 2018/19 to 2020/21 (three financial years).
- 1.3. ERC was also commissioned to undertake a Management Information review and analysis of inward investment activities over six financial years from 2016/17-2021/22.
- 1.4. The commission was steered by a working group on which the delivery partners set out above were also represented.
- 1.5. This report sets out the findings and conclusions of the evaluation of the inward investment support, including the Management Information review.

2. Inward investment support

- 2.1. This section provides an overview of desk research carried out for the Inward Investment support evaluation, including the Theory of Change (Logic Model).

Context and rationale

- 2.2. Inward investment impacts economic growth through direct benefits of job and value creation and externalities through productivity and innovation spillovers.¹ To illustrate, in 2018 inward investors in Scotland made up only 3% of Scottish businesses, but they generated 34% of employment (i.e., 624,000 jobs) and 46% of Scottish gross value added (GVA) (£41.7bn).²
- 2.3. The importance of promoting international trade has been recognised in Scotland at the highest policy level and encapsulated in the following documents: "Scotland's Vision for Trade" (26 Jan 2021), Export Growth Plan "Scotland: a Trading Nation" (ATN) (1 May 2019) and "Shaping Scotland's economy: Inward Investment Plan" (IIP) (27 Oct 2020).
- 2.4. The "Vision for Trade" report sets out the key principles and values of Scotland as a nation to base international trade on, which are inclusive growth, wellbeing, sustainability, a just transition to net zero, and good governance.³ It aims to deliver these principles in partnership with businesses while balancing and mitigating conflicting priorities. Meanwhile, the plans overview actionable ways of promoting their respective goals based on opportunity areas where Scotland is expected to have the biggest advantage. There is a significant overlap between Scottish export and inward investment which the Scottish Government recognises.⁴

¹ UK Government, "International trade: the economic benefits", 2018

² Scottish Government, Scotland's Inward Investment Plan: Shaping Scotland's economy, 2019

³ The Scottish Government Vision for Trade, 2020

⁴ The Scottish Government Vision for Trade, 2020

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86% of Scotland's top 100 exporters are foreign or the rest of UK-owned⁵ accounting for 77% of exports (£24.2bn).⁶

- 2.5. The Inward Investment Plan (IIP) presents evidence that rationalises the Government role to promote inward investment. For example, it suggests that if Scotland were as successful at maximising the wider benefits of inward investment as the best performing region in the UK, it could increase its GDP by £4.2bn and exports by £2.1bn annually.⁷ It further focuses on evidence-based priority areas expected to maximise impact of inward investment promotion efforts such as sectors, partner countries and growth trajectories.
- 2.6. The IIP defines an inward investor "as a company or institution headquartered outside of Scotland that establishes a base of operations within Scotland, creating jobs and associated capital investment" – this therefore includes the rest of UK, while foreign direct investment (FDI) refers to countries outside of UK. Mergers and acquisitions are counted if they created jobs and/or new facilities in Scotland.
- 2.7. All three Scottish Government policy documents recognise the implications of the UK's EU-exit for Scotland in terms of losing access to the European Single Market. Plus, European countries account for a significant proportion of inward investment: in 2019, 23% of inward investment projects were from France, Germany and Norway.⁸
- 2.8. The impacts of the UK's EU-exit on inward investment are expected to be negative; however, it remains to be seen to what extent and for how long. Some downward trends can already be observed: in 2019 Scotland recorded the lowest number of new inward investment projects since 2014⁹ though Scotland still attracts the highest number of inward investment projects in the UK after London.¹⁰
- 2.9. The EU-exit effects have unfortunately coincided with the COVID-19 pandemic that battered the world in 2020. Due to the timing of the plans, only the IIP recognises effects of the pandemic (ATN was published in 2019). The Scottish economy contracted by 19.4% in the second quarter of 2020.¹¹ It has since shown signs of recovery, though, overall, the effects of both EU-exit and COVID-19 as well as their interaction are yet to be fully understood and estimated.

Aims and objectives

- 2.10. The key aim of the Scottish Government, as set out in the IIP, with regards to inward investment is to be a leading destination for inward investment that aligns with the Scottish Governments objectives and values.
- 2.11. The IIP sets out both the direct effects (e.g., GVA and number of jobs) and the wider spillover benefits/indirect effects (e.g., competition and demonstration effects, supply chain opportunities) of inward investment. A target was set of delivering 100,000 jobs (including 20,000 from spill over benefits) by 2030.

⁵ Scottish Government, Scotland's Inward Investment Plan: Shaping Scotland's economy, 2019

⁶ The Scottish Government Vision for Trade, 2020

⁷ IIP

⁸ Battling Back, EY Scotland Attractiveness survey 2022

⁹ Ibid.

¹⁰ IIP

¹¹ Scottish Government, Scotland's Wellbeing: The Impact of COVID-19, 2020

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- 2.12. There are expected benefits to Scotland's wider economy to be gained from a "more focussed and targeted approach to inward investment attraction".¹² A key focus of the IIP is therefore to identify the priority areas that would maximise the value of inward investment benefits. It identifies nine opportunity areas for inward investment "where Scotland's strengths match global investment flows":¹³ 1. Energy Transition; 2. Decarbonisation of Transport; 3. Software and IT; 4. Digital Financial Services; 5. Digital Business Services; 6. Space; 7. Healthtech; 8. Transformation of Chemical Industries; and 9. Food & Drink Innovation. They can be broadly grouped as net zero economy, digital and high value manufacturing.
- 2.13. To further its inward investment (and other) goals, the Scottish Government funds the following executive non-departmental public bodies: Scottish Development International (SDI), Scottish Enterprise (SE), South of Scotland Enterprise (SOSE), Highlands and Islands Enterprise (HIE), and Skills Development Scotland (SDS) (i.e., delivery partners). These provide business support to promote inward investment, which is part of the wider support to businesses in Scotland.
- 2.14. The Scottish Government and delivery partners recognise that a significant volume of inward investment projects come to Scotland without their assistance; however, previous evaluation evidence found that 44% of inward investment projects would not have gone ahead without the support, which suggests the scope for government involvement.¹⁴ Plus, in addition to direct impacts, there is evidence of the creation of a positive investment environment in Scotland.

Evaluation framework

- 2.15. The IIP includes a commitment to develop a monitoring and evaluation framework for inward investment, which would ensure that evaluation of the support is consistent and robust. In the development of this framework, the working group set out above engaged in consultations and discussions with a variety of stakeholders which resulted in the decision to adopt a mixed methods approach. The mixed method approach combines quantitative analysis with complementary qualitative research and consists of four objectives:
- 2.15.1. The broad aims of the body of research to understand what impact is being achieved through the support provided;
- 2.15.2. What the relative contributions are of different types of support ("what works"), how resources can be reallocated where appropriate in order to maximise impacts;
- 2.15.3. What is the context and the mechanisms through which impacts are being achieved (the "how"); and
- 2.15.4. What can be learned in order to improve delivery/how we work with companies.
- 2.16. A key existing measure of success is the involved ("validated") successes as categorised by delivery partners, and the associated number of planned jobs. These are inward investment projects that have been successfully attracted to Scotland, following some element of support and/or intervention from delivery partners. This includes new 'greenfield' projects (first time investors to Scotland), expansion projects (existing investors in Scotland, supported to create

¹² Department for International Trade, 'Estimating the economic impacts of FDI to support DIT's promotion strategy'

¹³ IIP

¹⁴ SQW, "Strategic evaluation of SDI international activities. Final report", 23 May 2017

new jobs), and projects that resulted in safeguarding existing investment and jobs in Scotland. Firms could access support for more than one investment project.

2.17. The Logic Model for Inward Investment support (developed in April 2021) is presented in Appendix 1.

3. Methodology

- 3.1. This section presents a brief overview of the evaluation methodology.¹⁵
- 3.2. The evaluation consists of two strands: Management Information review and the evaluation of beneficiaries (including business survey and interviews). The primary purpose of the Management Information review is to provide additional context to the inward investment business survey findings.
- 3.3. The desk-based Management Information review covers six financial years from 2016/17-2021/22 and has the following objective: to analyse patterns and trends of support provided to inward investment projects over the period and their links to the planned jobs outcome. For example, are financially supported projects more likely to forecast higher levels of planned jobs? If so, what combinations of financial support appear to be most effective from the management data?
- 3.4. The Management Information analysis is based on SDI Management Information for 688 inward investment projects in the six-year period from 2016/17 to 2021/22.¹⁶ Complementary support was provided by other delivery partners in some cases.¹⁷
- 3.5. The broad aim of the beneficiary evaluation is to identify impacts of the business support, what business support works to promote inward investment and why; that is, to understand the contextual factors and mechanisms. The focus is direct job creation, additionalities, and spillover effects on the wider economy through supply chains and spatial proximity.
- 3.6. Inward investment may come from the rest of the UK (rUK) or from outside the UK (foreign direct investment or FDI). In the period for the survey-based evaluation (2018/19-2020/21), the Scottish Government and delivery partners supported 310 inward investment projects for 282 companies (24 firms received support for multiple projects, typically two projects). These are also known as “validated successes” as determined by delivery partners.
- 3.7. Inward investment support to beneficiaries was evaluated using a mixed-methods approach of surveying (by email and/or by telephone) and in-depth qualitative interviewing. Of the 282 supported companies, 174 opted into the evaluation (62%)¹⁸ and 49 responded to the survey (28% response rate).¹⁹ Those companies that agreed to a follow-up in the survey were invited to participate in qualitative interviews, resulting in interviews with 10 companies.
- 3.8. Based on data provided by the SDI Management Information System, the profile of all supported firms was very similar to that of firms that opted into the evaluation. This does not rule out possible differences based on characteristics for which data was not collected, such

¹⁵ There is a separate more detailed methodology note to accompany this final report.

¹⁶ Not all inward investment projects in Scotland involve public sector support or engagement. Projects are described as Involved Successes (public sector support) or Non-Involved Successes (no public sector support).

¹⁷ Involved projects landed in Scotland are recorded in annual “Validated Success Reports” within each financial year.

¹⁸ In addition to opting out, some firms were excluded from the evaluation by SDI operational decision, for example, when a company was subject to legal sanctions.

¹⁹ Response rate is calculated on the basis of post-survey adjustments to 172 firms that opted into the evaluation and could be reached. See the Methodology Note for more detail.

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as business size or motivations to opt out, which means that survey findings should only be inferred to those firms that opted into the evaluation. Responding firms were mostly similar to those that opted-in with one exception: companies that were offered financial support²⁰ were more likely to respond to the survey making up 75% of all respondents compared to 57% of all supported firms. This indicates that the survey results are somewhat skewed towards companies that were offered financial support.

- 3.9. See the Methodology Note for more detail on evaluation methods and sample representativeness.

4. Management Information review

- 4.1. This section relates to the Management Information review and analysis of Inward Investment activities. It is based on 688 inward investment projects supported by delivery partners in the financial years 2016/17 to 2021/22.
- 4.2. Success is measured by the number of planned jobs associated with supported projects and is measured through a combination of ALL planned jobs through support by SE/SDI alongside SG/HIE/SOSE/Department of Business and Trade (DBT) and other partners (e.g., universities, local authorities, SDS etc).
- 4.3. Planned jobs are defined as:
- 4.3.1. Full-time equivalents (FTE is defined as working more than 30 hours a week - ASHE definition). As a broad rule of thumb, two part time jobs equal one full time job;
- 4.3.2. expected to be permanent (i.e., expected to last for at least two years);
- 4.3.3. created over the next three years (criteria 2 and 3 as per UK government DBT definition);
- 4.3.4. based in Scotland.
- 4.4. Involved projects require evidence of support which can be either planned financial support or non-financial support which demonstrate a partner has worked with the client on the project being claimed.²¹
- 4.5. Financial assistance may comprise a grant, loan, investment, property or skills/training support and securing acceptance of this offer from the client. In terms of grant offers to existing or new inward investors, the offer may include staged grant payments to the company which are linked to evidence of jobs created as part of the inward investment project.
- 4.6. Non-financial assistance may comprise conducting one or more meetings with the client at an appropriate influencer/decision-maker level, with the key points/actions arising recorded on delivery partners' Management Information systems; providing a presentation or information tailored to the client; providing guidance to the client on other sources of public or private sector finance; hosting a location visit to Scotland (physical or virtual) by the client or a Department for Business and Trade (DBT) inward mission in which the company participated; arranging a property/site search or appraisal on behalf of the client. In addition, any combination of the above may be delivered as part of an account management service to existing investors.

²⁰ Following the offer, receiving financial assistance was contingent on fulfilling planned job outcomes.

²¹ The support may have been provided by SE/SDI as well as SG/HIE/SOSE/SDS/UKG and other partners where relevant (e.g., universities, local authorities etc).

Inward Investment Projects: a summary

4.7. Table 1 provides a summary of scale of the inward investment projects supported in the period for each financial year between 2016/17 and 2021/22. Overall, 688 projects were supported. The number of supported projects varied a little in each financial year, though in 2020/21 there were significantly fewer projects supported. Of the 45,248 planned jobs, over half (58%) were new jobs with the remainder being safeguarded jobs. In only two years the number of safeguarded jobs were higher than entirely new jobs – 2018/19 and 2021/22.

Table 1. Number and Scale of Inward Investment Projects by Financial Year (2016/17-2021/22)

Year	No. of Projects	Total New Jobs	Total S/G Jobs	Total Jobs
2016/17	139	4,425	3,414	7,839
2017/18	126	3,865	4,651	8,516
2018/19	108	6,685	3,389	10,074
2019/20	128	4,603	2,121	6,724
2020/21	74	2,782	1,534	4,316
2021/22	113	3,722	4,059	7,781
Total	688	26,082	19,168	45,250

Source: MI Database

4.8. To look at the time trend, Figure 1 shows the number of projects, new jobs, safeguarded jobs, and total jobs by year. 2016/17 had the highest number of projects with 139 followed by 2019/20 with 128 projects. Highest total number of planned jobs (new and safeguarded jobs) came from projects in 2018/19, in large part due to the high number of planned new jobs. If we compare this with Figure 2, which shows the capital expenditure and planned financial assistance, 2018/19 also had the highest capital expenditure and only the fourth highest planned financial assistance amount. In 2020/21, the gap between capital expenditure and financial assistance is at its lowest compared to the other years. There is a downward trend between 2018/19 and 2020/21 in both job types which could be attributed to the COVID-19 pandemic in 2019/20 and 2020/21. Businesses may have stalled investment and/or contracted to stay sustainable. However, there is an increase in planned jobs in 2021/22 indicating recovery, particularly with safeguarded jobs.

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Figure 1. Number of projects, new jobs, safeguarded jobs and total jobs by year²²

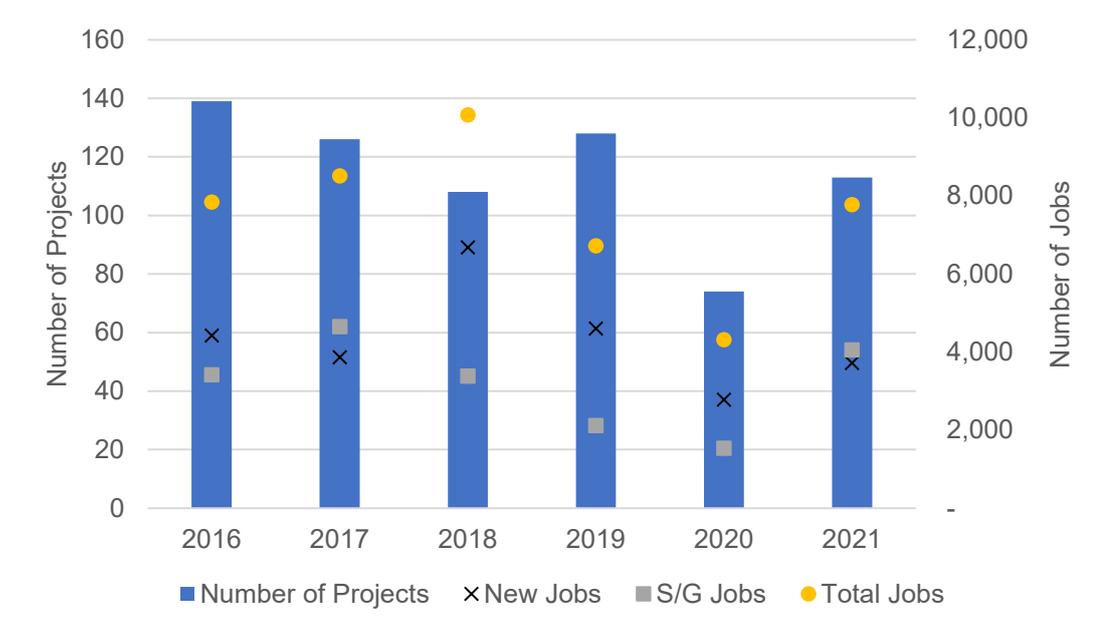
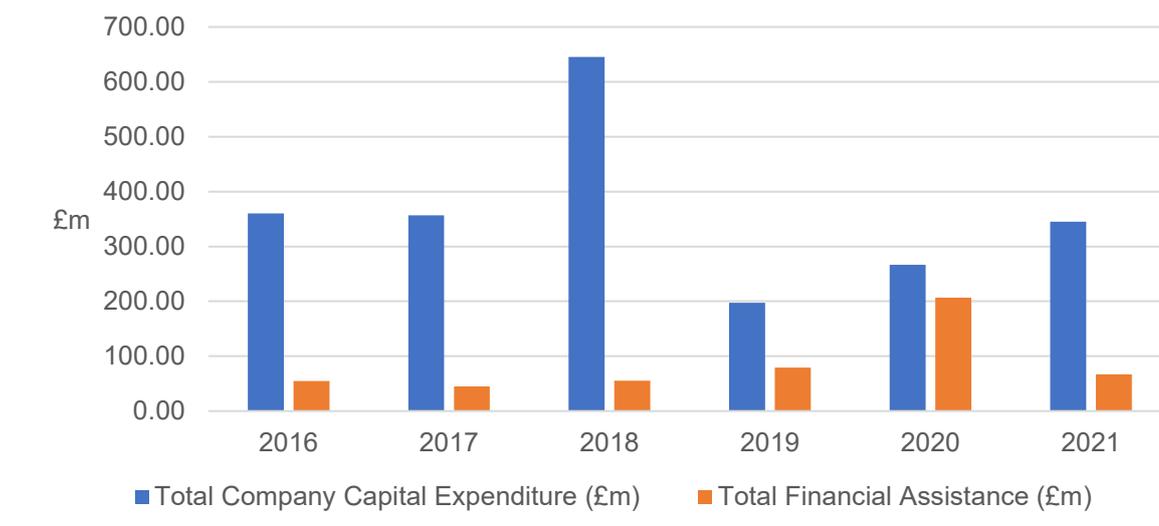


Figure 2. Capital Expenditure and planned financial assistance by year

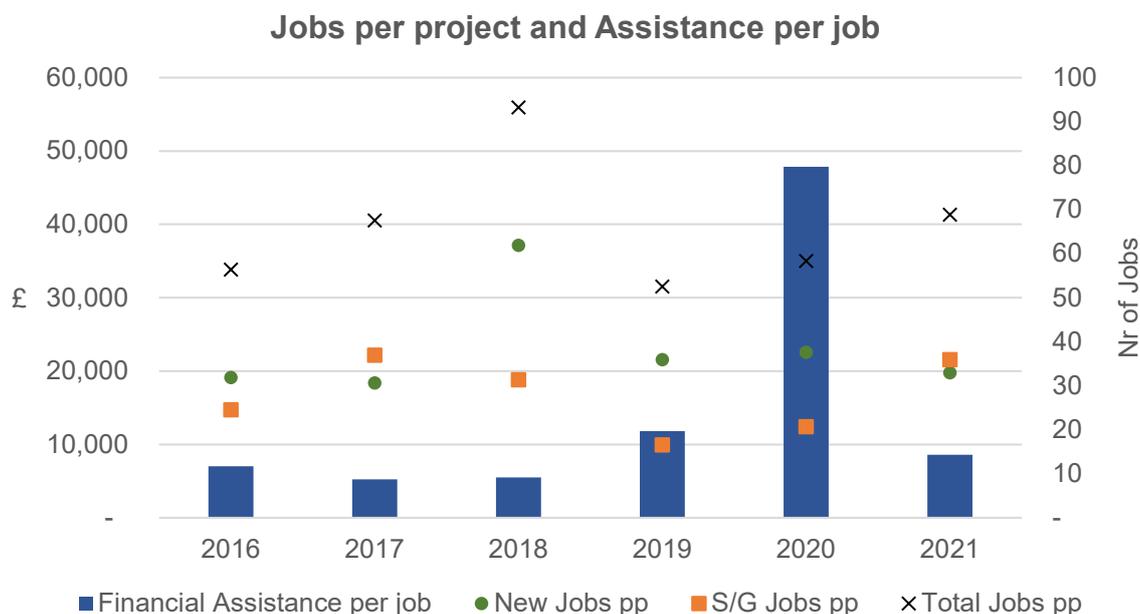


4.9. Figure 3 represents a breakdown by year. In 2020/21, planned financial assistance per job (the value of assistance divided by the number of jobs) was at its highest and well above other years. This is down to the low number of safeguarded and new jobs relative to the amount of planned financial assistance recorded in that year. As previously stated, total number of jobs was highest in 2018/19 while 2017/18 had the highest number of safeguarded jobs.

²² Here and elsewhere, a financial year is simplified for charts as a year (e.g., 2016 stands for 2016/17).

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Figure 3. Planned financial assistance per job, new jobs per project, safeguarded jobs per project and total jobs per project by year



The geography of investments

Economic Development Areas

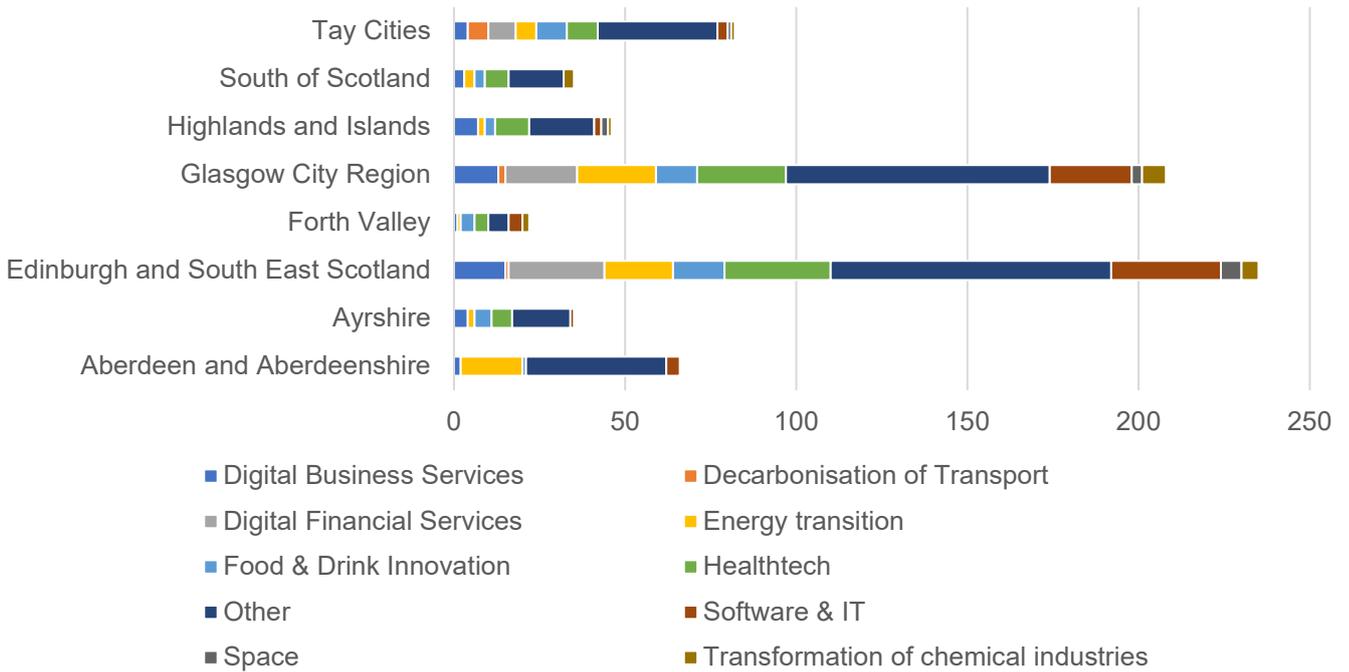
4.10. Data can be analysed by Economic Development Areas (EDA). These are effectively City-Regions and Regional Growth areas.

4.11. Figure 4 shows the number of projects broken down by opportunity area (nine opportunity areas plus “other”) in each EDA.²³ As expected, the highest number of projects are found in Glasgow City Region and Edinburgh & South East Scotland. The “other” category dominated across each EDA followed by Software and IT in Edinburgh and South East Scotland and Healthtech in Glasgow City Region. Energy transition was highest in Aberdeen and Aberdeenshire after Glasgow City Region.

²³ See Scotland's Inward Investment Plan: Shaping Scotland's Economy (2020) for details on the nine opportunity areas.

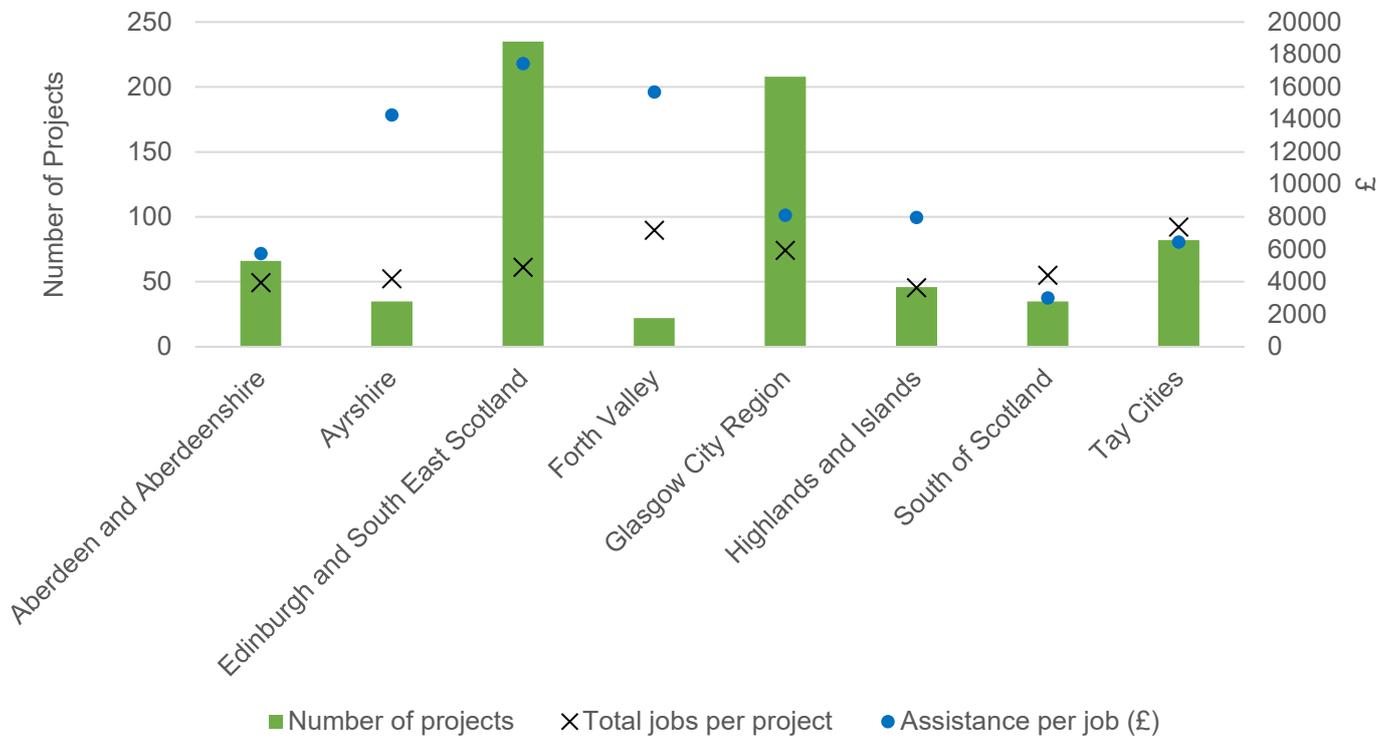
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Figure 4. Number of projects broken down by opportunity area in each EDA 2016-2022



4.12. Figure 5 shows the number of projects, total jobs per project and assistance per job by EDA. Edinburgh and South East Scotland, followed by Forth Valley showed the highest assistance per job levels compared to other EDAs. Tay Cities had the highest jobs per project followed by Forth Valley.

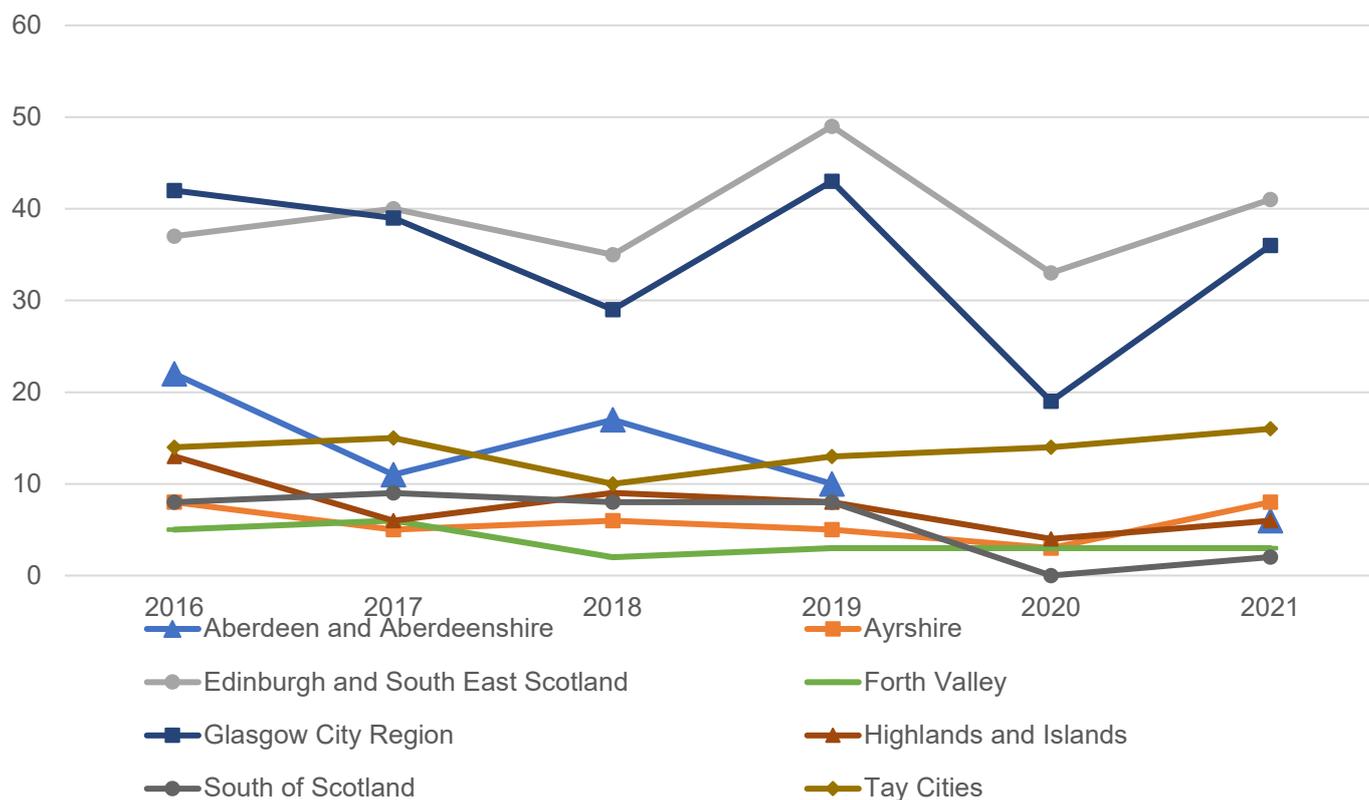
Figure 5. Number of projects, total jobs per project and planned assistance per job by EDA 2016-2022



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4.13. Looking at this over time, Figure 6 shows the number of projects by EDA between 2016 and 2022. Edinburgh and South East Scotland Region has, for the majority of the time, had the highest number of projects, except for in 2016/17 when Glasgow City Region had 42 projects while Edinburgh and South East Scotland Region had 37. Aberdeen & Aberdeenshire region do not have any projects in 2020/21 and, in 2021/22, they have the same number as Highlands & Islands region (six).

Figure 6. Number of projects per year by EDA



Urban – Rural

4.14. In this section, the focus is on urban and rural split²⁴ between projects (20 projects, three per cent of total, could not be categorised into rural or urban areas due to missing postcodes; it is likely these projects have not materialised, and we exclude them from the analysis below). A majority of projects are concentrated in urban areas, as shown in Figure 7. Seventy-nine projects were in rural areas versus 589 projects in urban areas. The average level of jobs per project and average assistance per job, however, were very similar. Figure 8 breaks down the number of projects by assistance types in rural and urban areas²⁵. Non-financial assistance was the category of assistance provided for the highest number of projects, with the majority of them in urban areas both in absolute (29 vs 268) and in relative terms (37% of rural total vs 46% of urban total). Other financial projects represent 38% of rural projects and 26% of urban ones whilst R&D projects are significantly concentrated in urban areas (13% of urban projects vs six per cent of rural projects). The discussion above points to greater

²⁴ Based on the 2-fold classification as defined by Scottish Government Urban Rural Classification 2020

²⁵ Four of the categories have only 1 project – they are – SOSE Financial Assistance; SDS Financial Assistance; Environmental Aid R&D and Environmental Aid.

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specialisation of projects in urban areas and diversification of the support required whilst 63% of rural projects required financial assistance (as opposed to 54% for urban areas). This is corroborated in Figure 9.

Figure 7. Number of projects, total jobs per project and assistance per job by rural/urban areas

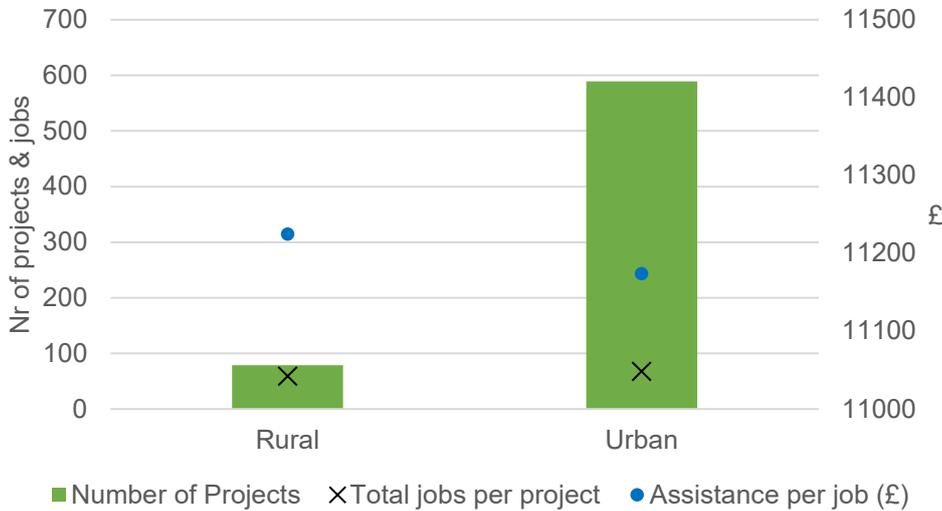
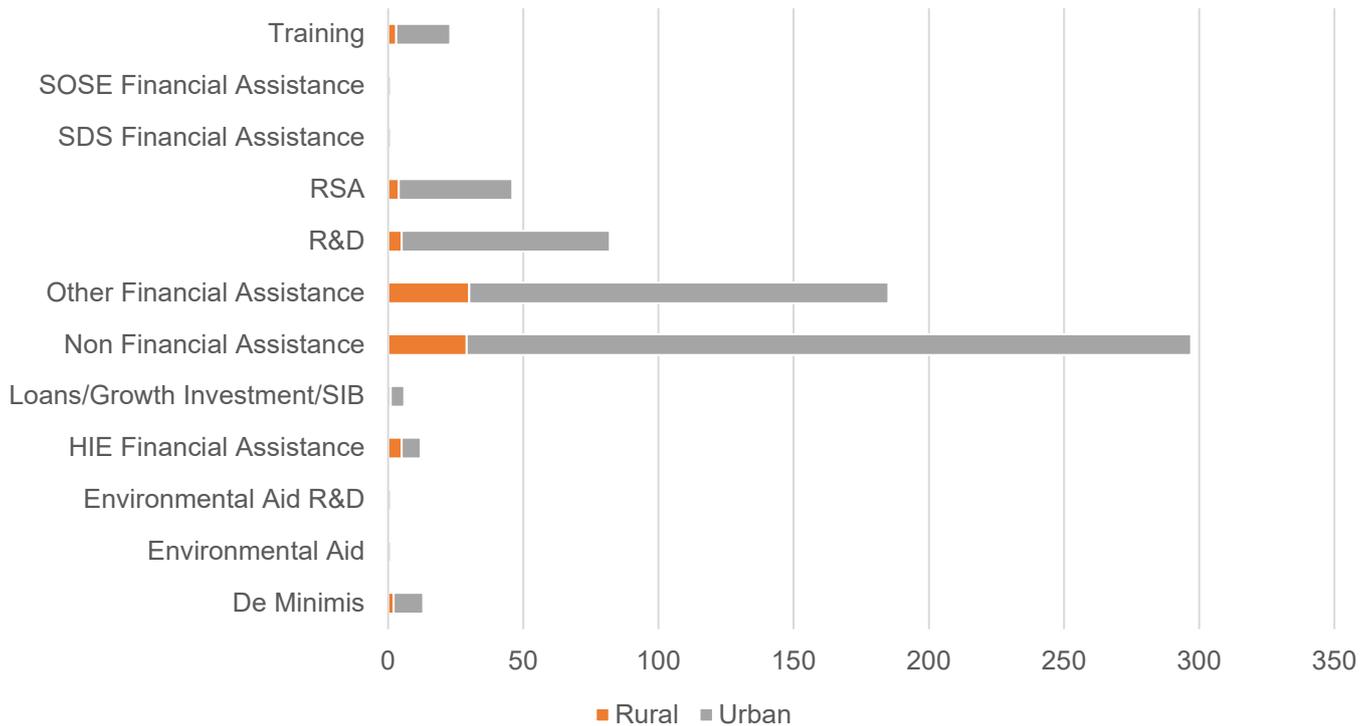


Figure 8. Number of projects by type of assistance in rural and urban areas



4.15. The share of planned assistance types in rural, urban and combined is shown in Figure 9 whilst Figure 10 shows the evolution of projects in rural and urban areas in time.²⁶ Non-financial assistance was the most commonly provided support for urban and combined

²⁶ Four of the categories have only one project and for scaling reasons they are not shown on the chart – they are SOSE Financial Assistance; SDS Financial Assistance; Environmental Aid R&D and Environmental Aid.

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projects while other planned financial assistance was the most commonly provided in rural areas. This share is higher than the share in planned urban projects. When looking at this over time, the number of projects in urban areas was highest in 2016/17, with 123 projects, and lowest in 2020/21, with 64 projects. In rural areas, the highest was in 2017/18 with 20 projects and lowest in 2020/21, similar to urban areas, with nine projects.

Figure 9. Share of assistance in rural, urban, and combined areas

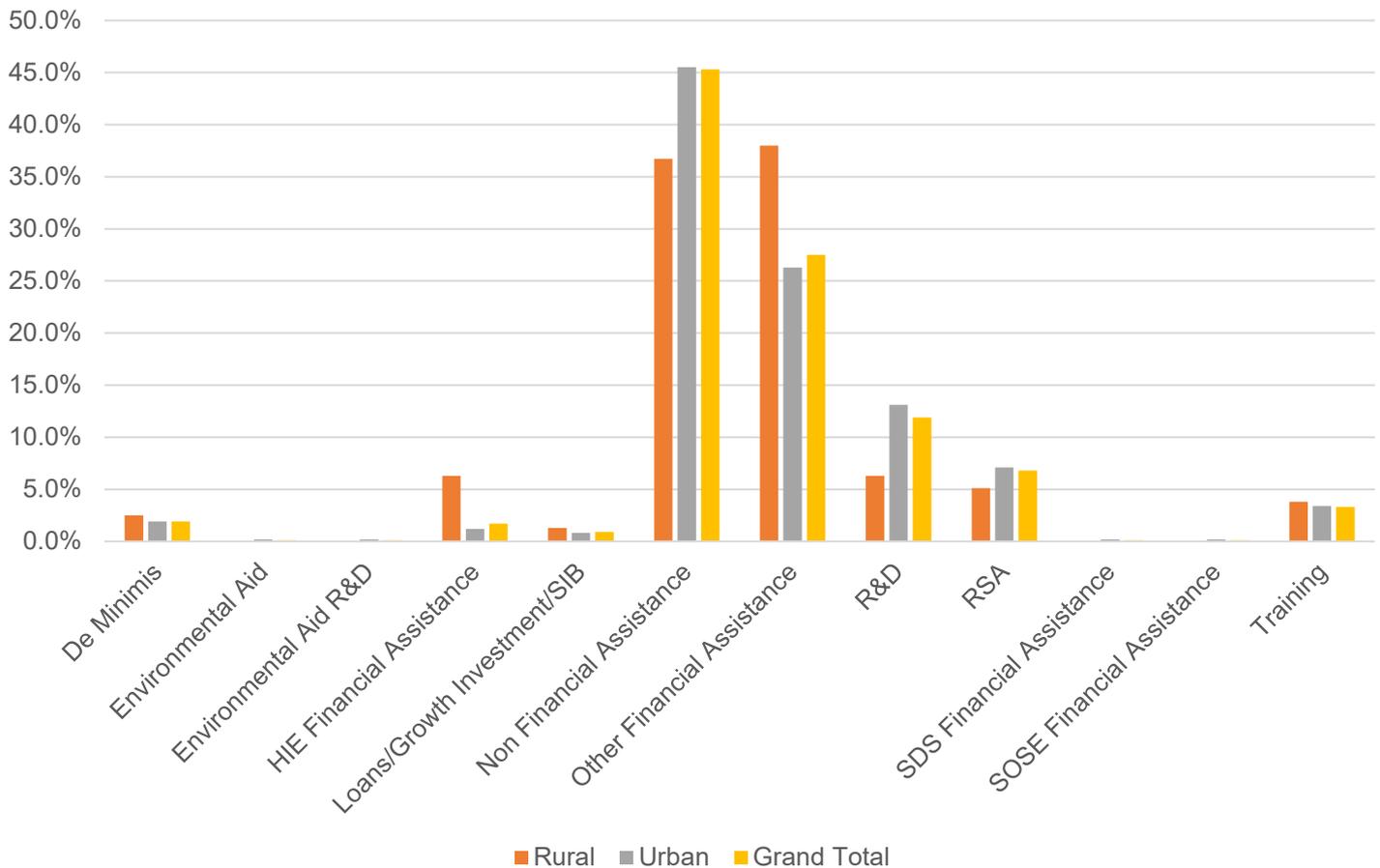
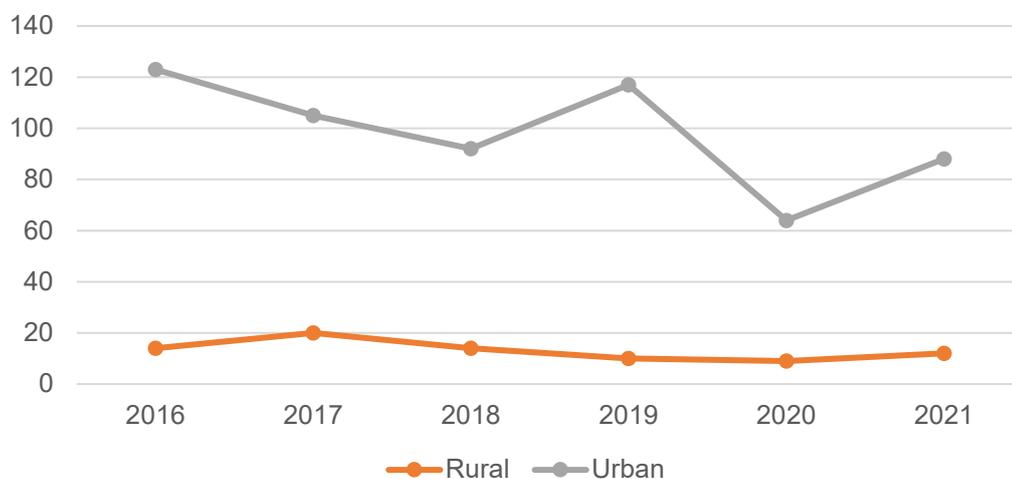


Figure 10. Number of projects in rural and urban areas by year



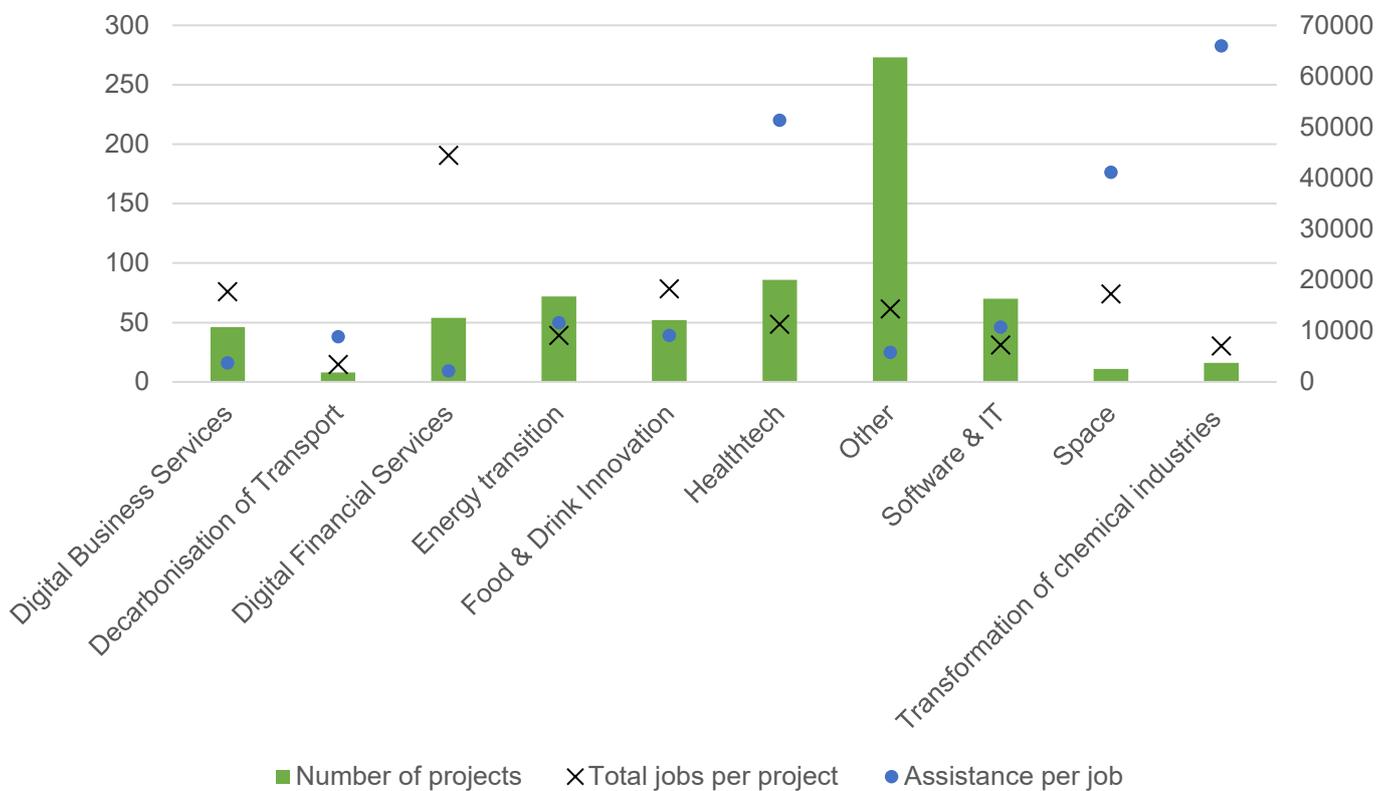
Sectoral Analysis

Opportunity Areas

4.16. The sectoral analysis was undertaken using pre-defined opportunity areas that are the focus of Scotland’s Inward Investment Plan: Shaping Scotland’s Economy (2020). Figure 11 shows the number of projects, total number of jobs per project and planned assistance per job by opportunity areas. The other sector contains the highest number of projects followed by Healthtech with 86 projects. The highest number of jobs per project was found in Digital Financial Services while the highest planned assistance per job was found in transformation of chemical industries at roughly £65,000 followed by Healthtech at £51,400. Space also had a high level of planned assistance per job at roughly £41,000.

4.17. Figure 12 helps explain the high planned assistance per job in Healthtech as it shows the share of the number of projects, jobs per project and planned assistance per job in each opportunity area. Healthtech has the highest planned financial assistance share at over 40% but has a much lower share of jobs at 9.2%. However, it must be noted that this is greatly impacted by outliers that had an unusually high level of planned financial assistance but did not lead to planned jobs. Figure 13 shows the number of projects over time, where “Other” category had a majority of the projects each year. In 2020/21 and 2021/22, Software and IT became the second highest number of projects after Other. The Other category also noticeable declines over time, possibly reflecting the introduction of Inward Investment Plan at the beginning of the period.

Figure 11. Number of projects, total jobs per project and planned assistance per job by opportunity areas



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Figure 12. Share of projects, share of capital expenditure, share of planned financial assistance and share of total jobs by opportunity areas

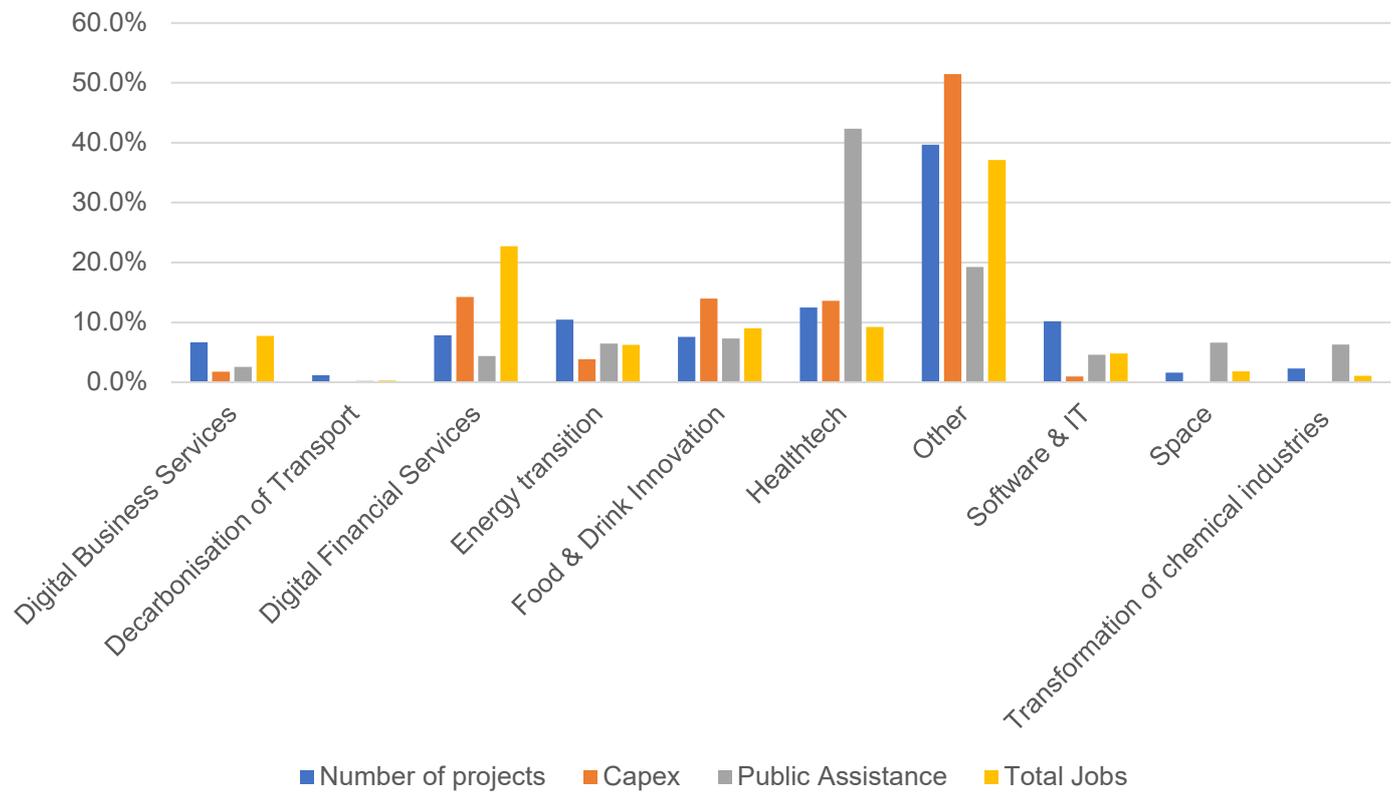
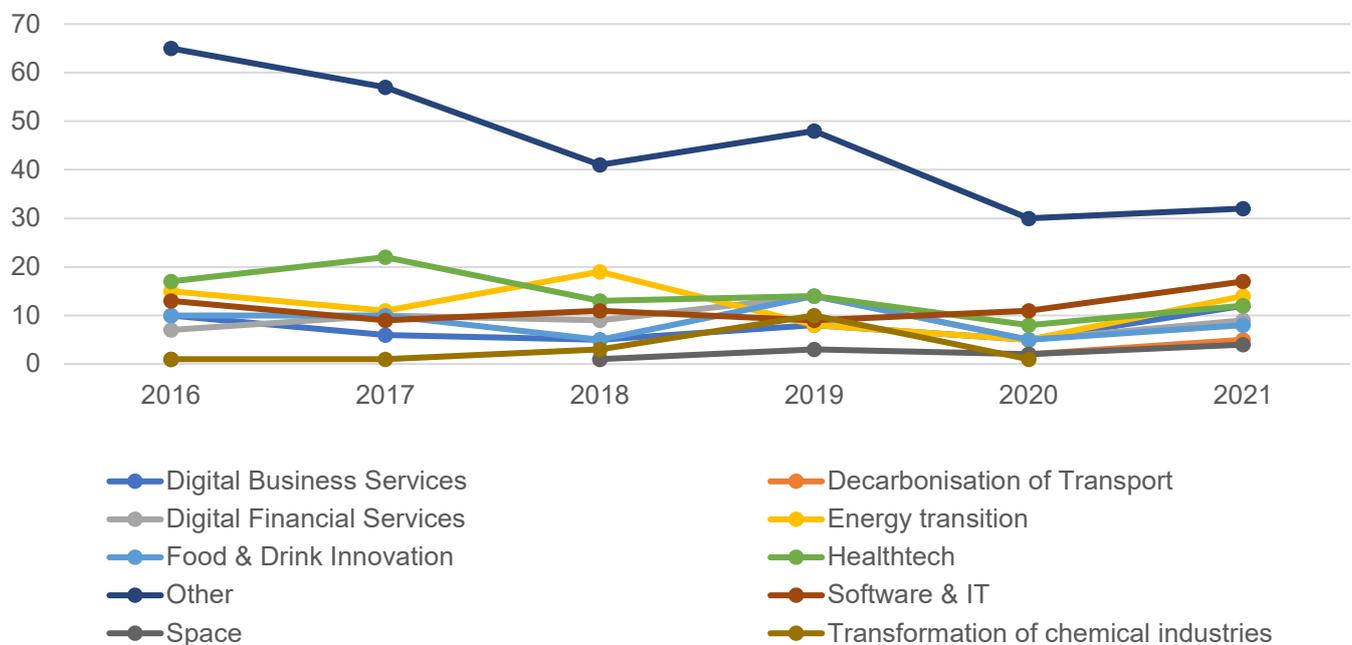


Figure 13. Number of projects by opportunity areas per year



Standard Industrial Classification (SIC) codes

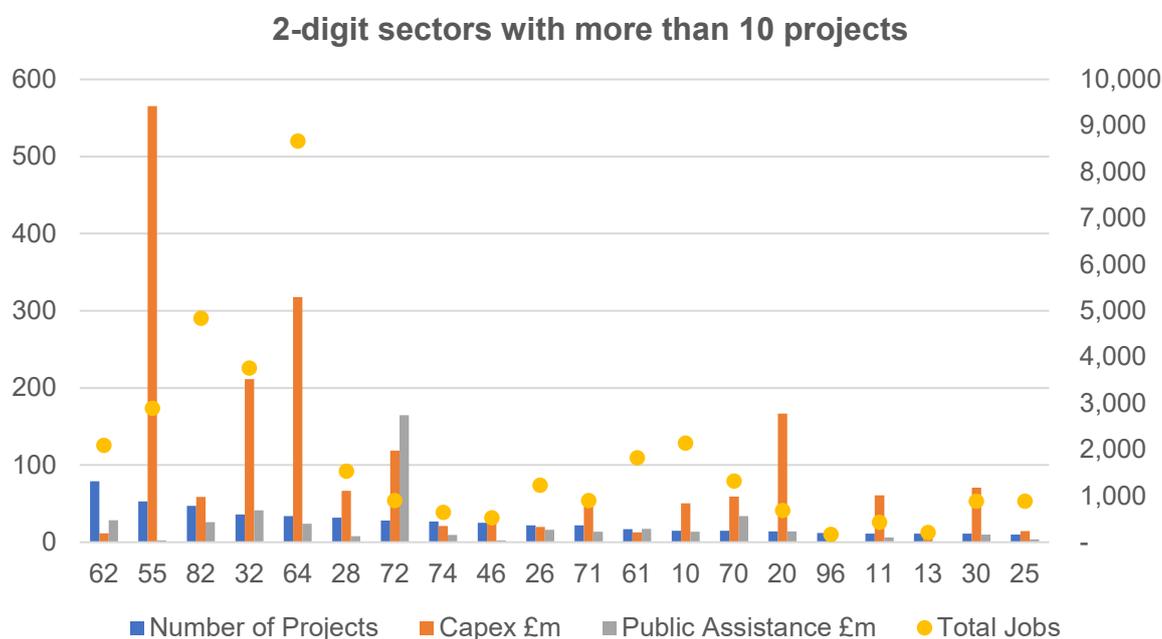
4.18. In order to refine the sectors further, Figure 14 shows 2-digit SIC codes of companies that had more than 10 projects, which is in order of number of projects from the highest to the

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lowest. SIC code 62, which is Computer programming, consultancy and related activities, has the highest number of projects with 79, followed by SIC code 55 (Accommodation) and SIC Code 82 (Office administrative, office support and other business support activities). SIC code 55 had the highest capital expenditure, followed by SIC code 64 (Insurance agents, brokers and service) and SIC code 20 (Food and Drink products). When looking at planned financial assistance, SIC code 72 (Personal services) had the highest level in total, followed by SIC code 32 (Stone, clay, glass, and concrete products). Finally, when looking at total jobs planned, the highest number was in SIC code 64, followed by SIC code 82 and SIC code 32.

4.19. To further look at sectors, see Appendix 2 that shows a breakdown of the most popular 2-digit SIC codes in terms of number of projects into 5-digit.

Figure 14. Number of projects, capital expenditure (£m), planned financial assistance (£m) and total jobs by 2-digit SIC codes with more than 10 projects

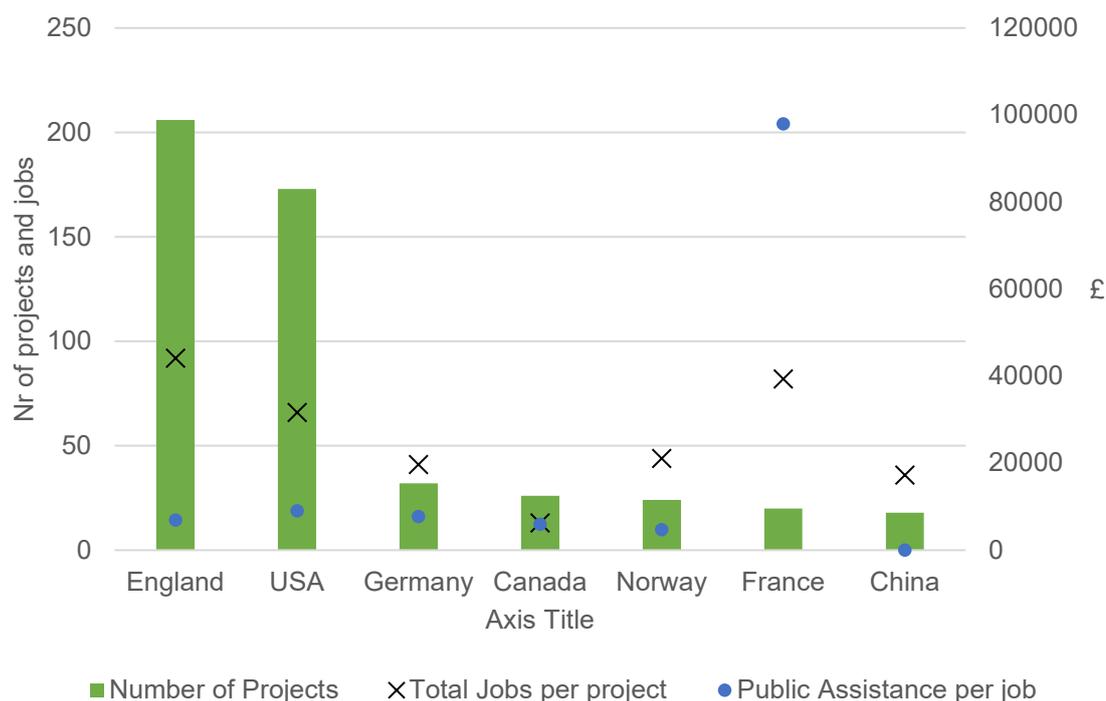


Parent Company

4.20. In this section, the focus is on the location of the parent company that has received planned financial assistance and undertaken the project. Analysing the top five locations in each year shows that the USA and England feature every year. The USA had the highest number of projects in 2016/17, followed by England, however, in subsequent years, England took the highest spot followed by the USA. Figure 15 summarises the number of jobs, jobs per project and planned financial assistance per project of the top five locations by year, looking at all the locations that feature over the 2016/17 to 2021/22 period. As stated, the USA and England had the highest number of projects, followed by Germany with 32 and Canada with 26. Jobs per project was highest in England while France had a considerable high planned financial assistance per job at just under £100,000.

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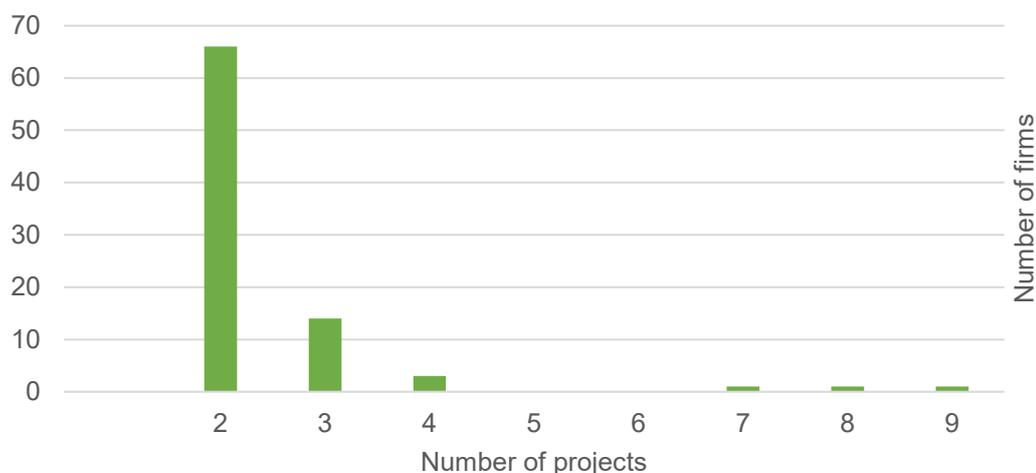
Figure 15. Number of projects, total jobs per project and planned financial assistance per job by location of the parent company 2016-2022



Repeat Investors

4.21. When looking at project type, Figure 16 shows the number of projects undertaken by firms that have more than one project. Overall, 210 out of the 688 projects (31%) are from companies with more than one project during 2016/17-2021/22. These 210 projects are undertaken by 86 companies with the majority having a total of two investment projects (66 companies) followed by three (14 companies). The highest number of investment projects made by a firm is nine. These numbers mean that 478 companies in our sample had one project each.

Figure 16. The number of projects undertaken by firms

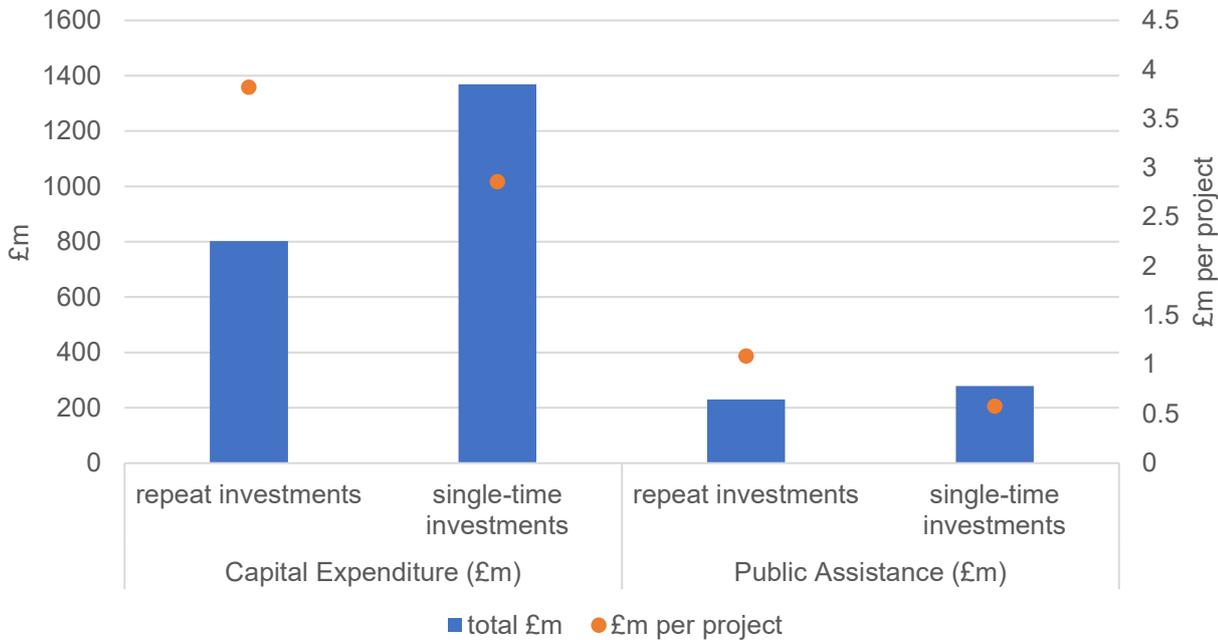


4.22. Figure 17 shows the level of capital expenditure and planned financial assistance, as well as the amount of each per project. Single-time investments had the largest accumulative capital

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expenditure at over £1300m and was much higher than the repeat investments. The discrepancy between repeat and single time investment was much less when looking at planned financial assistance levels but single-time investment remained higher. Capital expenditure and planned financial assistance per job was higher for repeat investors than single-time investments.

Figure 17. Total capital expenditure and planned financial assistance (£m) per project by repeat and single-time investor

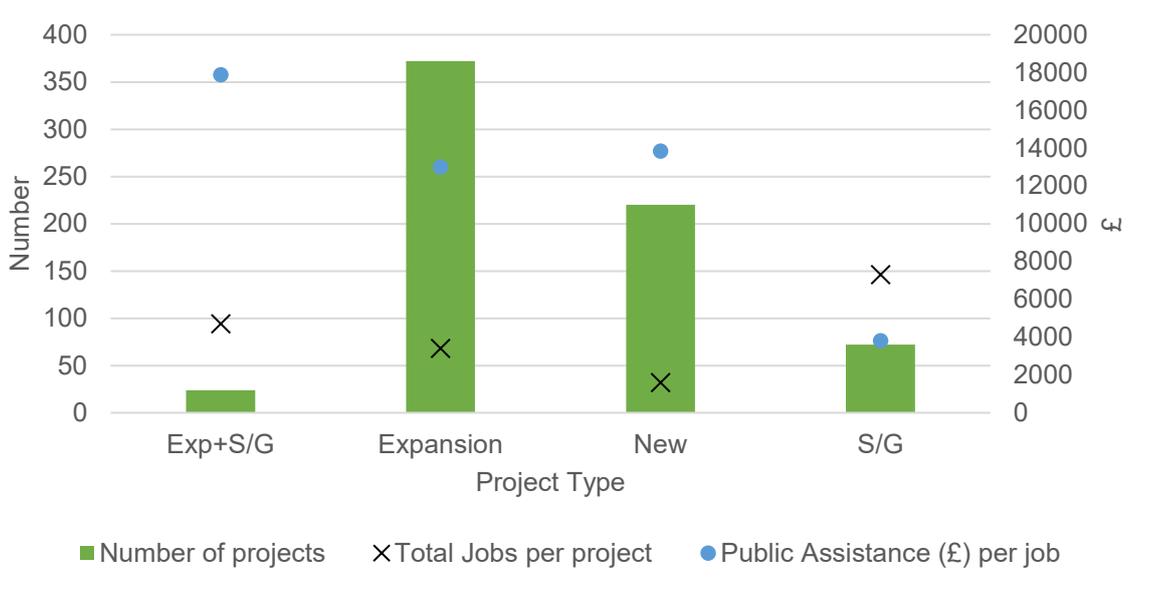


Project types

- 4.25. The type of projects varies in terms of planned jobs from expansion, new, safeguarded and expansion plus safeguarded jobs. Figure 18 outlines the number of projects, jobs per project and planned financial assistance per job by these project types. Most projects are in the expansion category with 372 projects, followed by 220 in the new category. The highest number of jobs per project was found in the safeguarded projects with 146 jobs per project followed by expansion plus safeguarded with 94 jobs per project. In terms of planned financial assistance per job, expansion plus safeguarded had the highest with just under £18,000 per job, followed by new project types with just under £14,000 per planned job.
- 4.26. Expansion and new projects account for 86% of the 688 projects and command a similar size of assistance. Between the two categories, jobs per project are higher for expansion projects, pointing to additionality of benefits from established companies. The high number of safeguarded jobs per project is also responsible for the low figure of planned assistance per job for safeguarding projects. Once we account for differences in jobs, assistance per new project is about £440,000 whilst the same figure for safeguarding projects is around £555,000.

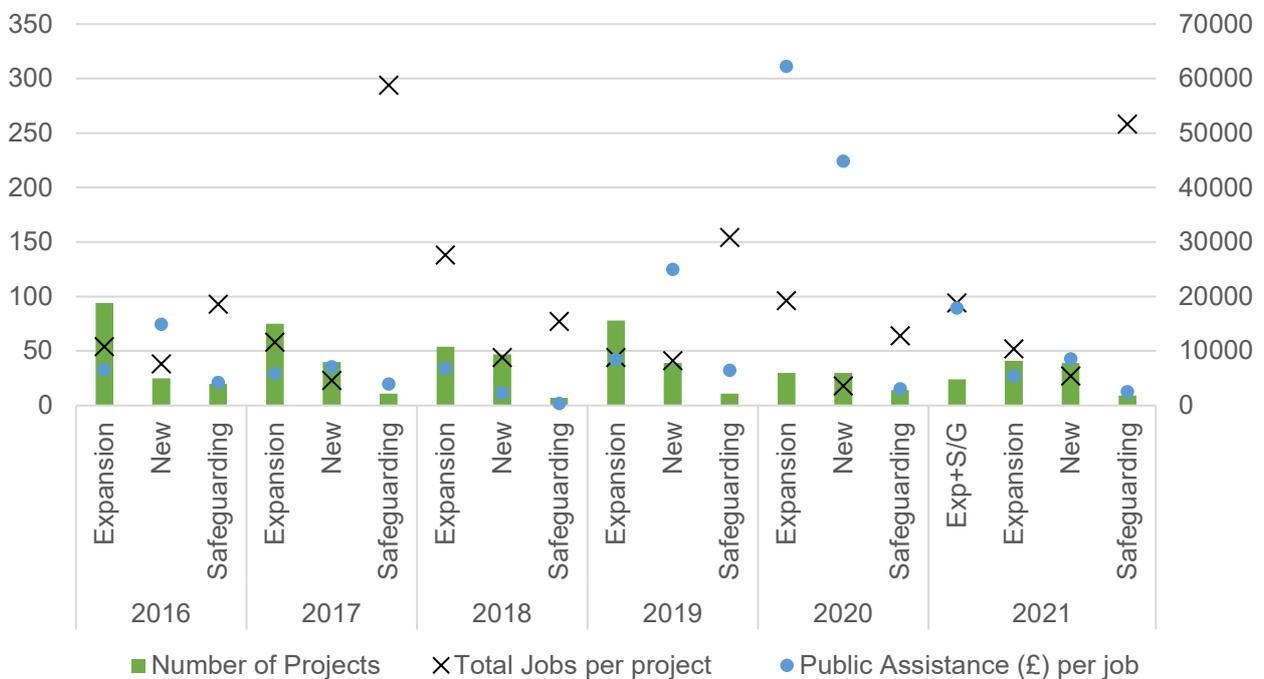
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Figure 18. Number of projects, total jobs per project and planned financial assistance per job by project type



4.27. Figure 19 shows project types over time. The focus is on expansion, new and safeguarded projects up to 2020/21. As numbers are low for expansion plus safeguarded projects up to 2020/21, it is excluded. All four project types are then included for 2021/22. Generally, expansion project types have had the highest number of projects followed by new. Safeguarding in 2016/17, 2017/18, 2019/20 and 2021/22 had the highest jobs per project, while planned financial assistance per job was more varied across the years.

Figure 19. Number of projects, total jobs per project and planned financial assistance per job by project type



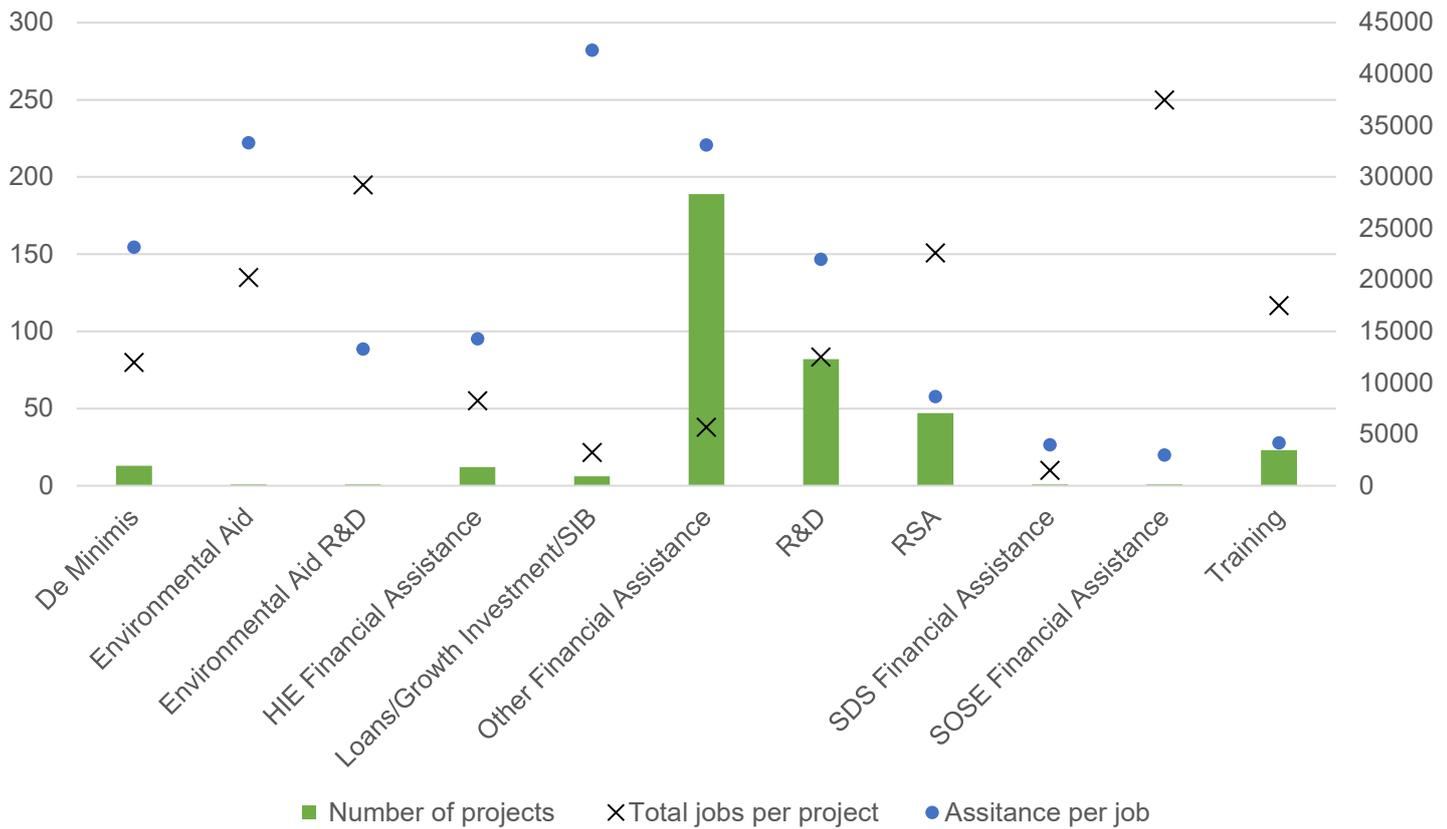
Assistance type

4.28. There are several assistance types that have been aggregated to represent the data. These are shown in Figure 20, indicating the number of projects, jobs per project and planned

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assistance per job by the aggregated assistance types. Overall, there are 376 projects with planned financial assistance totalling £508 million. Other planned financial assistance leads the way with 189 projects, followed by R&D with 82 and RSA with 47 projects. SOSE planned financial assistance had the highest jobs per project with 250 followed by 195 in environmental aid R&D. In terms of planned financial assistance per job, Loans/growth investment/SIB had the highest with just over £42,000, followed by Environmental aid with just over £33,000.

Figure 20. Number of projects, total jobs per project and planned assistance per job by assistance type



4.29. Figure 21 shows a breakdown of assistance types by planned financial and non-financial assistance. Planned financial assistance has a slightly higher number of projects with 55%, while non-financial assistance accounts for 45%. When looking at what type of job is planned, noting that most financially assisted projects may also have had some non-financial assistance, Figure 22 shows that there are more new jobs planned with non-financial assistance than financial assistance, while the total number of safeguarded jobs is much higher in financial assistance than in non-financial assistance. This could be due to the nature of the assistance leading to more capital-intensive proposals.

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Figure 21. Number of jobs by planned financial and non-financial assistance

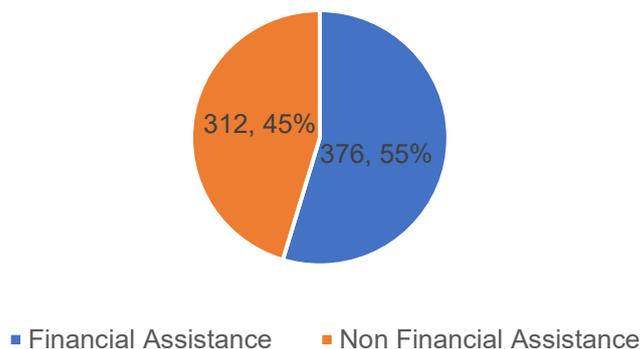
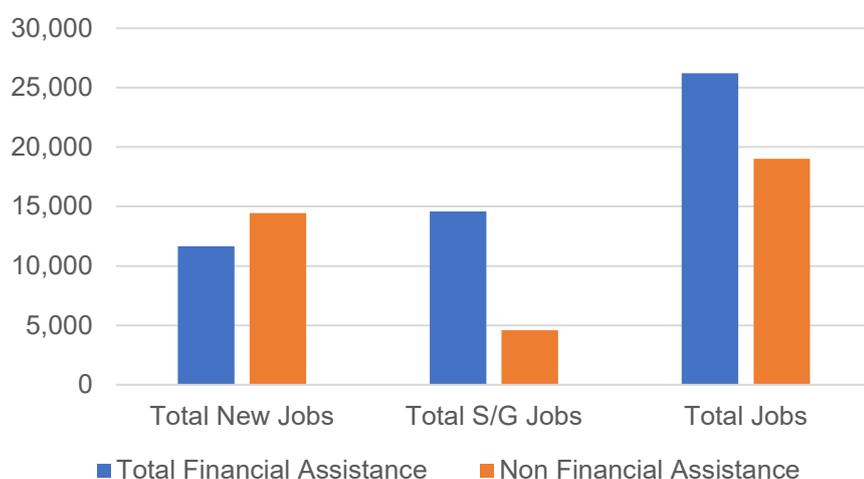


Figure 22. Type of Job by planned financial and non-financial assistance



4.30. Figure 23 shows the number of projects by planned financial and non-financial assistance by year, where it varies. In 2016/17, 2019/20 and 2020/21, planned financial assistance had more projects than non-financial, while in the rest of the years, non-financial was higher. Finally, Figure 24 shows the breakdown of type of jobs and jobs per project by assistance type and year. Planned financial assistance in 2017/18 saw the highest number of safeguarded jobs, while in 2018/19, it had the highest number of new jobs and highest level of jobs per project at 142. There is no consistent trend over time.

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Figure 23. Number of projects by planned financial and non-financial assistance per year

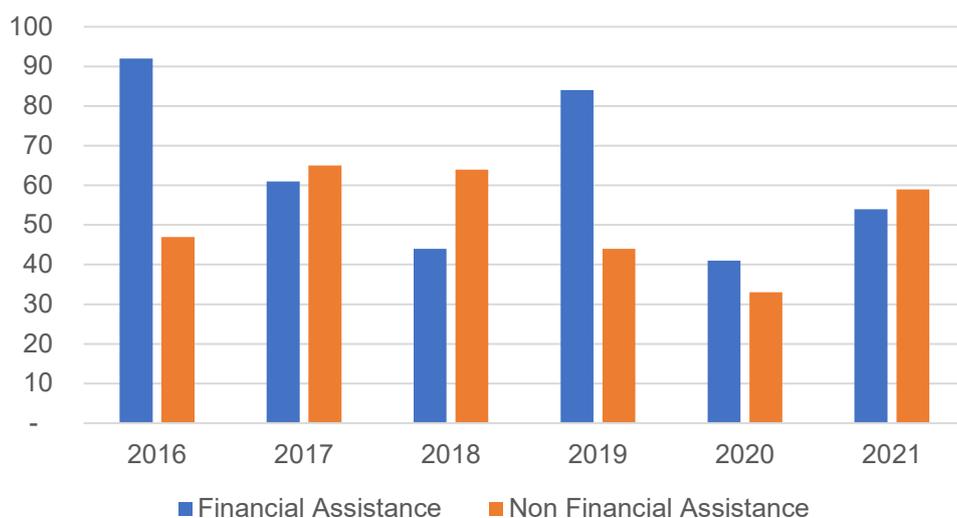
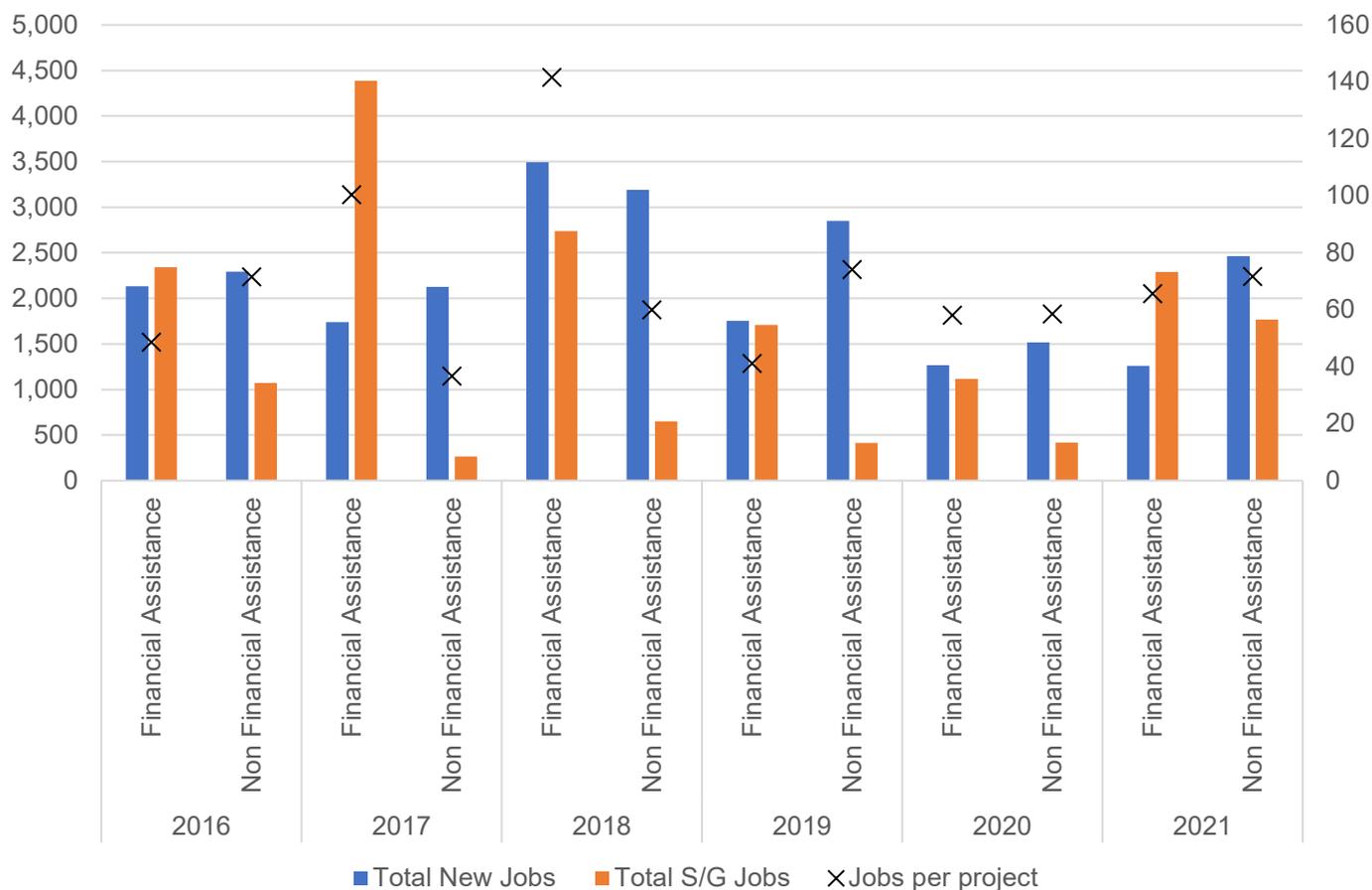


Figure 24. Job types and jobs per project by planned financial and non-financial assistance per year



5. Beneficiary survey responses

5.1. This section presents findings from the beneficiary survey of 49 inward investors with regard to their business operations in Scotland. According to their project plans, these 49

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respondents accounted for 16% of total planned jobs to be created and 42% of total planned jobs to be safeguarded.²⁷

Business characteristics

5.2. At the time of the survey (Autumn 2022), the age of supported businesses in Scotland responding was, on average, 21 years (ranging from one to 131). Naturally, businesses in Scotland supported via new projects were younger (on average, three years); firms with expansion and safeguarding projects were 27 years old on average.

5.3. The majority of companies in Scotland of the supported inward investors were small and medium enterprises (SMEs) with one to 249 employees (81%) and the business turnover in Scotland of less than £50 million (88%) (Table 2). Most of them reported that their number of employees in 2022 and turnover in Scotland in 2021²⁸ increased compared to before they received the support (69% and 59% respectively, see Figure 25).²⁹

Table 2. Number of employees and turnover of companies in Scotland (N=49 survey respondents)

Number of employees in Scotland (2022)	Count	%	Turnover in Scotland (2021)	Count	%
0	1	2.1	Less than £85,000	9	19.1
1 - 9	9	19.1	£250,000 - £499,999	3	6.4
10 - 49	12	25.5	£500,000 - £999,999	2	4.3
50 - 249	17	36.2	£1m – £1.99m	3	6.4
250 or more	8	17.0	£2m - £4.99m	3	6.4
			£5m - £9.99m	7	14.9
			£10m - £14.99m	2	4.3
			£15m - £24.99m	3	6.4
			£25m - £49.99m	3	6.4
			£50m or more	5	10.6
			Don't know	4	8.5
			Prefer not to say	3	6.4

²⁷ Of firms that opted into the evaluation (172), excluding five outlying firms with planned jobs of 250 and more (up to 2,500 jobs).

²⁸ This corresponds to the most recent business data at the time of the survey

²⁹ Applicable to expansion and safeguarding projects only as the support for new projects enabled companies to be set up

Comparing the number of employees/turnover in Scotland before receiving the investment support to the number of employees/turnover in 2022/2021, how did it change?

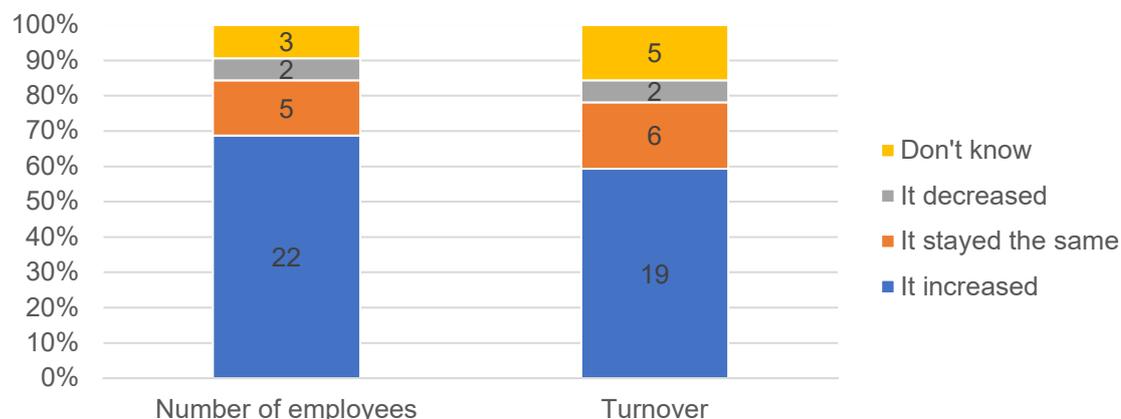


Figure 25. Count and proportion of companies, excl. new investment projects and companies that were launched in 2022 (for turnover only)

5.4. Respondents' company group already had sites or premises mostly in the rest of UK (70% of respondents); though the majority also reported having sites in rest of the world: EMEA (58%), Americas (54%) and Asia Pacific (51%) (Figure 26). This demonstrates the importance of the assistance offered as there were alternative options for these companies to invest in their other sites rather than come to Scotland or expand their investment in Scotland. About a third of firms had sites all around the globe (35%, or 15 firms) and five firms had sites/premises only in Scotland.³⁰

Does your company group have sites or premises in the following areas?

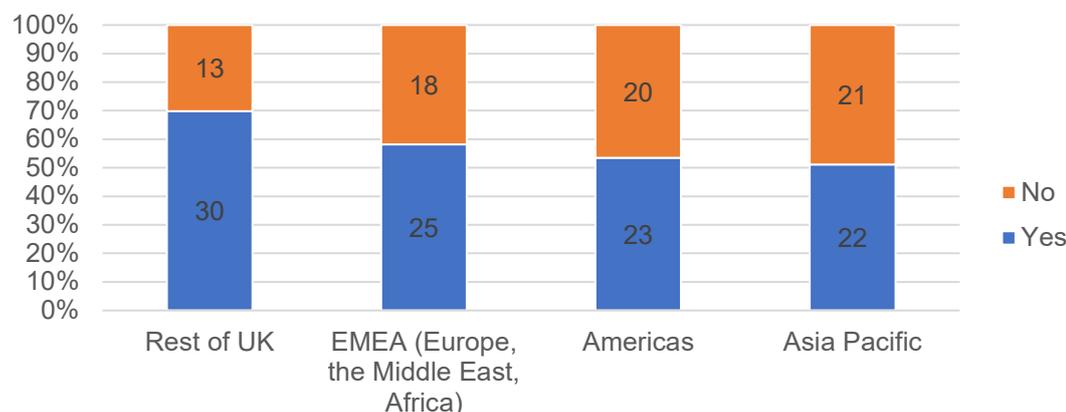


Figure 26. Count and percentage of all responding companies (N=43)

5.5. Forty-six per cent of firms reported that their global business was a lead firm in the global value chain (GVC)³¹, followed by 25% that were a GVC partner B2B (business to businesses) (see Figure 27). Lead firms are the most important firms in the networks of MNEs' global

³⁰ Plus, one company reported no sites/premises in Scotland either

³¹ I.e., when different stages of the production process are located across different countries

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value chains and tend to enjoy high markups and profitability.³² This is important for the Scottish economy as it places these assisted inward investment projects in an important strategic position in their sector in the global marketplace and underlines the quality of the project and the potential for future investment in Scotland.

What is the role of your global business in the global value chain (GVC)?

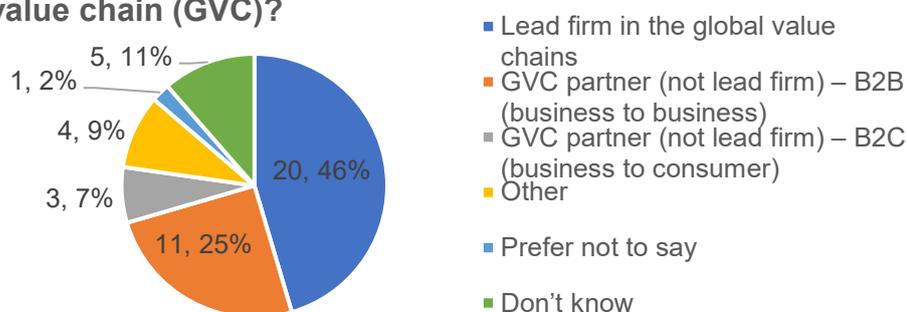


Figure 27. Count and percentage of all responding companies; “other” consists of B2B & B2C, a start-up, subcontracting, and “not applicable” (not in manufacturing) (N=44)

Business activity

5.6. Surveyed businesses reported coming from various business sectors, most often Manufacturing (39%) and Hotels & restaurants (11%) (Table 3).

Table 3. Responding firms by business sector, count and percentage of all responding (N=44)

Business sector	Count	%
Manufacturing	17	39%
Hotels & restaurants	5	11%
IT and software	3	7%
Oil & gas	2	5%
Space and aerospace	2	5%
Aviation and airline repair	2	5%
Technology	2	5%
Electricity, gas & water supply	1	2%
Wholesale, retail & certain repair	1	2%
Finance	1	2%
Health & social work	1	2%
Community, social & personal services	1	2%
Engineering	1	2%
Renewable energy	1	2%

³² Milberg and Winkler, 2013, “Outsourcing Economics Global Value Chains in Capitalist Development”, pp. 103 – 156 DOI: <https://doi.org/10.1017/CBO9781139208772.005>

Business sector	Count	%
Scientific R&D	1	2%
Other services	3	7%

5.7. Typically, companies had one site in Scotland (65%) with a further 16% having two. Forty-one per cent of companies in Scotland delivered services, 23% made goods, and 36% delivered a combination of both. This mix of activities can produce a range of indirect effects on the Scottish economy such as the need for local suppliers in the case of goods producers and the associated spillover effects throughout the supply chain. Service projects are more likely to be sensitive to the availability of labour across a range of skill levels depending on the precise nature of the projects that was set up. Of the latter, six companies each (or 38% of 16) reported that the main activity was either goods or services respectively, with four companies (25%) reporting them to be equally split. Companies that made goods in Scotland mostly produced capital goods³³ and intermediate goods³⁴ (41% each) (Figure 28). Goods making companies typically produced one type of product (52% of all goods-making companies).

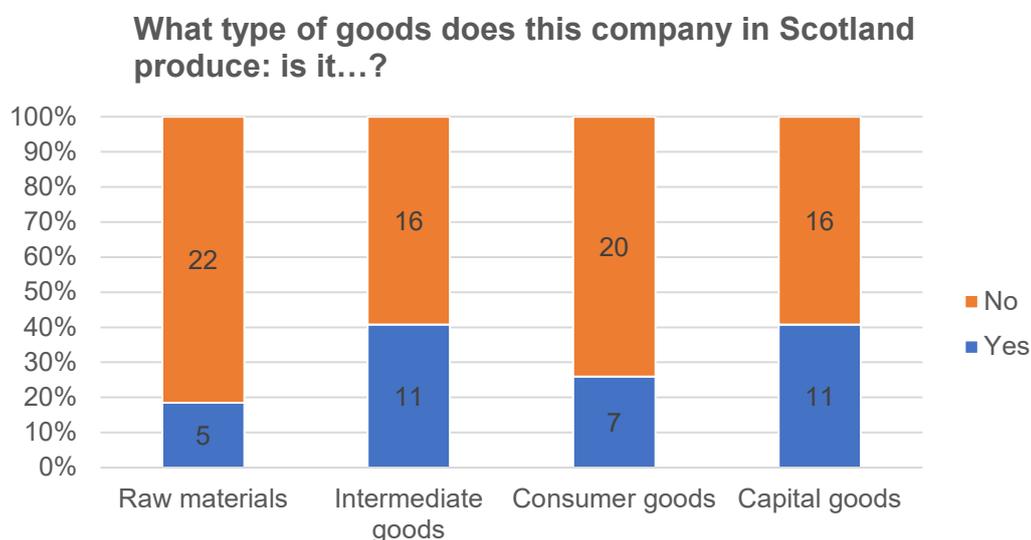


Figure 28. Count and proportion of Scottish companies making goods (N=27)

5.8. Nearly half of companies in Scotland (48%) operated as a centre, office or headquarters of any type (incl. any of their Scottish sites). Among them, the majority operated as global or regional headquarters (55%, equally split) (Figure 29). This perhaps indicates that Scotland is a strategic location for these projects and, as we have seen in the recent decades, an entry into the wider markets in the EMEA. This is important and differentiates the current range of projects from the traditional view of inward investment as creating a ‘branch-plant’ economy dependent on strategic decision-making on other continents.

³³ I.e., goods used in production, e.g., machinery, tools, equipment

³⁴ I.e., goods used as parts to produce other goods, e.g., car parts

What type of office, centre or headquarters is it?

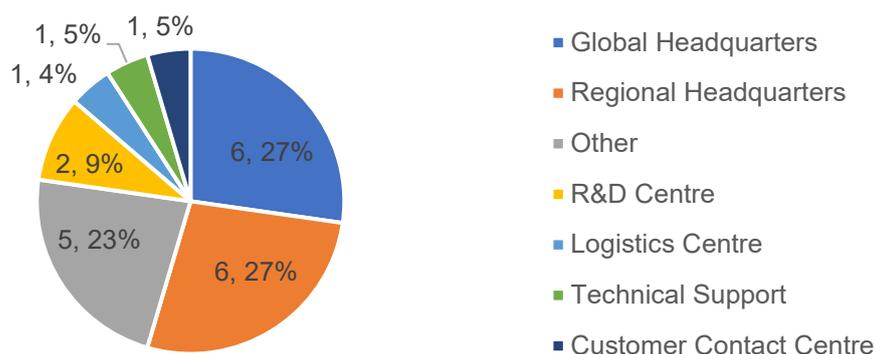


Figure 29. Count and percentage of companies that operated as an office, centre or headquarters in Scotland (N=22); “Other” options consist of operations hub, manufacturing site, global centre for excellence, business development hub, and multiple function (all N=1)

5.9. Respondents reported that their company in Scotland sold to three geographic markets on average in the last 12 months, typically to Scotland, rest of UK and EMEA.³⁵ About a third of Scottish companies (35%) sold globally and no company sold exclusively to Scotland. While this may indicate that they located in Scotland primarily to seek resources the data does not allow us to assume it was not a market-seeking or indeed an efficiency-seeking motivation. We return to this point later in the section.

5.10. Most often companies reported selling to the rest of UK (85%) and EMEA (80%) and were somewhat less likely to sell to Asia Pacific (61%) (Figure 30). The largest market by value of sales in the last 12 months was similarly split between EMEA and the rest of UK (35% and 33% respectively, Figure 31). This implies that seeking domestic market potential and market access (to the rest of the UK) may be a key motive for investment. Access to a diversified geographical market is further evidence of the point made in the preceding paragraph 5.8 that the type of inward investment projects now being supported under the IIP are more strategic and less at risk from the collapse of one particular market – vastly different from the traditional view of the ‘branch-plant’ economy.

³⁵ This average includes five companies that were not selling

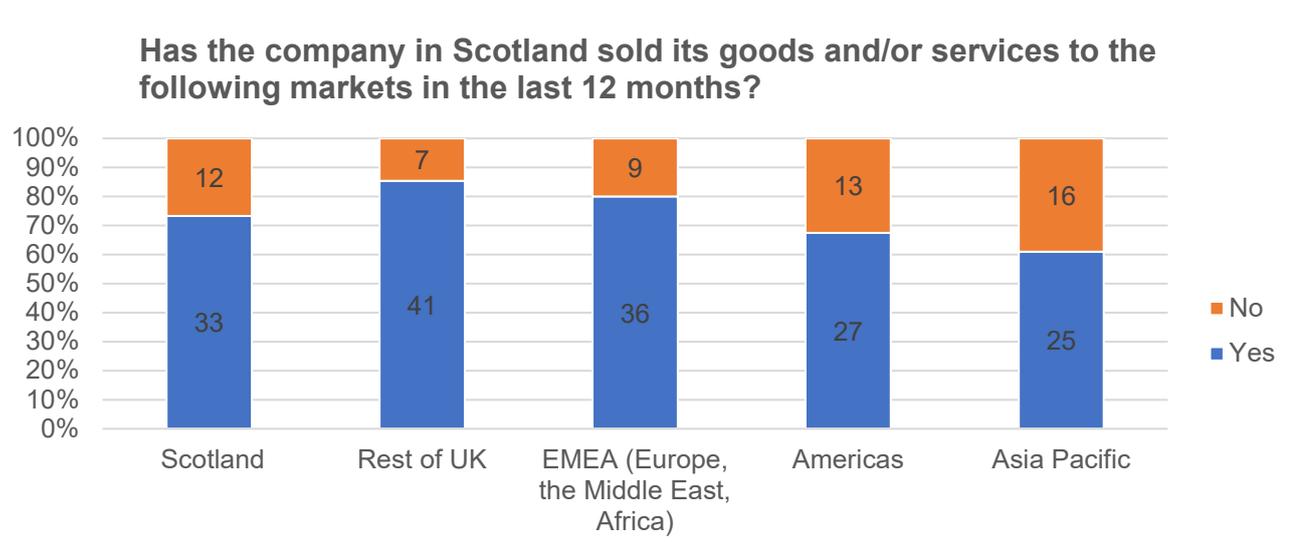


Figure 30. Count and proportion of responding companies (N varies)

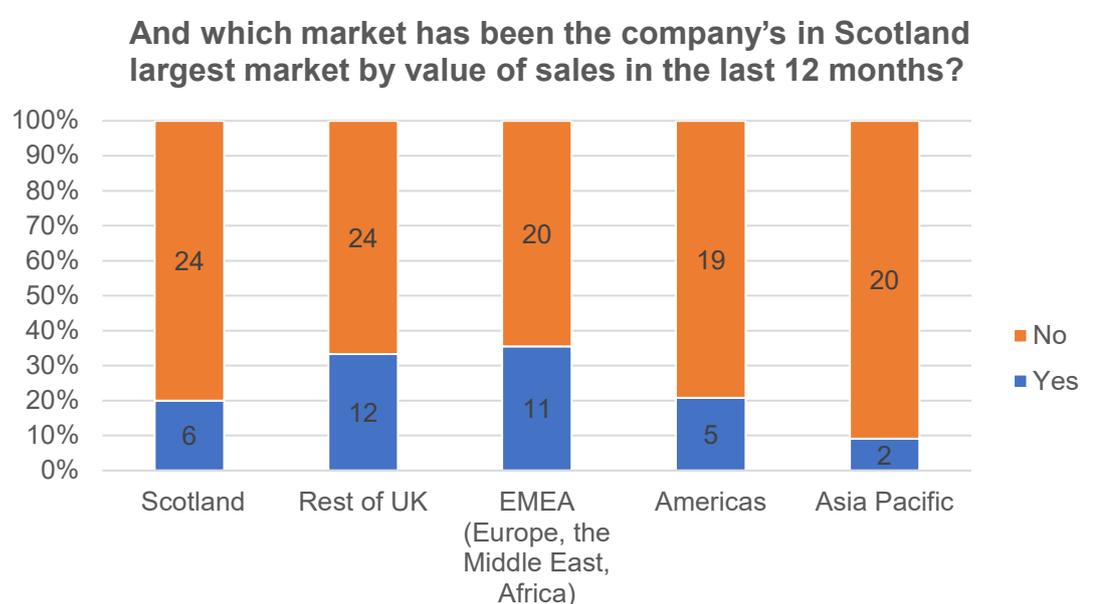


Figure 31. Count and proportion of companies citing the market as their largest market out of those they sell to, companies that sell to multiple markets only (N varies)

Investment project characteristics

5.11. Thirty-nine per cent of companies received inward investment support for expansion projects (20 firms), 31% for new projects (16 firms), 18% for safeguarding (nine) and 12% for multiple investment projects (six). Twenty-four per cent of companies (eleven firms) received support in 2018-19, 40% (eighteen) in 2019/20 and 36% (sixteen) in 2020/21. Six firms that received support for several investment projects, typically across multiple years: four of them were supported from 2018/19 to 2020/21.

5.12. At the time of the survey (Autumn 2022), seven in ten firms reported that their supported investment project was completed, mostly (44%) in 2021 and 2022 (Figure 32). Nearly all respondents (90%) reported that they invested their own funds into their supported project(s) (four firms, or 8%, did not know if they did). They typically invested either less than £250k (37%) or over £1mil (40%) (see Figure 33 for details).

Has the investment project for which you received public sector support in 2018-2021 been completed?

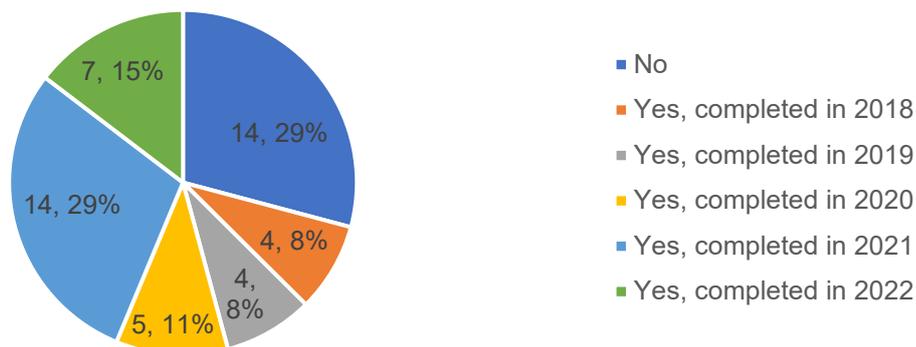


Figure 32. Count and percentage of responding companies (N=48)

How much did your company invest of its own funds into this project (or projects) in the period of 2018-21?

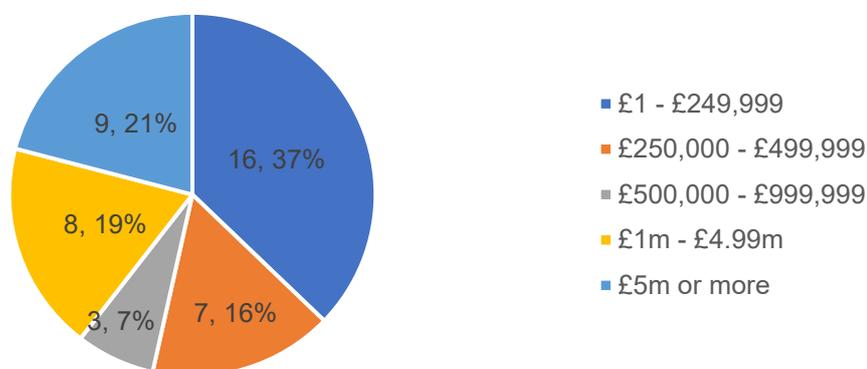


Figure 33. Count and percentage of businesses that invested own funds into the project (N=43)

Type of Support received

5.13. The most commonly reported support received was financial support (reported by 58% of survey respondents), followed by different types of signposting such as to specialist advice (40%), to existing training (38%), and to other sources of financial assistance (36%) (Figure 33). Firms could access multiple types of support and on average accessed four categories of assistance (ranging from one to 12) (Table 4). The most common combination of support was financial support and signposting to financial assistance to specialist advice and to existing training.

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Did your company receive any of the following types of support from delivery partners as part of the supported project(s)?

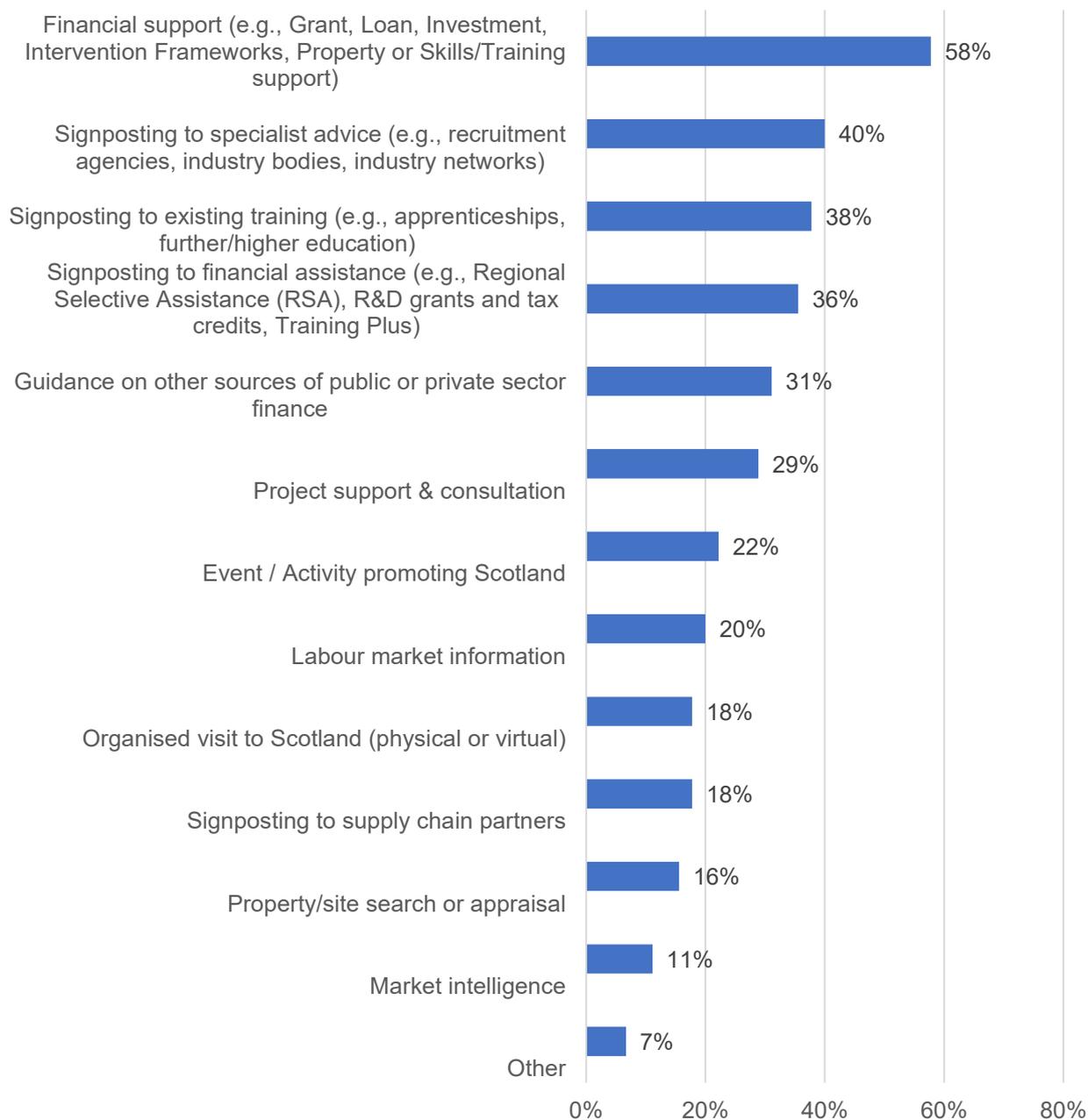


Figure 34. Percentage of responding businesses (N=45), multiple selections possible; in “other” one firm specified “project advice”

Table 4. Responding businesses by a number of support activities that they accessed (N=39)

Number of support activities accessed	% of responding firms
1	20.5
2	10.3
3	23.1
4	17.9

Number of support activities accessed	% of responding firms
5	5.1
6	7.7
7	2.6
8	5.1
9	2.6
11	2.6
12	2.6

Impact on the business and/or investment project

5.14. For expansion and new projects only, 78% of companies reported that without the support they would not have been able to carry out their investment project to some degree. Of them, 50% believed that they would have definitely not, or probably would have not have, carried out their project without public sector support, and 28% thought that they would have carried it out but not as quickly (Figure 35). These firms that reported an impact were asked to estimate when they might have carried out their project without the support: a quarter (25%) thought they would have never carried it out, while over a third (39%) estimated that it would have taken them one to up to three years later (Figure 36). Overall, this represents a high level of self-reported additionality associated with the assistance provided in this 2018/19-20/21 period.

If you had not received the support in 2018-21, would you have carried out the new / expansion project(s)?

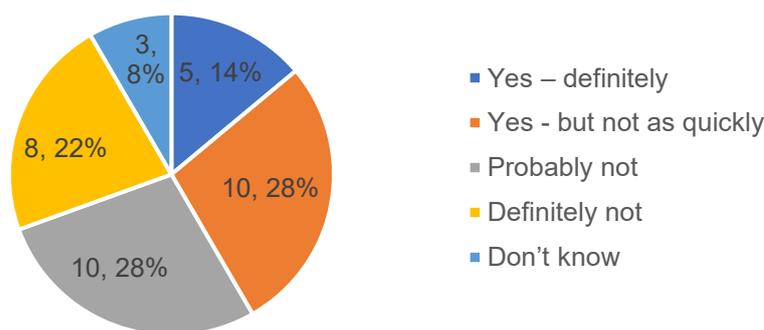


Figure 35. Count and percentage of companies with supported new and/or expansion projects only (N=36)

When would you have carried out the new / expansion project(s) without the support in 2018-21?

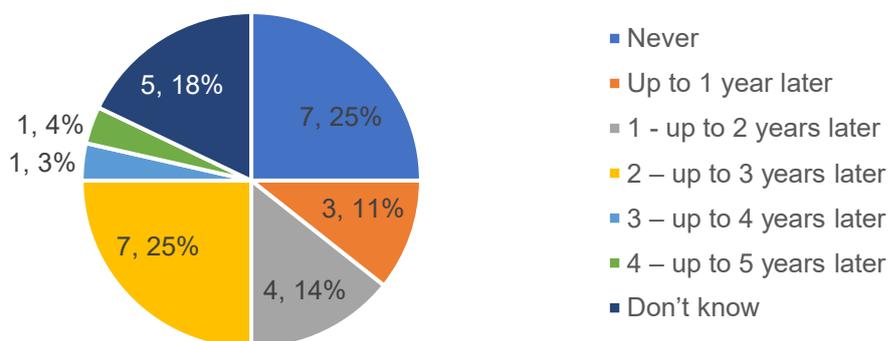


Figure 36. Companies in Figure 35 that reported impact of the support (N=28)

5.15. Likewise, of those businesses that received support for safeguarding, the majority (55%) reported that their company would have continued to operate without the support, but on a smaller scale (Figure 37). Of them, four firms estimated that they would have achieved on average 58% of their total turnover without the support (ranging from 20% to 85%), that is, companies attributed approximately 42% of turnover achieved to the support.³⁶ One company reported that it would have closed down (its reported turnover in 2021 in Scotland was £25m-£49.99m).

If you had not received the support in 2018-21 for safeguarding, would your company have continued to operate in Scotland?

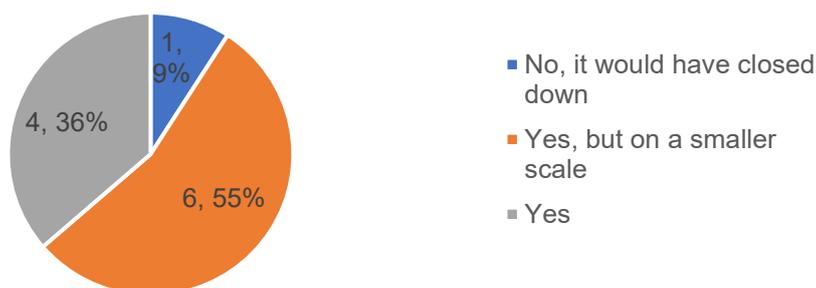


Figure 37. Count and percentage of companies with supported safeguarded projects only (N=11)

5.16. Across all investment project types, 73% of businesses in the survey reported that the support had an impact on their company and/or ability to deliver their investment project (20% reported no impact, seven per cent did not know). Again, this points to a very high level of additionality associated with the support received.

³⁶ Turnover in 2021 of these companies varied from £250k to £14.99m (based on three firms that provided it).

Impact on the amount of company's own funds invested

5.17. Of the 43 firms that invested their own funds into the Scottish firm, 68% (25 firms) reported that they would not have invested as much without the support (16% or six firms, would have invested the same amount, and as many were unsure). Of the businesses that reported impact, 17 estimated that they would have invested on average approximately 35% of their total investment. In other words, they reported that roughly 65% of their funds would not have been invested without the support.

5.18. This is in line with responses of those firms that estimated by bands instead of exact percentages: six of them would have invested up to 50% at most.

Impact on the number of projects

5.19. Of those five firms that received support for more than one investment project, three reported that they would probably or definitely not have invested into the same number of projects without the support. All of these firms indicated that without the support they would have not gone ahead with two or three projects, that is, any of them.

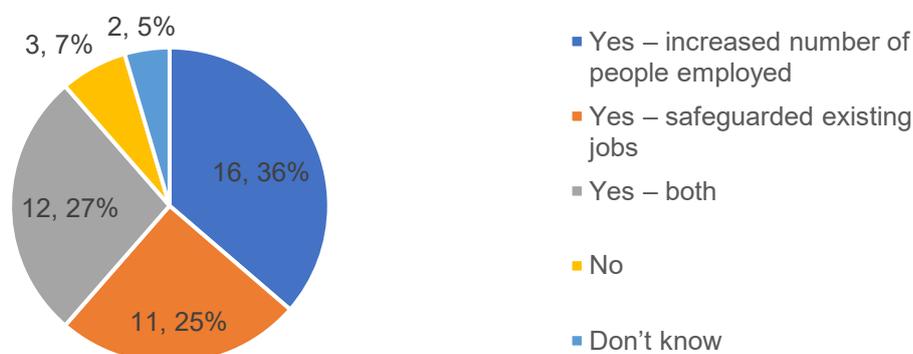
Impact on new and/or safeguarded jobs

New jobs

5.20. The majority of businesses (89%) reported that, as a result of the support, they increased the number of people employed and/or safeguarded existing jobs (Figure 38). Firms that reported this impact were asked to quantify the number of jobs created/safeguarded, or to estimate the range if they were unsure of the exact number of jobs. Taking the range of these estimates into account, 27 beneficiaries reported creating 35 new jobs per firm on average (varying from 30 to 39). In total this equalled 814 to 1,056 new jobs created as a result of the support.

5.21. These same businesses had planned to create a total of 1,067.5 new jobs in their investment plans. At the high end of estimation range, this small discrepancy of 11.5 fewer actual jobs created than planned can be largely explained by three companies that did not increase the number of people employed: they had planned to create seven new jobs in total.

As a result of the support in 2018-21, have you increased the number of people employed in your company in Scotland or safeguarded any existing jobs, if at all?



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Figure 38. Count and percentage of all responding businesses (N=44)

5.22. Fifty-six per cent of business reported that all of the employees on newly created jobs were still employed at the time of the survey (equalling to 277 new jobs³⁷) and further 28% reported that the majority were still employed (Figure 39), i.e., 51%-99% of the 223 jobs. Furthermore, 79% of businesses reported that all of the new employees were paid at least the real living wage³⁸ and 86% of businesses reported that the majority of new employees were. Furthermore, to the best of the respondents' knowledge, 93% of businesses reported that the majority of the new employees were recruited from the local area³⁹ (seven per cent did not know if they were).

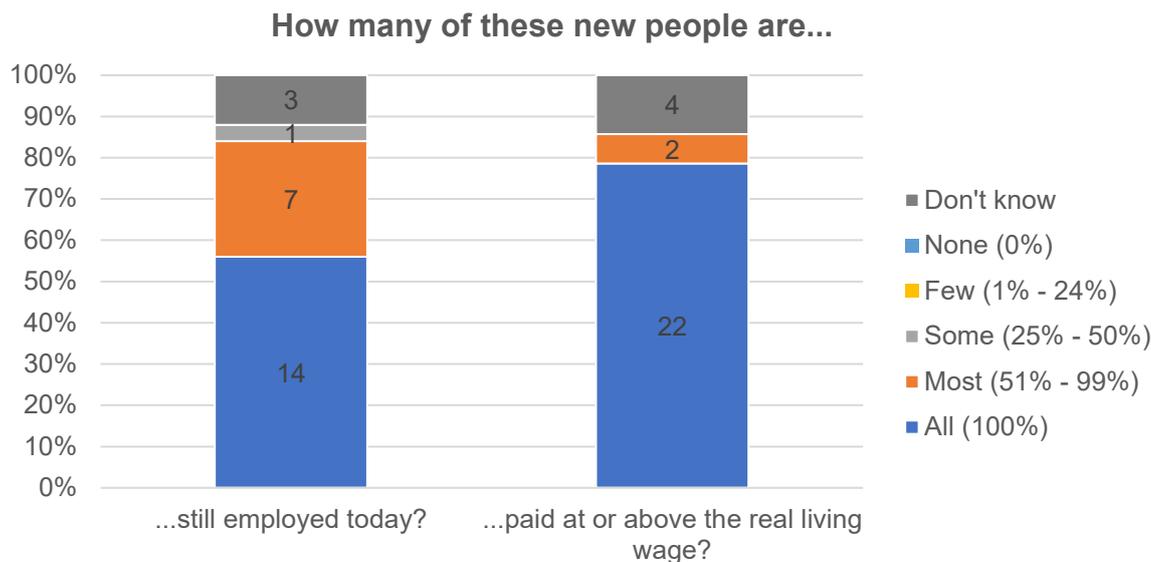


Figure 39. Count and proportion of responding businesses that created new jobs (N varies)

5.23. Seventy-three per cent of surveyed businesses also anticipated the number of people employed by the company in Scotland would increase over the next three years. The numbers varied, but the majority (57%) expected to create between one and nineteen new jobs (Figure 40) or fifty on average per firm (varying from 34 to 67).

³⁷ This is an underestimate due to some firms not knowing the exact number of new jobs created

³⁸ £9.90 / hour

³⁹ I.e., living within a reasonable travelling distance to work

By how many more over the next three years?

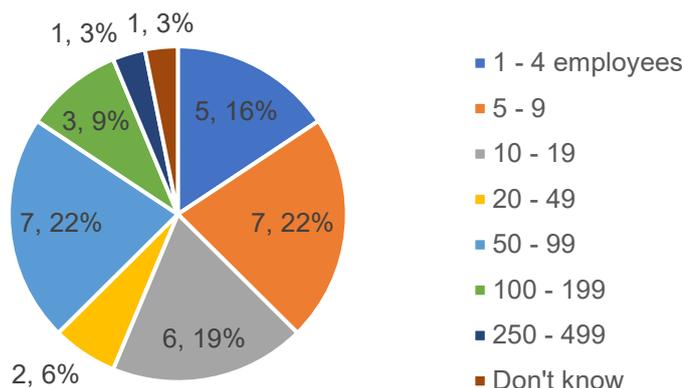


Figure 40. Count and percentage of businesses anticipating the number of employed people to increase (N=32)

Safeguarded jobs

5.24. Seventeen firms reported that they safeguarded 758 jobs in total as a result of the support (45 jobs on average per firm). This number varied by firm, ranging from four to 300: 59% safeguarded 25 jobs or fewer. Of those six firms that did not know for sure, four estimated safeguarding one to four jobs and one estimated 50 to 99 jobs. Accounting for estimated ranges, firms safeguarded 38 existing jobs per firm on average (varying from 37 to 40). This provides the estimated total of between 812 to 873 safeguarded jobs for survey respondents. These businesses had planned to safeguard 905.5 jobs in their investment project plans.

5.25. Seventy-eight per cent of firms that safeguarded jobs reported that all employees on these safeguarded jobs were paid at or above the real living wage (equalling at least 551 jobs⁴⁰), 9% (two firms) that most of them were and 9% (two firms) that some of them were⁴¹ (remaining 4% did not know if they were). Further, 91% of firms reported that, to the best of their knowledge, the majority of safeguarded jobs were filled by employees recruited from the local area.

Jobs by support type

5.26. Sub-sample analysis by support type is not feasible due to low sample sizes, however, it could be used indicatively. For example, on average expansion projects reported creating the most jobs (43 on average per firm), followed by a small number of safeguarding projects (31).⁴² Naturally, safeguarding projects on average safeguarded the most jobs (73 per firm), followed by expansion projects (32). Meanwhile projects that were offered financial assistance on average created more new jobs, but non-financially assisted projects safeguarded more (see Table 5 for more detail).

⁴⁰ This is an underestimated as some firms that did not know the exact number of safeguarded jobs
⁴¹ Most equals 51% - 99%, some equals 25% - 50%
⁴² This indicates an unintended positive impact as investment project types were related to specific job outcomes: safeguarding projects were intended to only safeguard jobs, new projects were intended to only create new jobs, while expansion projects were intended to either create/safeguard jobs.

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Table 5. Average numbers of jobs created/safeguarded by assistance and project type

By assistance type			
New jobs created (average/firm)		Safeguarded jobs (average/firm)	
Offered financial assistance (N=23)	36.4	Offered financial assistance (N=18)	29.5
Non-financially assisted (N=4)	24.4	Non-financially assisted (N=4)	77.9
By Project type			
New jobs created (average/firm)		Safeguarded jobs (average/firm)	
Expansion (N=12)	43.1	Expansion (N=6)	32.3
New (N=7)	24.9	New (N=4)	3.9
Safeguarding (N=4)	31.0	Safeguarding (N=8)	73.3
Multiple (N=4)	30.0	Multiple (N=4)	11.6

Other impacts of the support

5.27. Twenty-nine businesses left comments about additional benefits that the support provided.

With minor overlap these were:

- 9 out of 29 businesses mentioned that the support contributed to business development, for instance, “technical, infrastructure and skillset development”, “improved facilities”, “product development” (which led to increased sales), “businesses greening” etc.;
- 6/29 highlighted benefits to business continuity such as stabilising manufacturing, mitigating losses through the COVID-19 pandemic, a grant for re-opening, continuing trading, and reducing losses from the investment;
- 5/29 mentioned positive impacts on jobs, in terms of creating new ones and safeguarding them;
- 5/29 benefited from new businesses opportunities and networks, such as new business and/or technology partners, companies to work with that facilitated recruitment, or entering a new market sector, and partnering with customers long-term;
- 4/29 established or were helped to secure a new business site (state of the art factory, office premises);
- 3/29 mentioned gaining information or knowledge exchange (e.g., on other available support);
- 2/29 increased confidence in understanding the business market landscape and shareholder confidence to invest;
- 3/29 had other benefits: attracting venture capital, diversifying workforce, and becoming more competitive.

Exports

5.28. Inward investment beneficiaries were asked if they had started to export to new countries in 2018-2021. Thirteen surveyed businesses (39% of 33)⁴³ started to export to new countries in 2018-2021 (Figure 41). This included inward investors that received support for expansion projects (six firms), as well as new projects (four) and those that received support for multiple project (three). On average respondents stated to export to three new countries, ranging from one to 10. The countries varied, though nine businesses started to export to the ATN top-15 countries. The other four companies started to export to non-ATN countries (Sri Lanka, Vietnam, Nigeria, Ecuador, French overseas territory of New Caledonia) – see Figure 42 for the full list of new export countries. This perhaps reinforces the earlier point about the strategic independence of these operations in Scotland and their ability to seek out new global markets and expand their business accordingly with the obvious benefits for the Scottish economy.

Overall, in the period of 2018-21 has the company in Scotland started to export to any new countries?

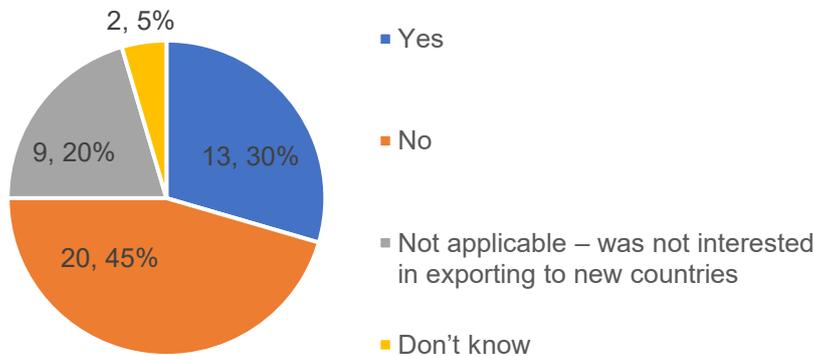


Figure 41. Count and percentage of all responding businesses (N=44)

New countries the companies started exporting to in 2018-21

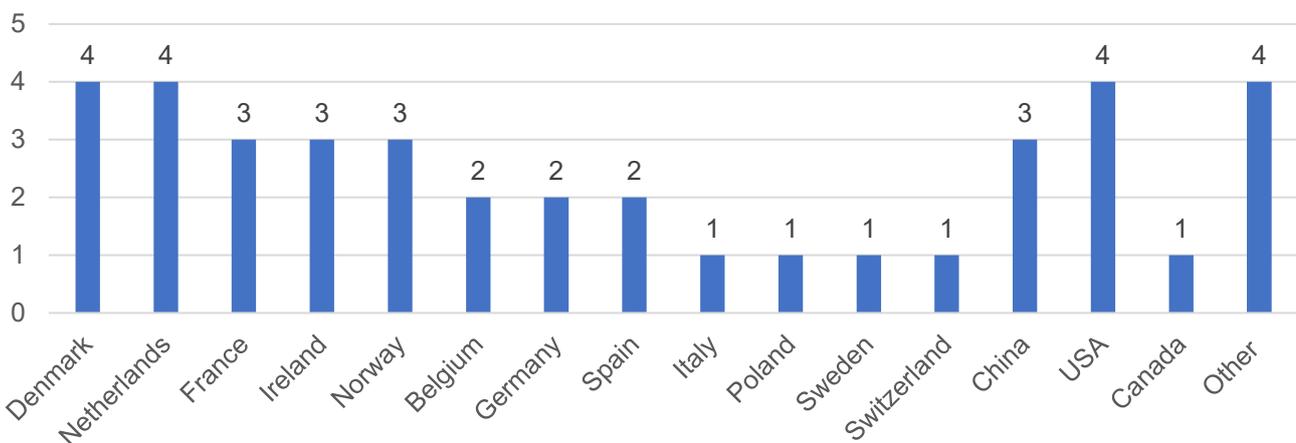


Figure 42. Count of businesses that started to export to a specific country (N=13), sorted by world region

⁴³ The count excludes companies that reported not being interested in exporting to new countries in 2018-21, and that “did not know” if their firm started to export to new countries

Suppliers in Scotland

5.29. Eighty-nine per cent of companies (thirty-nine) reported having suppliers in Scotland. Of them, Scottish suppliers made up on average 32% of all suppliers to these companies, varying a lot from five per cent to 99% depending on the firm. A share of companies – 13, or 33% of those with Scottish suppliers – estimated this proportion, which also varied from one to 10 % (four firms) to 61-70% (one firm). Taking estimates into account, firms reported that Scottish suppliers on average made up 30% of all suppliers (ranging from 29% to 31%).

5.30. Businesses reported having suppliers across all Scottish regions, particularly in the Glasgow City Region (78%) and the Edinburgh and South East Scotland City Region (66%) (Figure 43). Approximately 25–30% of businesses (eight to 10 firms) have suppliers in other regions. Some businesses were not sure if they had suppliers in specific regions, especially the Aberdeen City and Tay Cities Regions (see Figure 43 for more detail).

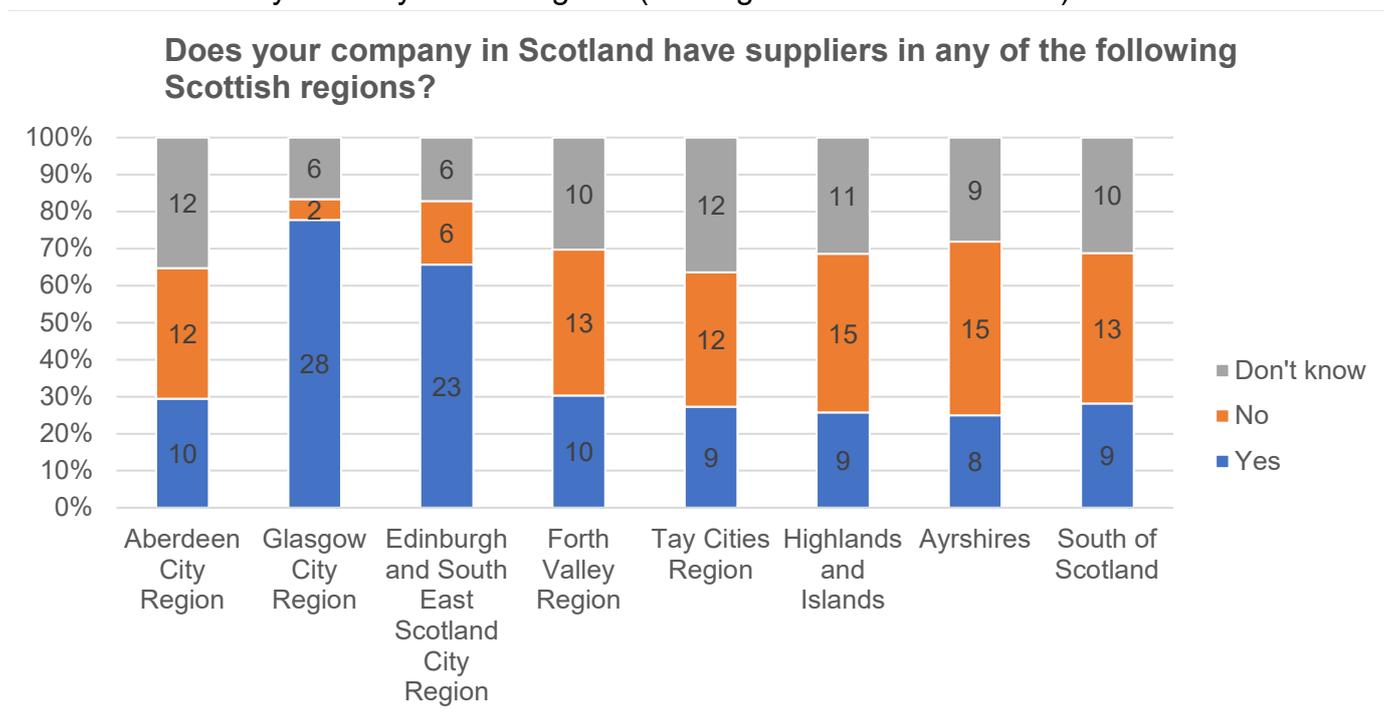


Figure 43. Count and proportion of businesses with suppliers in Scotland, multiple selections possible. Please see the Methodological Note for the full definition of each region (N varies).

5.31. Firms bought both goods (reported by 87% of firms) and services (95%) from Scottish suppliers. Among goods, most commonly bought types were consumer goods (bought by 58% of firms). On average, 40% of all goods and 50% of all services were supplied by the Scottish suppliers to companies. These varied a lot: from five per cent to 90% in case of goods and five per cent to 100% in case of services.

5.32. Half of firms (50%) reported that knowledge and/or expertise transfer activities occurred between their company in Scotland and any of their Scottish suppliers in 2018–2021. The outcomes of this transfer were both reduced product costs and improved product quality (47%), improved product quality (29%), and other outcomes (three firms, or 18%), such as environmental technology, network, and intellectual property (Figure 44).

What was the outcome of this knowledge transfer [between company in Scotland and any of the Scottish suppliers]?

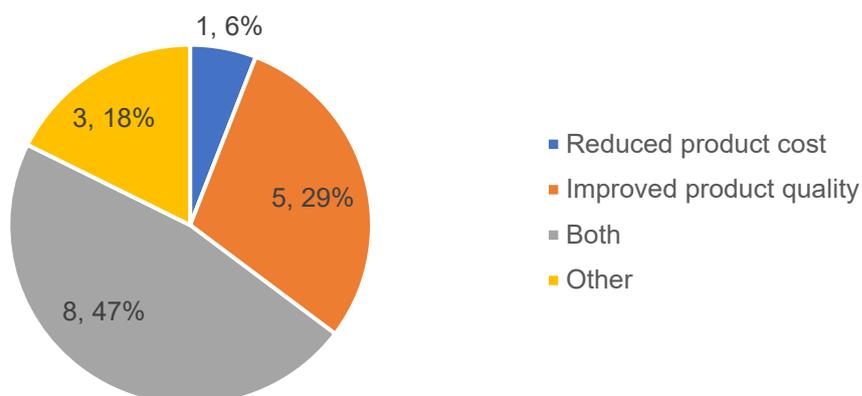


Figure 44. Count and percentage of businesses that reported knowledge and/or expertise transfer activities (N=17)

5.33. Sixty-six per cent of firms reported that the support had an impact on their supplier relationships (Figure 45): 20% started buying from Scottish suppliers, 37% started buying more and 9% both started buying and buying more as a result of the support.

As a result of the support, has the company in Scotland started buying and/or started buying more from Scottish suppliers?

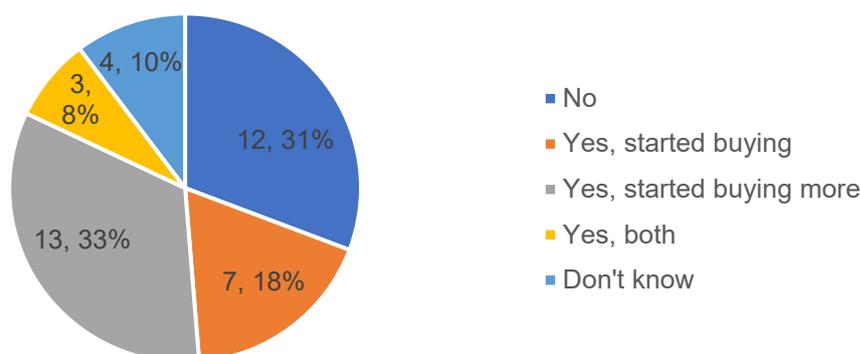


Figure 45. Count and percentage of businesses with suppliers in Scotland (N=39)

Customers in Scotland

5.34. Sixty-two per cent of companies (26 firms) sold to the Scottish market, selling both goods and services.⁴⁴ Businesses that produced goods were more likely to sell their product to the Scottish market than those that produced services or both goods and services (80% compared to 53% and 60%, see Figure 46). This is another indication of the embeddedness of these inward investment projects in the Scottish economy as they now recognise Scotland as a market they can engage with for customers. Of the nine companies that made both goods and services, five sold only one product type to the Scottish market: four sold services only and one only sold goods. The remaining three firms sold both goods and services to the Scottish market (one did not specify). In terms of the type of goods, firms sold every type to the Scottish market (raw, intermediate, capital and consumer goods): only two companies

⁴⁴ Excl. two "don't know" responses

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specified making other types of goods (both capital) and not selling them, that is to say that companies typically reported selling to Scotland all the good types they made (though typically companies only made one type of good, see Business activity section).

5.35. On average products sold to the Scottish market made up 42% of company's total sales of products. However, this differed by type: goods sold to the Scottish market made up 19% of the total sales of goods (ranging from 0.5% to 20% and at 100% for one firm), while services made up 51% (ranging a lot from two per cent to 97%).⁴⁵



Figure 46. Count and proportion of companies by product type (N varies)

5.36. As with suppliers, supported businesses reported selling to every Scottish region, most often the Glasgow City Region (92%) and Edinburgh and South East Scotland City Region (83%) (Figure 47). Roughly 6 in 10 businesses sold to other regions. The fact that customers are spread throughout the Scottish regions indicates that once established these inward investment projects find clients in the host economy which may well be an unexpected outcome of the initial investment.

⁴⁵ Based on N=7 for goods and N=9 for services, a high share of "don't know" responses

Does your company in Scotland sell to any of the following Scottish regions?

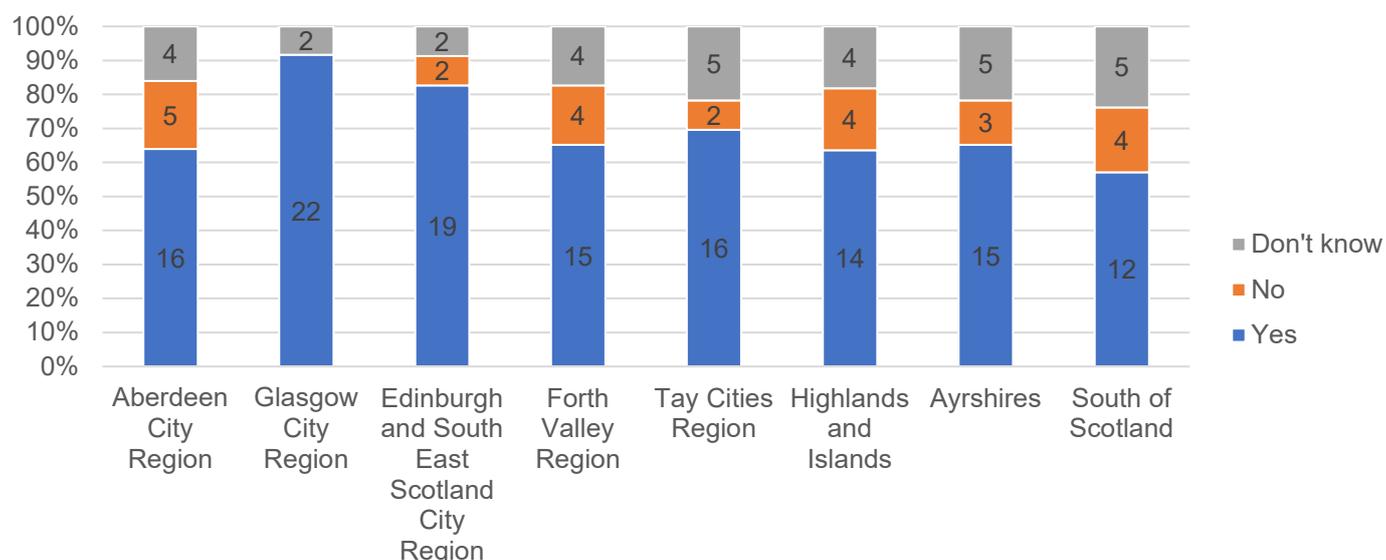


Figure 47. Count and proportion of businesses that sell in Scotland, multiple selections possible; Please see the Methodological Note for the full definition of each region (N varies).

5.37. Forty-eight per cent (ten firms) reported that, as a result of the support in 2018-2021, knowledge and/or expertise transfer activities occurred between their company in Scotland and their Scottish business customers. These firms reported both better management processes and new products and/or new services as outcomes of this transfer.

5.38. Inward investment projects have had a wider impact in Scotland than simply the nature of the activity associated with the investment and the scale of the jobs to be created or safeguarded. Businesses reported the following range of impacts they felt they had had on the Scottish economy either through demonstration or competition effects as well as direct engagement with Scottish companies:⁴⁶

- Introduced new processes and/or improved existing processes (83%)
- Introduced new products (77%)
- Made local businesses more productive (67%)
- Improved product quality (65%)
- Increased product variety (47%, eight firms)
- Reduced product cost (41%, seven firms)
- Other impacts (36%, five firms), such as “reduced environmental impact”, “really good service”, “lower carbon footprint”, job creation, and “improved food safety”.

Relationships with HE/FE institutions

5.39. Forty-five per cent of companies (18) reported developing partnerships or relationships with Scotland’s universities and/or colleges as a result of the support in 2018–21.⁴⁷ These included University of Edinburgh (specified by 6 out of 15 of businesses), University of Strathclyde (5/15), University of Glasgow (2/15), Napier University, Stirling University, Robert

⁴⁶ Excluding “don’t know”

⁴⁷ Excluding “don’t know” responses

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Gordon University, Aberdeen University, Dundee University, Heriot-Watt University, and South Lanarkshire College (one business each).

5.40. Businesses reported receiving the following benefits from these partnerships: research study or studies (72%, 13 firms), R&D (61%, 11), business process innovation (39%, seven), business product innovation (33%, six firms), and potential sources of recruits (one). Building partnerships with the Scottish higher education and further education sectors is often cited as a key ambition of the assistance provided to inward investment projects and the evidence from the survey suggests that this has indeed been the case.

Other businesses

5.41. Ten firms (26% per cent)⁴⁸ reported developing non-transactional partnerships⁴⁹ with other Scottish businesses as a result of the support in 2018-21. Eight firms further clarified that these brought the following benefits:

- Expertise (cited by 2 out of 8 firms);
- Increased sales, incl. expected sales in the future (2/8);
- Strategic partnership (1/8);
- New site (1/8);
- Helping the supply chain (1/8);
- Knowledge of advanced production methods (1/8).

Investment decisions

New and expansion projects only

5.42. For the 35 companies that received support for new and expansions projects, 66% considered the option of investing elsewhere instead of Scotland for the investment during the period of 2018–2021. This might suggest the competitiveness of Scotland as an investment destination. Eighty-seven per cent of these companies (twenty) have suppliers in Scotland and 64% (fourteen) sell to the Scottish market, implying the importance of embeddedness of investors in the region through other internationalisation channels prior to direct investment, as is well understood in the existing research.⁵⁰ These firms considered investing into another part of the UK, other countries or both (see Figure 48). Among other countries, businesses most often considered USA (five firms), Germany (four), and Denmark (two), as well as the Netherlands, Benelux countries, Ireland, France, Sweden, South Africa, or Asia and Eastern Europe (one each). In the UK, businesses considered to invest into on average two other regions or countries (ranging from one to seven). These were London (six firms), North West (five), North East (four), South East and South West (three each), East Midlands and West Midlands (two), and countries of Wales (five) and Northern Ireland (three).

5.43. Only two firms also looked to invest into another region in Scotland instead of the one they invested in. They both considered Edinburgh and South East Scotland City Region, and Glasgow City Region instead, with one business also considering Highlands and Islands instead.

⁴⁸ Of 39, excluding “don’t know” responses

⁴⁹ i.e., aside from the buyer/supplier relationships

⁵⁰ Johanson, J. and Vahlne, J.E., “The mechanism of internationalisation”, *International marketing review*, 7(4). 1990

Were you considering investment into another part of the UK, another country or both?

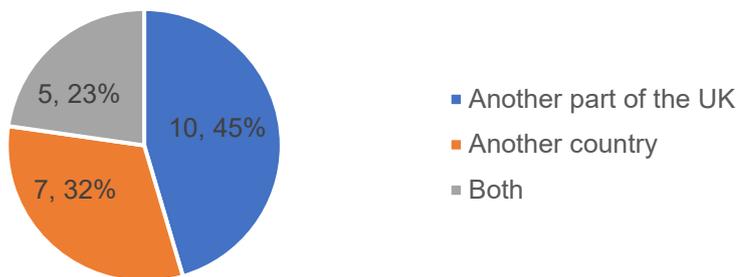


Figure 48. Count and percentage of businesses with supported new and/or expansion projects only that considered investing elsewhere instead of Scotland(N=22)

5.44. On averages, businesses named nine factors out of 20 that were important to their decision to invest in Scotland in the period of 2018-2021 (ranging from one to 16). The most commonly mentioned factors were Scottish Government support⁵¹ (cited by 83% of businesses), skilled workforce availability (74%) and skills support (69%) (Figure 49). When asked which factor was the most important in their decision to invest, firms' responses varied though skilled workforce availability was the most cited by over a third of all firms (36%) that considered it important (see Figure 50).

⁵¹ Note that Scottish Government funds its delivery partners to provide support for inward investment, as well as the wider business support

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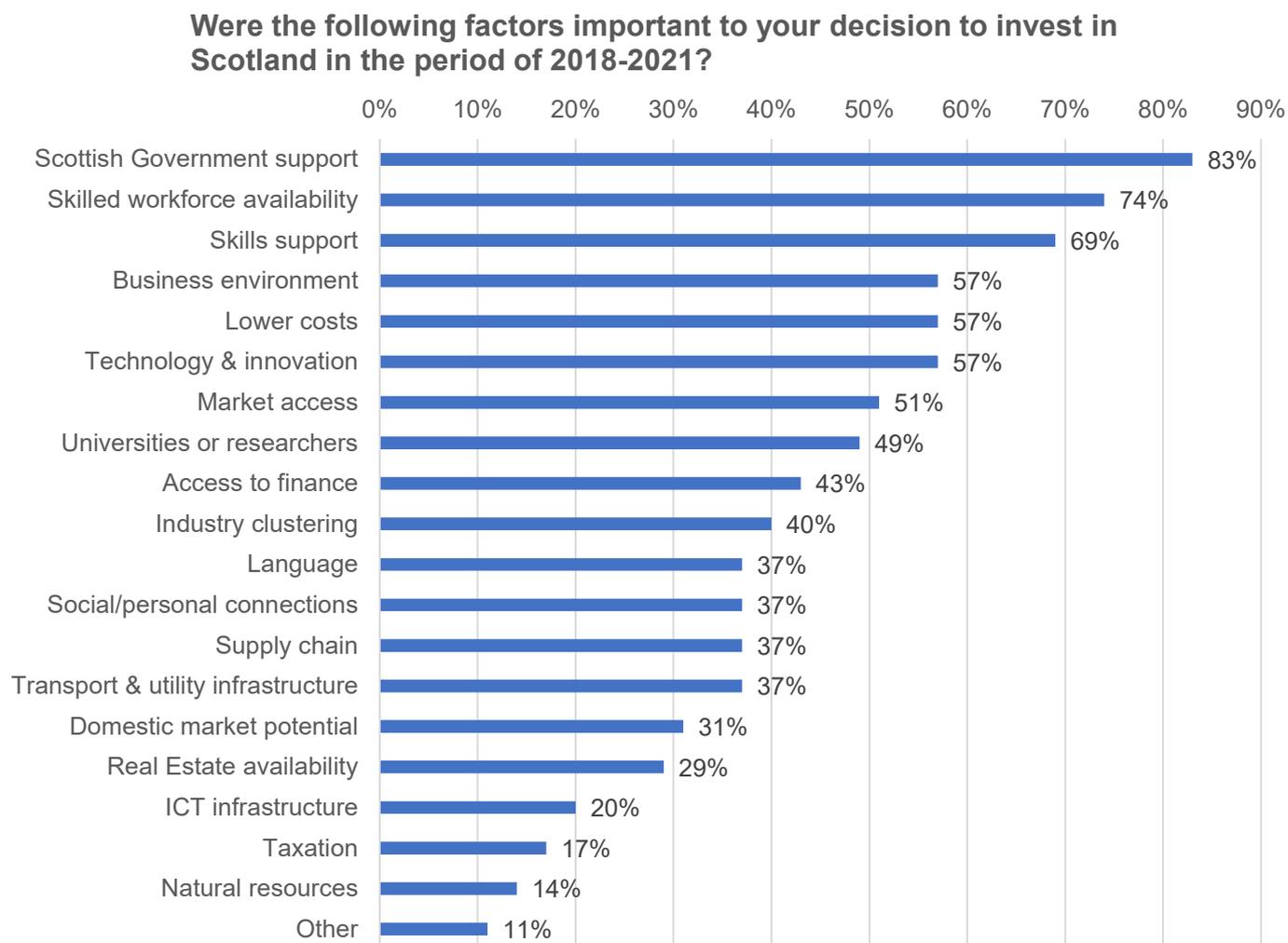


Figure 49. Percentage of all businesses (new/expansion projects only, N=35), multiple selections allowed

Evaluation of the Scottish Government's Inward Investment Support

And which of these important factors was the most important [to your decision to invest]?

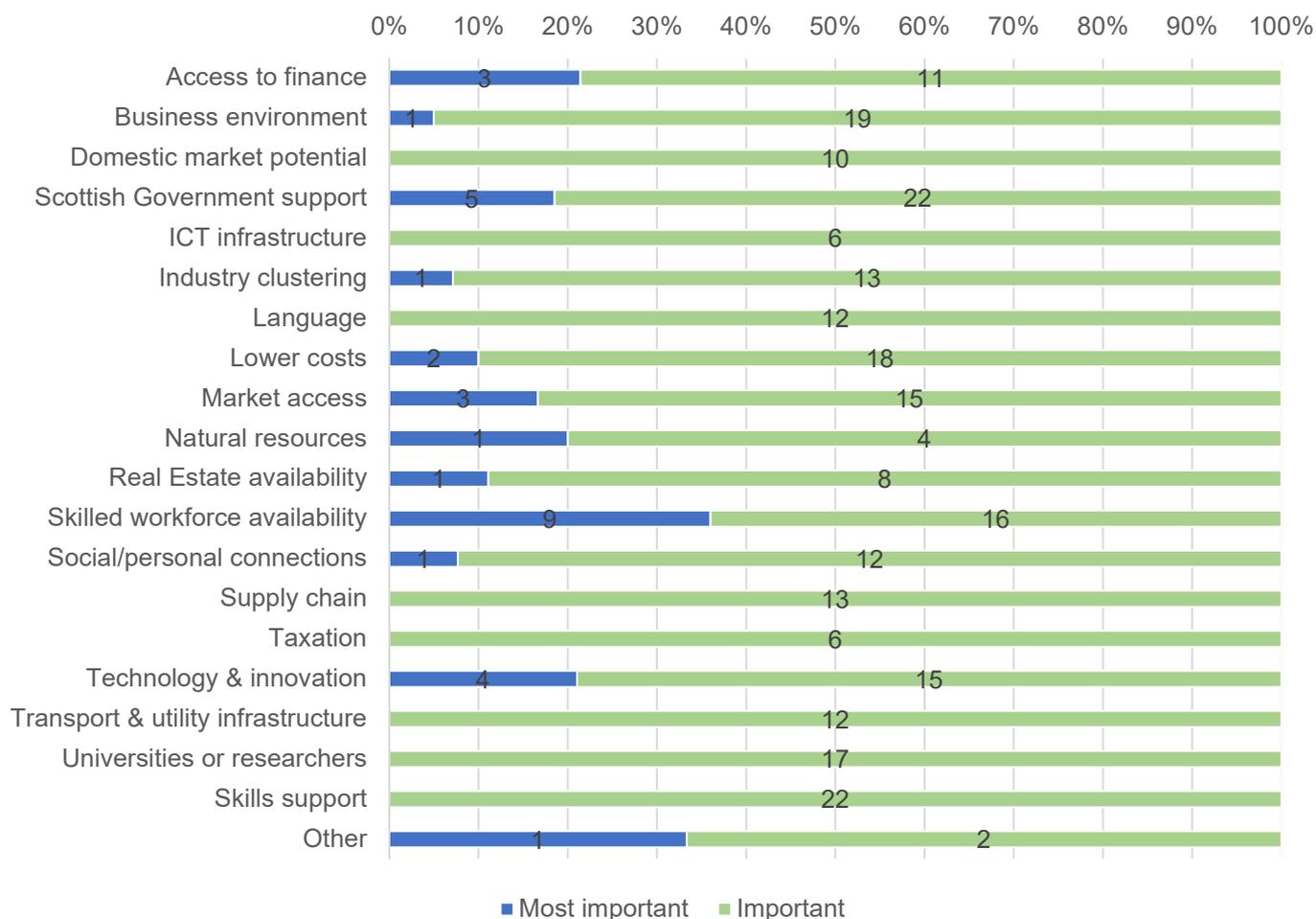


Figure 50. Count and proportion of firms that considered a factor the most important among other important factors (min. 2 important factors) (N varies)

5.45. Similarly, companies chose multiple factors that would incentivise them to invest in Scotland again:

- Grants / subsidies (91% of businesses)
- Tax refund / rebate (77%)
- Job creation tax credits (60%)
- Tax holiday (57%)
- Loan / credit (31%)
- Other financial incentives (20% or seven firms), e.g., R&D support and tax credits, net zero grant, investment into people, skills, and financial support for local jobs, enterprise zones, financing of new factories, and any financial support;
- Other non-financial incentives (14% or five firms), e.g., skills pooling with non-competitors, linking up HE/FE institutions on carbon transition, community initiatives, innovation awards, access to skilled workers, visa and cheaper recruitment.

5.46. Of these incentives, businesses reported that grants and/or subsidies would incentivise them the most (cited by 79% of firms with multiple incentivising factors) (Figure 51).

And which of these factors would incentivise you the most [to invest in Scotland again]?

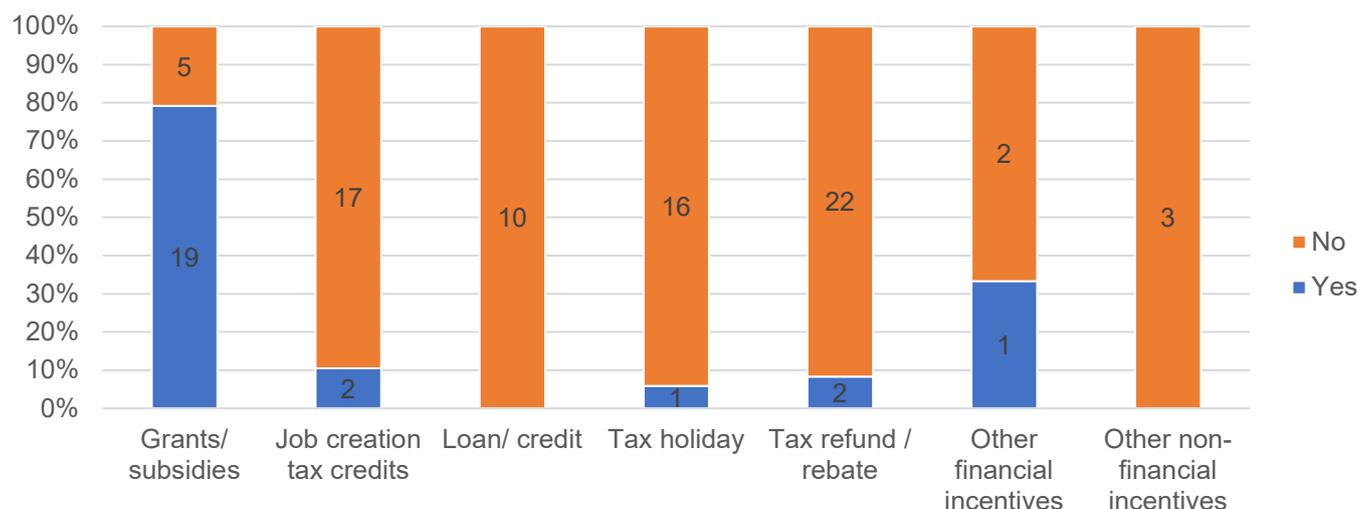


Figure 51. Count and proportion of businesses that considered that the specific factor would incentivise them the most out of all factors that would incentivise them (min. 2 incentivising factors) (N varies)

Satisfaction and support gaps

5.47. 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). This was slightly higher for companies that received support for expansion and safeguarding than for new projects (about 8.7 compared to 7.6), though this could be related to a slightly higher satisfaction in firms that were offered financial support (8.4 vs 7.9) as new projects were less likely to access it.

5.48. About a third (34%) of businesses rated the way the support was delivered below 8. Their reasons for this were mostly:

- Of financial nature (cited by 5 out of 13), such as wishing for greater financial support (3/5), grant not allocated or being unsure if it will be allocated (2/5)
- Red tape and administrative burden (5/13, mentioned by financially supported firms)
- Timescales and speed of work (3/13)
- Other (3/13), e.g., wishing for greater engagement, labour market information, and receiving information about trading after the EU-exit.

5.49. Twelve firms additionally specified other type of support they wish they would have received that would have been useful in helping them to deliver their projects. Most commonly these were related to financial support (cited by 5 out of 12 firms), such as more and continuous financial support, getting cash in advance, and grants for net zero. Other types of support cited varied and included such support as peer networking, involvement with infrastructure development policies, business promotion, market support, employee housing, exporter credits/subsidies, fewer restrictions on financial support by geographic area, and prior knowledge about setting up in Scotland with regards to business banking (mentioned by one firm each).

Usefulness of specific support types

- 5.50. Respondents were asked to identify which specific support activities they found useful and, if they identified multiple, which one was the most useful. In terms of helping businesses to deliver their new or expansion projects, the majority of businesses (at least 6 in 10) found all accessed support activities useful, especially the financial support, which was considered useful by all 19 businesses that received it (Figure 52). The most useful activity for delivering the new/expansion projects varied: the project support & consultation was selected as the most useful by 44% of businesses that found it useful, followed by signposting to supply chain partners (40%) (Figure 53).
- 5.51. Likewise, businesses were asked if support activities were useful in helping them to invest as much as they did. The chosen useful activities varied, and counts were low (Figure 54). The most useful activities were focused on financial support (100% of all considering it useful, five firms), signposting to specialist advice (50%, two) and signposting to financial assistance (25%, one) (Figure 55).
- 5.52. Furthermore, respondents most commonly considered the following activities useful in helping them to increase the number of people employed or safeguarded within the company in Scotland: financial support (95%), project support & consultation (73%), organised visit to Scotland (67%) and labour market information (63%) (see Figure 56 for more detail). Financial support was considered the most useful for this objective (mentioned by 64% of businesses) (Figure 57).
- 5.53. There were also four companies that had multiple investment projects in 2018/19-2020/21. They were asked if any of the support activities were useful in helping them to invest in as many projects as they did. Every support activity was accessed by at least one of these companies except for "other". They found all of the activities useful except for the guidance on other sources of public or private sector finance (which was 50/50 useful/not useful for the two firms accessing it).

Evaluation of the Scottish Government's Inward Investment Support

Were any of the following support activities useful in helping you to deliver your supported new / expansion project?

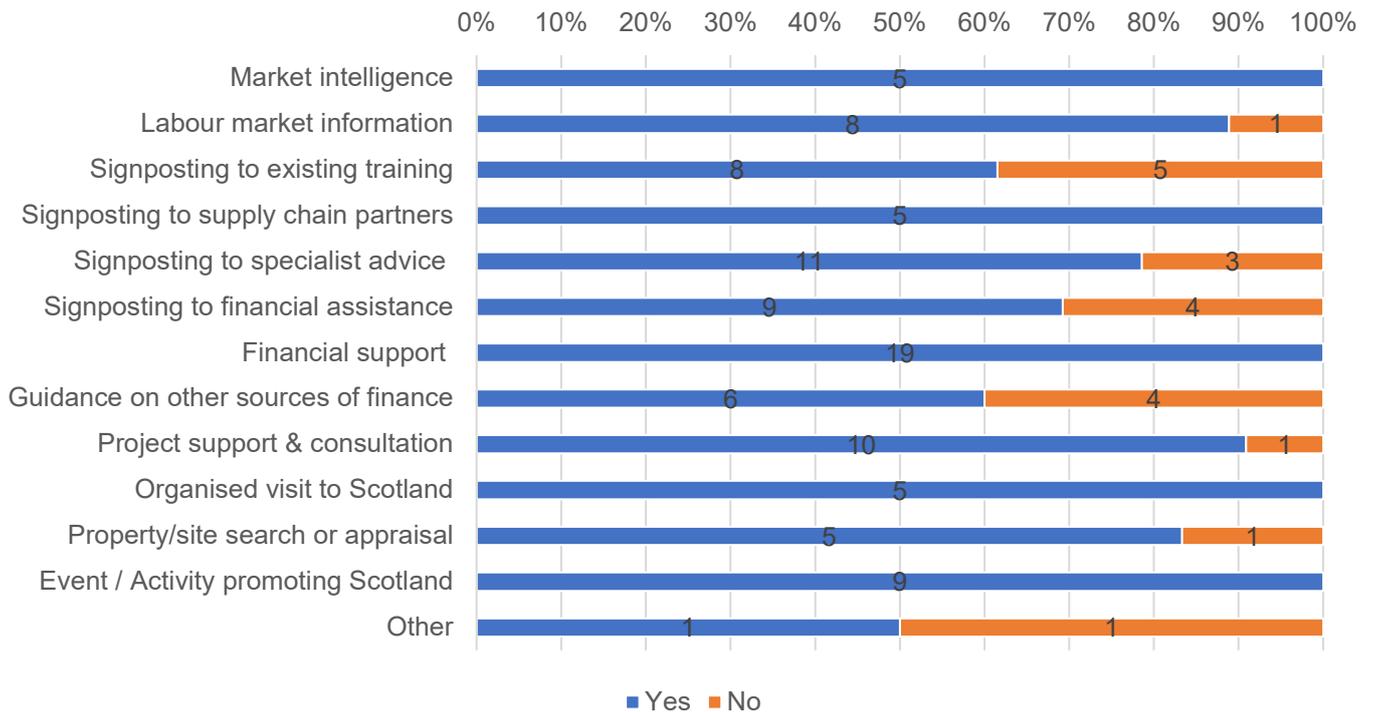


Figure 52. New/expansion projects only; count and proportion of businesses that accessed the specific support type, (N varies)

And which one was the most useful in helping you to deliver your supported new / expansion project?

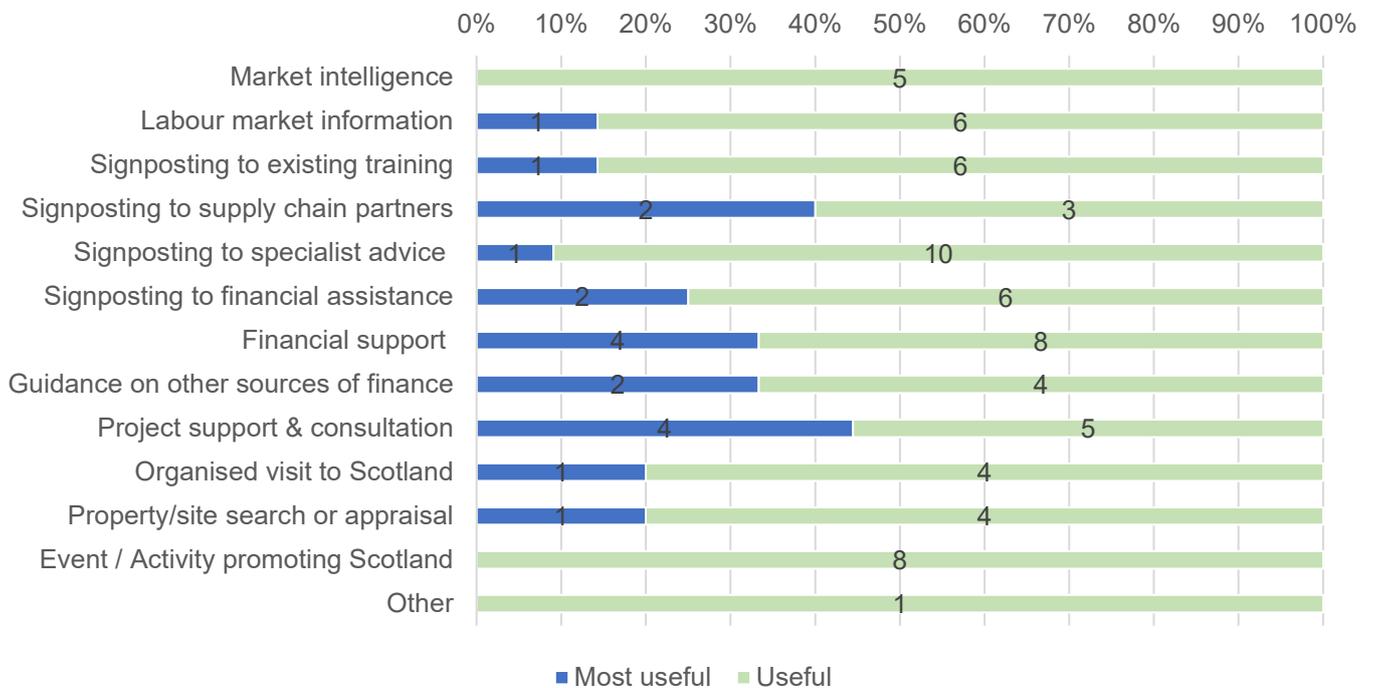


Figure 53. New/expansion projects only; count and proportion of businesses considering the specific activity useful among other useful activities (min. 2 useful activities) (N varies)

Evaluation of the Scottish Government's Inward Investment Support

Were any of the following support activities useful in helping you to invest as much as you did?

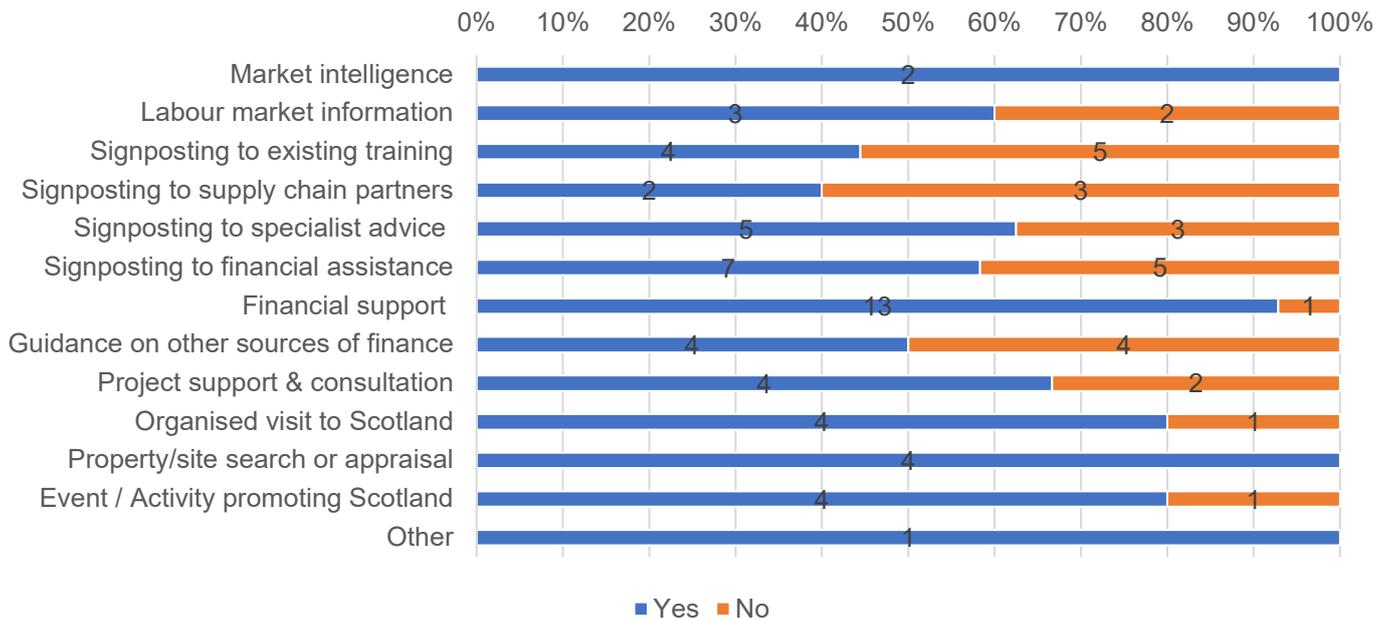


Figure 54. Businesses that invested own funds only, count and proportion of businesses that accessed the specific support type (N varies)

And which one was the most useful in helping you to invest as much as you did?

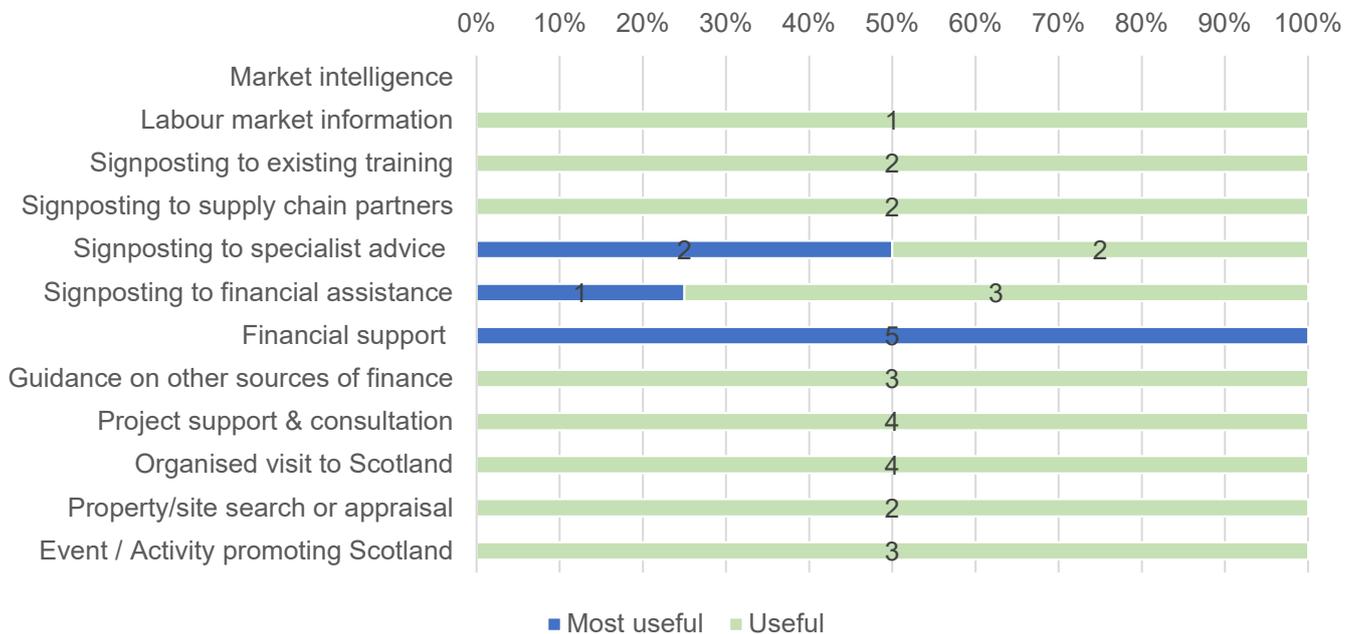


Figure 55. Businesses that invested own funds only, count and proportion of businesses considering the specific activity useful among other useful activities (min. 2 useful activities) (N varies)

Evaluation of the Scottish Government's Inward Investment Support

Were any of the following support activities useful in helping you to increase the number of people employed or safeguarded within the company in Scotland?

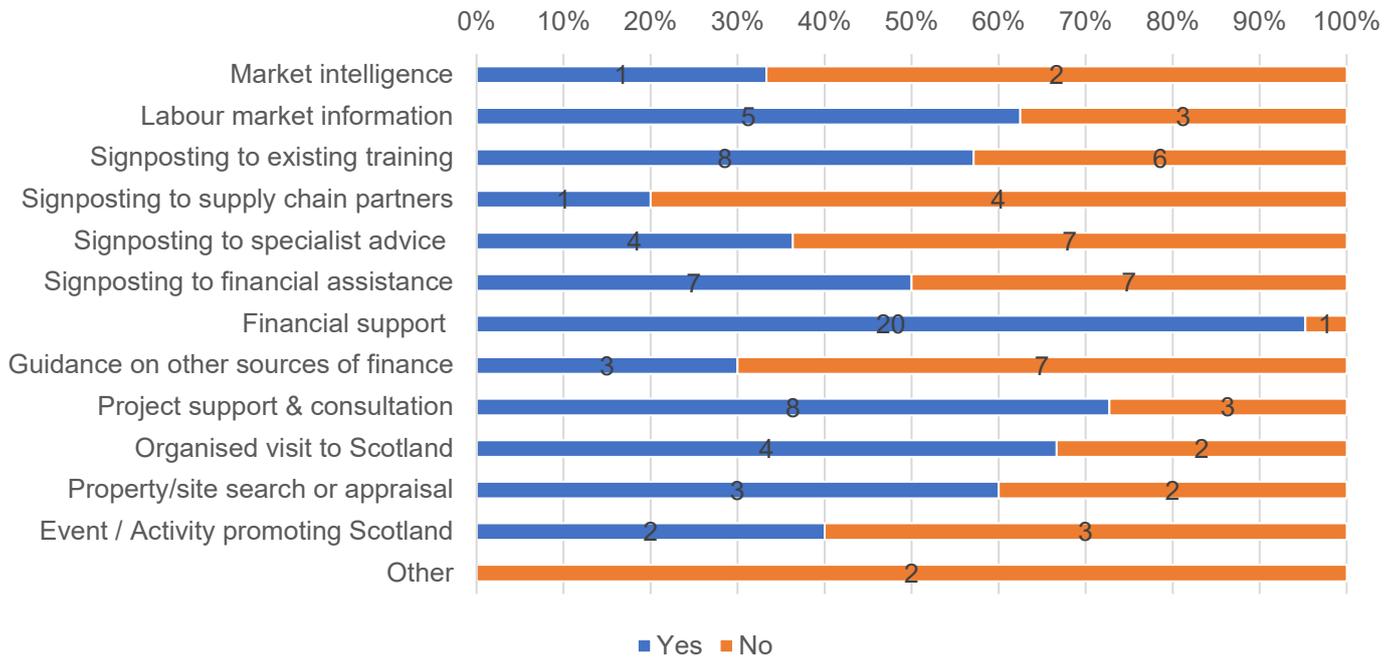


Figure 56. Count and proportion of all responding businesses that accessed a specific activity

And which one was the most useful in helping you to increase the number of people employed or safeguarded within the company in Scotland?

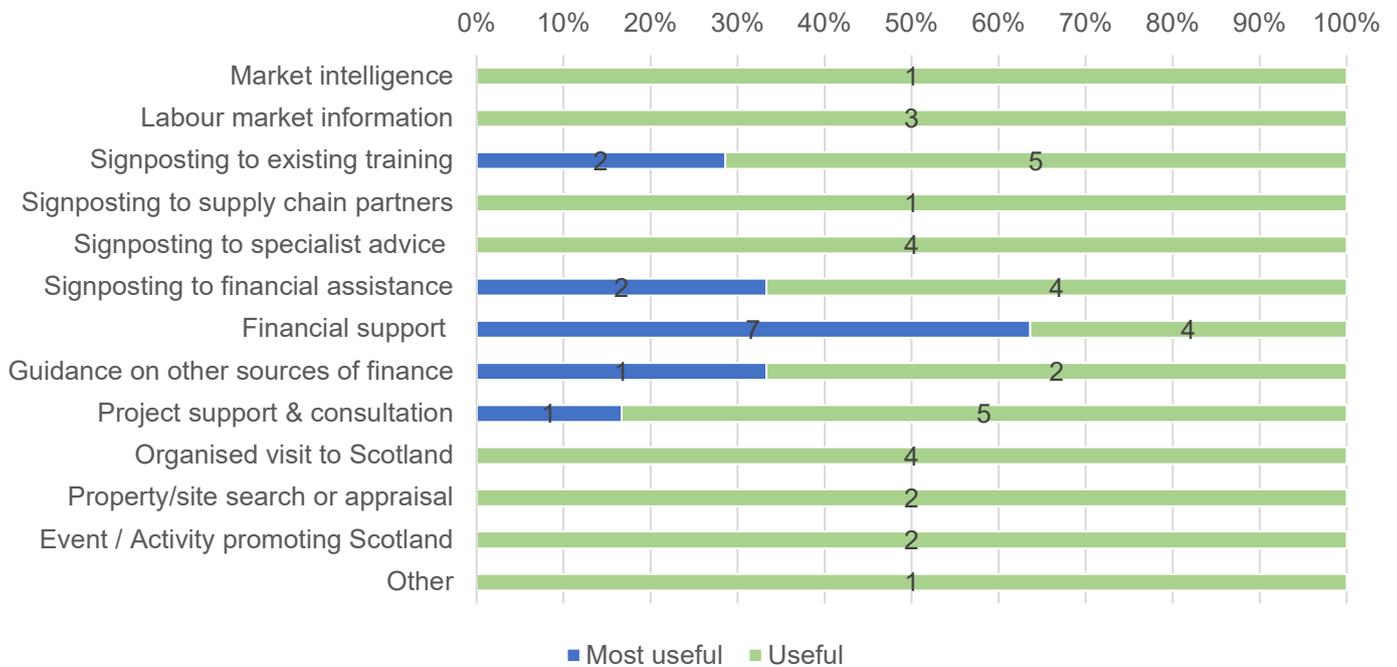


Figure 57. Count and proportion of firms that considered the specific activity useful among other useful activities (min. 2 useful activities) (N varies)

External factors

5.54. As expected, the majority of firms reported that their investment project was negatively affected by the COVID-19 pandemic and the end of the EU-exit transition period (68% and 52% of businesses respectively) (Figure 58). Additionally, seven firms (of 44) reported they were negatively affected by other factors: “team availability” and the “recruitment market” (cited by 3/7), UK government relationship with other countries (e.g., France, Germany), foreign exchange market, concerns over Scottish independence (as the distribution centre which serves England), global supply chain shortage, global oil price, and lack of investment from major operators (cited by one firm each). Overall, 80% of businesses were negatively affected by at least one factor (incl. “other”) compared to 11% (five firms) that reported being positively affected by at least one external factor.

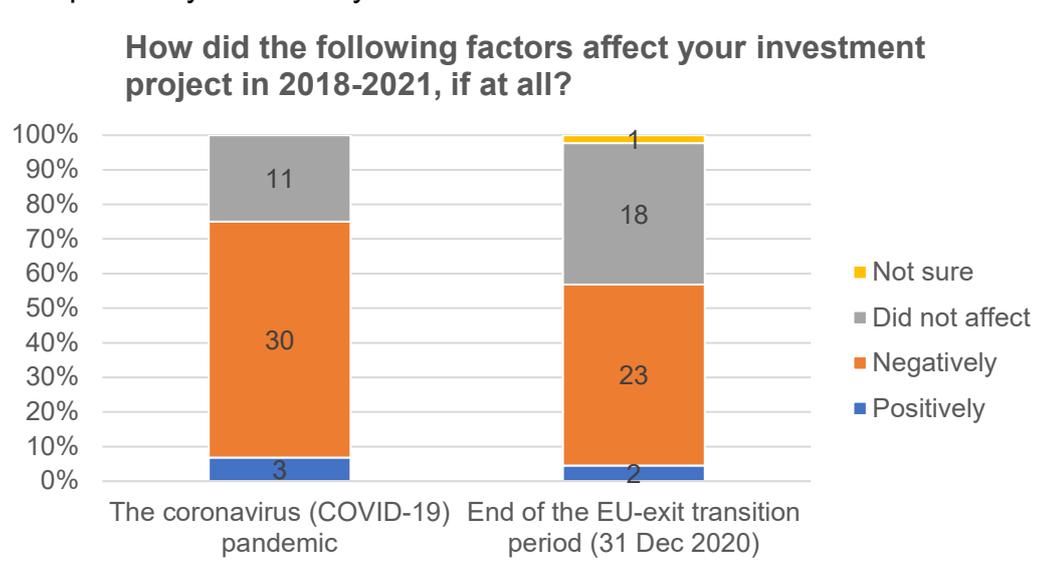


Figure 58. Count and proportion of all responding companies (N=44)

5.55. The majority of negatively affected businesses reported that external factors both decreased the number of people employed and resulted in delays to the investment project (54%) (Figure 59). Six companies further specified other negative impacts such as increased costs (e.g., due to COVID-19 distancing rules, Brexit), reduced sales, increased red tape in exports, initially reduced the number of employees etc).

Overall, how did these factors negatively affect your investment project? Did they:

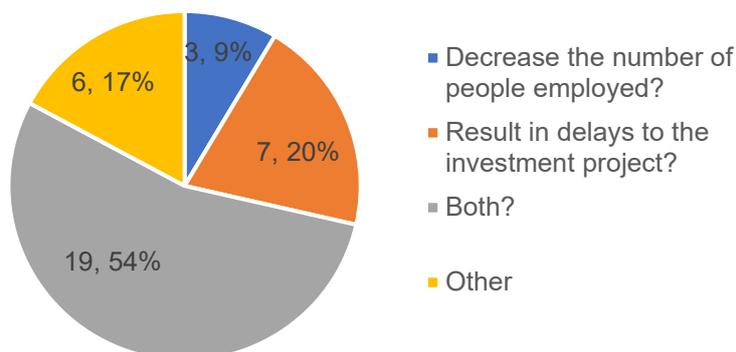


Figure 59. Count and percentage of businesses reporting at least one negative external factor (N=35)

5.56. Seventy-seven per cent of firms whose projects were affected negatively reported that the support received from delivery partners was useful in helping them to overcome negative effects to varying degrees, of them 37% found it very useful (Figure 60).

How useful, if at all, was the support you received from delivery partners in 2018-2021 in helping you to overcome these negative effects?

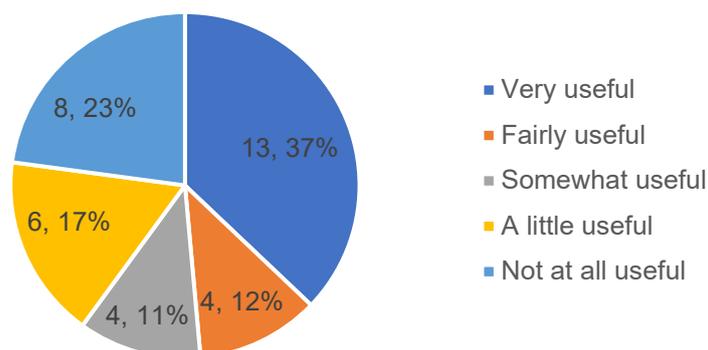


Figure 60. Count and percentage of businesses that reported at least one negative external factor (N=35)

6. Qualitative interviews with beneficiaries

6.1. This section summarises the 10 qualitative in-depth interviews with companies that also took part in the survey. All interviewed firms received support from SE and four were also supported by SDS.

Companies and their investment projects

6.2. Ten companies participated in in-depth qualitative interviews with varying backgrounds covering all supported project types: five received support for new projects, three for expansion, one for safeguarding and one for both expansion and safeguarding. Six companies were service providers (of them four were digital services providers), three manufactured goods, and one provided both. All firms, but one, were part of the company group though the actual position of the Scottish company varied: for instance, one firm’s

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Scottish site was the main site for the company group, for another all UK operations were based in Scotland, for other companies the Scottish site was one of the many etc. One company was entirely based in Scotland after moving from abroad after being approached by SDI.

6.3. Investment project objectives also varied and included goals to develop the product, both for goods and services (cited by 4 of the 10 firms), to innovate products/processes, for example, to replace existing technology or transition to net zero (3/10), to set up the base/open the site in Scotland (2/10), and to grow business and to find the market (cited by one firm each).

Investing in Scotland

6.4. In interviews companies described different journeys that led them to invest in Scotland. For instance, a recruitment company of English-speaking specialists to overseas decided to open the base in UK and came to consider Scotland due to a relationship with a former employee. A fintech company received a fintech grant award in UK and was approached by SDI to consider setting up in Scotland. The Scottish Government was the largest customer of the digital services company which then decided to expand into Scotland because of available technical talent that they considered to cost at better rates than the rest of UK. Another digital services provider was looking to expand in UK and considered university towns, including Edinburgh. Similarly, the pool of technical talent played a role in the decision of another company, though the main driver was the leader's personal connection to Scotland. For the safeguarded project the manufacturing site was being acquired by an overseas company, while another company was looking to expand and came across a manufacturing site for sale in Scotland.

6.5. All but one company considered other places for the investment instead of Scotland, which included other countries as cited by 4/8 firms (e.g., USA, Ireland, Serbia) and other regions/countries in UK (e.g., London, Northern Ireland, Wales, North West of England) – cited by 6/8 firms.⁵² Most of these companies (seven) provided multiple explanations of why Scotland was chosen:

- Access to required skills and universities for recruitment (cited by 4 of 7 firms)
- Cost advantage, e.g., lower rent (3/7)
- Relationships/connections in Scotland (2/7)
- Positive experience with the delivery partners (2/7),
- More attractive financial support offer (1/7), and
- Previous expansion elsewhere in Scotland (1/7).

6.6. Two other companies provided one deciding factor for choosing Scotland: financial support.

Reasons for seeking delivery partner support

6.7. Interviewed companies reported accessing varying types of support including financial support, signposting to financial assistance, activities/events promoting Scotland, market intelligence, property/site search or appraisal, signposting to existing training, labour market information, project support & consultation etc. Most companies (7/10) accessed multiple types of support and eight accessed financial support.

⁵² This question did not apply to one interview with a supported safeguarding project

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- 6.8. They provided various explanations for why they had sought the delivery partner support, typically because of the previous relationship or awareness of the Scottish Government and delivery partner support (4/10), or because they needed support to establish themselves in a new place (2/10).
- 6.9. Reasons of the remaining four companies varied and included coming across SDI after searching online, being approached by SDI, because setting up manufacturing had high upfront costs, and to justify the decision to invest in Scotland when the parent company was choosing a new site.

Satisfaction with the support

- 6.10. In their interviews, all firms were complimentary about the relevance of the support they received. Six companies elaborated that the delivery partner support was the key driver or one of the key reasons that helped convince the parent company to invest.
- 6.11. Likewise, generally all companies (9/10) were positive about the quality of the support provided describing it as “good” or “very good”. If elaborating, they specified such reasons as delivery partners’ responsiveness, engagement and professionalism, consistency of quality and contribution to achieving results. The one less positive interviewee focused on administrative burden required to receive the grant.
- 6.12. A few other firms, though positive, also mentioned issues that could have been addressed better, that is lengthy time periods for getting the support, complex and at times unclear grant and reporting requirements (e.g., what can be claimed for), and challenges explaining lower than planned deliverables (i.e., jobs created) to the delivery partner. One company also mentioned that within their organisation the delivery partner would contact different people and that it would have been better if they continued to engage the same person.
- 6.13. Seven firms that accessed multiple types of support were asked if and how different support activities worked together. There was a similar split between firms that thought they worked together (four) and those that did not think they did (three). Those that said that activities complemented each other mentioned such reasons as sequential fit, seamlessness and coordination by the same organisation, and/or the same contact.
- 6.14. Of those companies that did not think that support activities complemented each other, one firm did not see this as a problem because they had expected to coordinate different activities themselves; the other firm reported that there were too many enterprise agencies “in a tiny country like Scotland”, making the support landscape more complex; and one company considered that the support worked independently from “other support for the ecology” and that they “would have liked a bit more notice”.
- 6.15. Those firms that accessed multiple forms of support indicated that the most useful one was:
- Financial support (cited by 3 of 6 firms) because of the amount of the financial assistance and for being the key driver for the investment;
 - SDS support (1/6) due to access to required technical talent;
 - Market intelligence (1/6) because it created the basis for the investment profile; and
 - IP support (1/6).

Impact of the support

- 6.16. Every interviewed firm reported that the support helped them to achieve their investment objectives by helping to:
- set up the company in Scotland (mentioned by 4/10 businesses);
 - consider solutions/trouble-shoot different issues during the setting up (1/10);
 - recruit a strong team from the university for R&D work (1/10);
 - carry out R&D work the firm would not have done otherwise (1/10);
 - see the acquisition of the manufacturing site through (1/10);
 - lay the blueprint for investment with market intelligence provided (1/10); and
 - preventing the company from going under with the help of financial support (1/10).
- 6.17. Every company also considered that the support had an impact, often substantial, on their company and/or investment project: three firms thought that the investment project would not have happened in Scotland without the financial support provided and would have gone to other considered locations.
- 6.18. The other three firms thought their company in Scotland would have (probably) closed down or the project would have not happened without the support. Their reasoning for this was that financial support was the key factor for the acquisition, that without financial support the company would have run out of money sooner against the backdrop of COVID-19 and Brexit, and that the site for a new development probably would not have been acquired without the introduction to the vendor.
- 6.19. The remaining three companies believed that they would have probably gone ahead with Scotland, but without the support they would have been delayed: for one firm that was because they had received wrong advice from elsewhere which the delivery partner corrected, thus preventing a loss of time that would have been needed to “get there in the end”; another firm would have had to wait to generate enough profit to expand, and one firm would have experienced delay in product/process innovation. Lastly, one firm thought it would have either delayed its expansion into Scotland or possibly chosen another UK location.
- 6.20. Three of the 10 firms specified other types of support they wish they had received for their investment project: export credit/subsidies, greater financial capital support, and advice on securing a business bank account from overseas. Two firms mentioned that not having this specific support (advice and capital support) resulted in delays to the project. For the last firm not having export credits/subsidies hampered exporting as they were “very cautious to consider the overseas customers” without them.
- 6.21. Only two firms reported receiving support from other public sources for their investment project: from local Scottish councils and Fintech Scotland. They reported the following impact of this support: market access information, expanded business networks and financial support, all of which together with delivery partner support were complementary to the decision to invest and continue in Scotland.

Impact on jobs

- 6.22. Interviewed companies were asked to consider why their planned number of jobs to be created/safeguarded was different from the actual number of jobs created/safeguarded.⁵³ For

⁵³ For one company the comparison was the same, so the question did not apply

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three companies the actual number of newly created jobs was higher than planned, which they explained by business growth. For example, one company introduced new business functions not originally related to the investment project (marketing and customer service); while the other two experienced higher sales and growth.

- 6.23. Six companies reported lower numbers of jobs created than they had planned, mostly (cited by 4/6 firms) due to the COVID-19 pandemic (e.g., closed borders, disruptions to construction etc.), as well as due to the economic downturn, difficulty recruiting highly skilled technical staff, and, in one case, incorrect reporting that covered only one site.
- 6.24. Nine firms out of ten expected to create more jobs in the future as they expected business to grow organically or as a result of new product/process innovation. The one company that did not expect to create jobs explained that they did not expect to expand in Scotland due to the nature of their business which relied on the supply of people willing to be recruited to work overseas, which they did not expect to change in the future.

Impact on stakeholders and partnerships

- 6.25. Nearly all interviewees (nine) reported that their company in Scotland had an impact on different Scottish companies and stakeholders (e.g., suppliers, competitors, Government (national and/or local), business networks and organisations). Most often they reported the impact on Scottish suppliers (cited by 8/9) stemming from transactional supplier/buyer relationships. The contribution of delivery partners in this instance was considered indirect by the companies, explained by the fact that the company was set up and/or survived in Scotland, which enabled the economic relationship. The one company that did not report impact on stakeholders explained that due to COVID-19 their business only recently started to operate fully.
- 6.26. Additionally, 6/8 firms also 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 their own or their partner's product, sharing software system knowledge and knowledge about net zero practices. These types of knowledge transfers or exchanges within the supply chain of these inward investment projects has the potential to lead to productivity gains in domestic suppliers.
- 6.27. Two companies reported joining business organisations (Fintech Scotland, local chamber of commerce) and impacting the ecosystem through cooperation with other companies. Two more firms mentioned impacting government agencies or stakeholders: through advocacy ("we've talked to all the other government agencies, we've talked to MPs, I think it helps them understand what we do"), and because one was directly supplying the Scottish Government. Plus, two companies mentioned starting to work with charities, local universities, and local cultural organisations by displaying their artwork in their premises. Lastly, one company mentioned the impact on their own internal stakeholders who work in marketing and sales globally by providing a "strong message or commitment to innovation", so that they "have more confidence that (...) the products [that the company makes] are going to be different or new (...)". Of these companies reporting stakeholder impacts, three mentioned that delivery partners introduced them to (some) business organisations and local cultural organisations. These indirect, or even unexpected consequences, of public sector support will serve to strengthen the local and national business ecosystem.

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- 6.28. Furthermore, 8 out of 10 companies also reported developing partnerships that resulted in knowledge/expertise transfer, mostly with Scottish universities (7/8) through R&D projects or recruitment schemes. Of them five firms mentioned that delivery partners introduced them to universities. The benefits of these partnerships were recruitment of talent, R&D projects on product innovation and buying a site from the university.
- 6.29. Of the two companies that did not develop any knowledge/expertise transfer partnerships, neither expected to develop them in the future. For one firm that was because this was not their site's role. For another they were not sure of any official plans.

New external investment

- 6.30. Since accessing delivery partner support one company reported receiving new external investment from existing shareholders (angel investors) though they did not consider that delivery partners contributed to this.

Future business outlook

- 6.31. Every interviewed company was optimistic about the future expecting their business in Scotland not only to survive but to also to grow, for instance, by increasing volumes of service and sales, launching the new product, recruiting new people, expanding into a different sector and green activities. One company also expected to expand their operations into London.
- 6.32. Eight firms specified ways in which the Scottish Government and/or delivery partners could support them in the future, which varied:⁵⁴
- Support for R&D projects (cited by 2/8 firms);
 - Financial support (2/8): any or that for capital projects;
 - Support with lowering the cost of living and "solving the interest rate problem";
 - Continuing relationship with SDS;
 - Further product innovation support;
 - Being involved in net zero/sustainability conversations;
 - Facilitating exporting;
 - Infrastructure support for net zero transition (e.g., "we've done lots of research (..) on new carbon neutral technology, but (...) [we] can't get the electricity grid to be more robust");
 - Support with EU-exit red tape.

Future investment in Scotland

- 6.33. When asked if they would invest in Scotland again, most companies (six) responded that they would, with one more company "most likely" though they "did not think about it". When elaborating they provided varying and sometimes multiple reasons:
- because of the pool of talent and human resources (3/6);
 - because the investment process and/or work with the delivery partner was a good experience (2/6);
 - personal connections (1/6);

⁵⁴ Multiple options per company possible.

- already having sites in Scotland (1/6).
- 6.34. Two companies specified that they would invest in Scotland conditionally: one interviewee had concerns over potential Scottish independence which they expected to negatively affect the market; for another interviewee EU exit and its impact on access to European markets from Scotland was the main issue.
- 6.35. Another company would maybe invest contingent on the fundraising opportunities and access to users for pilot testing their product (both of which they considered to be better in London), though they would be happy to carry out an R&D project in Scotland.
- 6.36. In terms of what the Scottish Government and/or delivery partners could do to help with potential investments, five companies would like to see the same support as mentioned earlier for their business in general, that is, continuing the relationship with delivery partners, financial support, net zero infrastructure support (see para. 6.32), and support with the fall-out from the EU-exit and exporting in general. Two other companies mentioned developing networking opportunities and possibly promoting their country of origin as an overseas work opportunity for their employees in Scotland. The remaining three companies believed that no additional support was needed and/or was already being delivered.

7. Outcome Assessment

- 7.1. This section assesses the outcomes of inward investment promotion support, drawing on monitoring data and primary research. As indicated in the Logic Model, and consistent with the overall aims and objectives of inward investment promotion, the creation of new real living wage jobs and/or safeguarding of existing jobs is the principal anticipated outcome.
- 7.2. Detailed monitoring data was available on the number of planned new/safeguarded jobs at a firm level; however, data on actual new/safeguarded jobs was not available. It was therefore not possible to assess the characteristics of firms who were more or less successful in creating/safeguarding jobs for the supported business population. We used survey evidence on whether jobs associated with inward investment support were realised in practice, providing an estimate of the total actual jobs created/safeguarded in the evaluation period.
- 7.3. The survey responses could be extrapolated to the population of supported businesses that were approached to take part in the evaluation survey (N=174). Two firms were removed: one because it was no longer trading making it ineligible, and one because it could not be reached by any means, counting towards non-coverage. We thus used 172 firms to provide an estimate of the actual employment outcomes.
- 7.4. We know that firms that were offered financial assistance were more likely to respond to the survey. Firms that were offered financial assistance also planned to safeguard nearly four times as many jobs as non-financially assisted firms (Table 6). In the survey, all financially assisted firms (100%) reported job outcomes compared to 55% of non-financially assisted firms. However, the survey sample was insufficient for sub-analysis of these two groups and the margin of error for non-financially assisted firms in particular was high (approx. 25%). For this reason, analysis below omitted adjusting for offered financial assistance as that would have introduced more errors. The unweighted survey responses were thus the best estimate of real values in the beneficiary population.

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Table 6. Planned job creation/safeguarding by assistance type (172 unique firms)

Assistance type	New jobs	Safeguarded jobs
Financial	5,480	4,218.5
Non-financial	3,169	1,079
Total	8,649	5,297.5

7.5. In the SDI Management Information system, the investment project type was linked to specific planned job outcomes,⁵⁵ however, survey data shows that some firms achieved an additional job outcome, which constituted positive unintended impacts. For instance, almost a third of firms (32%, seven) that only planned to create new jobs also reported safeguarding jobs. On the other hand, some expansion projects that planned to achieve both job outcomes reported achieving one of them. This indicates that we should aggregate data from all project types to compare achievement of new/safeguarded jobs.

7.6. Survey data was used to infer the proportion of businesses that were impacted by the support. Eighty-nine per cent of survey beneficiaries reported that the support had an impact on their job creation/safeguarding. This was extrapolated to the survey population resulting in the estimated 153 businesses that were impacted.⁵⁶ Using survey data on new/safeguarded jobs on average per firm, this netted an estimated **5,297 new jobs and 5,863 safeguarded jobs**. Accounting for survey respondents' range of job estimates and the survey's margin of error, we extracted the lowest and highest impact scenarios for job outcomes. For new jobs created this range varied from 3,952 to 6,525 jobs; for safeguarded jobs the lowest and highest estimates were 4,839 to 6,621.5.

7.7. In their investment project plans 172 businesses planned to create/safeguard 8,649 and 5,298 jobs respectively (Table 7). Actual job estimates therefore indicate that beneficiaries were yet to achieve the number of new planned jobs but have most likely overachieved the number of safeguarded jobs. However, planned job outcomes were expected to materialise over the next three years after receiving the support. At the time of writing, only the firms that received support in 2018/19 were within this timeframe. For illustrative purposes only, 2018/19 supported firms responding to the survey reported creating/safeguarding 123 and 363 jobs respectively, compared to their planned 102.5 and 320 jobs respectively.

Table 7. Planned job creation/safeguarding compared to estimated achieved job creation/safeguarding for all supported & surveyed projects in 2018-2021 (172 unique firms)

	Planned	Achieved (range of estimates)
New jobs	8,649	5,297 (3,952 - 6,525)
Safeguarded jobs	5,297.5	5,863 (4,839 - 6,621)

Source: ERC analysis

7.8. Taking anticipated job creation over the next three years from survey data into account, we expect the majority of 172 supported firms to increase jobs in the future (73% on average,

⁵⁵ New projects planned to create new jobs, safeguarding projects planned to safeguard jobs, and expansion projects could have either of these objectives

⁵⁶ Taking the survey margin of error of 12.8% into account, the share of businesses reporting impact on jobs is expected to be between 76% and 97% in the opt-in population, or 131 to 167.

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, while the lowest and highest bounds would mean 14% lower and 90% higher than planned job creation.

- 7.9. An important factor to consider is that investment projects were exposed to the unprecedented COVID-19 pandemic during the evaluation period, as well as other external factors such as EU-exit and the global supply chain crisis. Based on survey responses we estimate that between 67% and 93% of firms' investment projects were negatively affected by external factors. For the majority (50% - 76%) this resulted in a decrease in the number of people employed. Hence, approximately a third to two thirds of businesses would have expected to have more employees than they did over the evaluation period 2018-21.
- 7.10. We further used survey data to obtain information on the quality of created/safeguarded jobs in the population of 172 supported businesses. We can, therefore, expect the majority of firms to have their employees in newly created jobs still employed today (84% firms on average with a range of 71% - 97%), to be paid at least the real living wage (86% firms, 73% - 98%), and the majority of employees to be employed from the local area (93% firms, 80% - 99%). Similarly, the majority of firms estimated that most of their employees in safeguarded jobs are paid at least the real living wage (87% firms, 74% - 98%) and come from the local area (91% firms, 79% - 99%).

8. Conclusions and recommendations

- 8.1. This final section of the report summarises the key findings from the evaluation and recommendations for SG and delivery partners. The evaluation used a mixed-methods approach and combined findings from the beneficiary survey, interviews and analysis of data held in the SDI Management Information system.

Conclusions

Management Information review summary

- 8.2. In the period 2016/17 to 2021/22 inward investment support was provided to 688 investment projects. The review of the in-house Management Information data looked at the characteristics of projects in terms of planned jobs, capital expenditure of the firm and planned financial assistance provided to firms. When looking at the nine opportunity areas in different Economic Development Areas (EDA), the Glasgow City Region and the Edinburgh and South East Scotland Region have the highest number of projects, with the "Other" category in the opportunity areas being the highest (see the point below). Software and IT was second highest in the Edinburgh and South East Scotland region, while Healthtech was second highest in the Glasgow City Region.
- 8.3. Sectoral analysis revealed that the "Other" opportunity area had the highest number of projects, followed by Healthtech, Software & IT, and Energy Transition. Digital Financial Services (DFS) had the highest planned jobs per project while Transformation of Chemical Industries had the highest assistance per job (noting that some of this will be impacted by outliers). Further sectoral analysis looking at SIC codes revealed that Computer programming, consultancy, and related activities (SIC code 62) had the highest number of

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projects, while Accommodation (SIC code 55) had the highest capital expenditure and public assistance. Insurance agents, brokers, and service (SIC code 64) had the highest number of total planned jobs.

- 8.4. The majority of projects are concentrated in urban areas, however, the number of jobs per project and average assistance per job were similar across urban and rural areas. Urban areas mainly had non-financial assistance projects while rural areas had the highest share of other financial assistance.
- 8.5. Parent companies of firms that received support came mainly from the USA and England throughout the intervention period. Other locations included Germany, China and Canada.
- 8.6. There were 86 companies that made multiple investments, where the majority had two projects attached to the company. For a couple, there were up to nine projects. Repeat investors had higher capital expenditure and public assistance per project when compared with single investments.
- 8.7. A majority of projects fell into the expansion category when looking at project types, while expansion plus safeguarding jobs had the highest public assistance per job. Safeguarding jobs had the highest total planned jobs per project. This was mostly consistent over the years.
- 8.8. There were 376 projects that received some form of planned financial assistance, with other financial assistance types having 189 projects. This is around 55% of all projects, while 45% received non-financial assistance. This varies from year to year, where in 2016/17 and 2019/20, the number of projects with financial assistance was lower than projects with non-financial assistance. This also varied year to year when looking at jobs per project and total number of safeguarded jobs. Here, no trend was found.

Beneficiary survey

- 8.9. In 2018/19 - 2020/21 the Scottish Government and its delivery partners provided a wide range of inward investment support to 282 unique businesses and 310 investment projects (new, expansion and safeguarding projects, with some inward investors receiving support for several projects). Of these, 174 supported firms opted in to receive the evaluation survey. Though the analysis of available Management Information data showed that these firms were very similar to the firms that opted out, this was only within regard to characteristics collected by the Management Information system (support characteristics, planned outcomes, location, business sector and parent company country). Hence, the survey results thus could be extrapolated to the 174 firms that opted in.
- 8.10. Within this sample, firms that were offered financial support were more likely to respond to the survey. Due to sample sizes the data could not be weighted to take this into account, so the survey findings are slightly biased towards the firms offered financial assistance. However, these firms made up the majority of all supported businesses (56%). Their higher participation in the evaluation is also illustrative as survey and interview findings indicate that businesses valued financial support and assigned a high degree of impact to it.

Survey respondent characteristics

- 8.11. Survey data shows that the majority of companies that received inward investment support were SMEs (81%), covering a number of business sectors, most commonly manufacturing (39%). Inward investors tended to have one site in Scotland (65%) and other site(s) in,

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predominantly, rest of UK (70%), though more than half also had premises in other parts of the world. Nearly half of supported businesses (48%) operated as a centre, office or headquarters of some type for their parent company in Scotland. Further on, companies in Scotland produced both goods and services in Scotland. For survey respondents Scotland, or even UK, was not their exclusive market: a majority of businesses also sold their product(s) to the rest of world (EMEA countries in particular). Forty-one per cent of companies in Scotland delivered services, 23% made goods, and 36% delivered a combination of both.

8.12. This is important for the Scottish economy as it places these assisted inward investment projects in an important strategic position in their sector in the global market place and underlines the quality of the project and the potential for future investment in Scotland.

Decision to invest in Scotland

8.13. Inward investors had varying and often multiple reasons for considering and subsequently investing in Scotland, as well as varying investment project objectives. Interviews show that the reason to start considering Scotland as an investment destination varied and was unique to businesses' circumstances depending on their business plans, external events or even personal relations in Scotland. Companies also had varying reasons for accessing SG support, though being aware of it and/or having previous relationship with delivery partners featured more prominently.

8.14. From the survey we know that most businesses with new and expansion projects (66%) also considered investing elsewhere instead of Scotland, both into other parts of UK and into other countries (EU most often). At this consideration stage, firms had weighed on average nine factors that were important to their decision to choose Scotland. The top three cited factors were SG support, skilled workforce availability, and skills support. This was further substantiated in interviews that showed that companies often considered a combination of factors for choosing Scotland over other places, including SG support, access to skilled labour and costs. In terms of a deciding factor in this decision, skilled workforce availability was cited as the most important factor in the survey (by 36%), with a large variability of other factors. Similarly, most interviewees in the depth interviews noted that SG support was the key driver or deciding factor. This tells us that once the company decided to consider Scotland, SG support was one of the factors that helped them to decide and, for a share of companies, the deciding factor in investing in Scotland.

Support accessed and satisfaction

8.15. Businesses could access multiple forms of support, for example, financial assistance, signposting services, expert advice, market intelligence etc. In fact, 8 in 10 firms reported accessing multiple support activities. The most commonly accessed activities were financial support, alongside signposting to specialist advice, existing training, or financial assistance. Interview responses were mixed on whether multiple support activities complemented each other or not: generally, complementarity was not identified as a problem, though a few interviewees would have preferred to see more coordination between delivery partners and other policy stakeholders.

- 8.16. With regard to new and expansion projects, a large share of firms (at least 60%) found that all types of support that they accessed were useful in helping them to deliver supported new/expansion projects. New and expansion projects make up over 80% of all supported projects making this an encouraging finding. However, companies disagreed on what support activity was the most useful.
- 8.17. For creating and safeguarding jobs, firms found financial support and project support & consultation more commonly useful than other support activities (of those firms that accessed this type of support). Financial support was also clearly considered the most useful by the majority of firms in helping to create/safeguard jobs. Similarly, all but one company that invested own funds into their investment projects considered financial support useful in helping them invest as much as they did and considering it the most useful.
- 8.18. Satisfaction with the way the support was delivered was high in both the survey (8.3/10) and interviews. When mentioned, the most common theme for improvement and additional support was finance-related, for example, a higher amount or getting funds earlier. Another prevalent theme was related to a desire to reduce the administrative burden and speed up the approval process. While these two themes did recur, it is worth noting that many companies suggested various other areas for improvement and support gaps, which indicates that actual changes to support delivery might need to be discussed with companies on a case-by-case basis. Another important consideration is that there is limited evidence on impact of support gaps: just two companies mentioned minor delays to their projects as a result of not accessing a specific support activity.

Direct impacts (jobs)

- 8.19. Surveyed businesses reported a high level of impact as a result of the support provided for their investment project and their company. Seventy-three per cent of firms reported that the support had an impact on their company's performance (for safeguarding projects) and the ability to deliver their investment project at all or on time (new and expansion). In-depth interviews provided more detailed explanation on this, for instance, because another location outside of Scotland would have been chosen instead, or because wrong advice from other sources would have taken longer to correct, etc.
- 8.20. The reported impact on job creation/safeguarding, which was the overall objective of inward investment promotion, was also high: 89% of firms reported that, as a result of the support, they either increased the number of people employed and/or safeguarded existing jobs or had hired them quicker than expected. Some of this impact was unintended as some firms that had not planned to create or safeguard jobs in investment plans reported achieving additional job outcomes.
- 8.21. In 2018/19-2020/21 investment plans, 172 supported businesses planned to create/safeguard 8,649 and 5,297 jobs respectively. The outcome assessment estimated that supported businesses created 5,297 new jobs and safeguarded 5,863 existing jobs as a result of the support (Table 8). These figures were likely underestimates of job creation as jobs were meant to be created within three years after receiving the support and 67% of businesses were still within this timeframe. To illustrate, anticipated job creation over the next three years as reported in the survey is estimated to lead to a net addition of 6,289 new jobs (ranging from 4,193 to 8,703). Overall, supported businesses that opted into the evaluation

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are likely to achieve and possibly overachieve their planned job creation within the next three years (Table 9), and are most likely to overachieve planned safeguarding jobs.

Table 8. Outcome assessment of created/safeguarded jobs

	Average	Lowest bound	Highest bound
New jobs created	5,297	3,952.4	6,525.3
jobs Safeguarded	5,863	4,838.7	6,620.5

Source: ERC analysis

Table 9. New job creation over the next three years (actual job creation and anticipated job creation)

	Average	Lowest bound	Highest bound
New jobs created	5,297	3,952.4	6,525.3
Anticipated new jobs to be created	6,289	4,193	8,703
Total	11,586	8,145	15,228

Source: ERC analysis

8.22. Furthermore, we can expect new and safeguarded jobs to be of quality – defined by the real living wage being paid – and benefit the local area where the supported business is located. Specifically, it is estimated that around 7 in 10 firms report that their employees are paid at or above the real living wage (new/safeguarded jobs) and are still employed, that is, since 2018-21 (new jobs). An estimated 8 in 10 firms report that majority of their employees were from the local area (new/safeguarded jobs).

Indirect impacts (suppliers, customers)

8.23. In addition to employees, we find that supported inward investors were benefiting other stakeholders in Scotland, predominantly Scottish suppliers. Eighty-nine per cent of firms were buying goods and services from Scotland. Though Scottish suppliers did not make up a dominant share of all the suppliers to supported firms (30%), on average, 40% of all goods and 50% of all services were supplied by the Scottish suppliers to inward investment companies. Inward investors also predominantly bought from the Glasgow City Region and the Edinburgh and South East Scotland City Region.

8.24. To a lower degree inward investors were also impacting the Scottish market as 62% sold their product(s) in Scotland. Firms sold 42% of their total sales in the Scottish market, though services rather than goods made up the largest share (51% vs 19%). As with suppliers, firms mostly sold to the Glasgow City Region and Edinburgh and South East Scotland City Region. This is related to the firm's location and is in line with the Management Information review which shows that that location of inward investments is concentrated in Glasgow City Region and Edinburgh & South East Scotland Region. We can thus also expect inward investors to primarily benefit Scotland's urban areas as the majority of inward investment projects in 2016/17 – 2021/22 were concentrated in the urban rather than rural areas (88% vs 12%), though it is important to note that rural areas close to urban centres may benefit through residents' commuting.

8.25. Thirteen of the surveyed businesses (39% of 33)⁵⁷ started to export to new countries in 2018-2021. It is recognised in policy objectives that inward investment plays an important part in boosting exports.

Knowledge/expertise transfer

8.26. In interviews firms explained their impact and benefit to suppliers or customers as an extension of doing businesses in Scotland, that is, transactional (buying from suppliers, providing customers with products). However, over 6 in 10 of surveyed firms reported that knowledge and/or expertise transfer activities occurred between them and other Scottish stakeholders: suppliers, business customers, Scottish universities/colleges and other Scottish businesses. These activities resulted in a variety of impacts such as new or improved business processes, improved product quality, R&D etc. The channels within which these impacts came about were typically specific to the business and their product/service.

External influences

8.27. An important contextualising factor for the impact of support is that firms went through the unprecedented COVID-19 pandemic 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 2018/19 and 2020/21. 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 the global supply chain disruption, in 2018-21. This could not be balanced by the 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. Hence, approximately one-third to two-thirds of businesses would have expected to have more employees than they did in 2018-21. In interviews, businesses that were yet to hit their planned job targets also primarily explained under-recruitment as being due to COVID-19 fallout and the economic downturn that followed.

Future outlook

8.28. Looking forward, companies considered that grants/subsidies and tax refund/rebate would incentivise them to invest in Scotland again with grants/subsidies being the strongest incentive. Interviewed companies were uniformly optimistic about continuing and growing in Scotland, and typically thought that they would invest in Scotland again. Desired support that would help their business and potential investment varied depending on the nature of the business, although it was generally in line with the support they had received already.

8.29. It is clear from the analysis of the Management Information data and the beneficiary survey responses that the inward investment group of companies in Scotland is more diverse at the

⁵⁷ The count excludes companies that reported not being interested in exporting to new countries in 2018-21, and that "did not know" if their firm started to export to new countries

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start of the 2020s than in previous time periods. Since the late 1960s Scotland, as well as Northern Ireland, Wales and the peripheral English regions have been characterised as 'branch-plant' economies with inward investment projects that have a lowly position in the value and command chain. Those types of plants were thought to bring a short-term boost in these economies, but they were subject to decision-making far removed from their operation and were often thought as tied into the product life cycle, which once exhausted would lead to closure. The recent evidence from Scotland in this study shows that this is no longer the case.

- 8.30. The evidence points to inward investment projects in this most recent period that exhibit a:
- 8.30.1. higher level of autonomy in the inward investment plants supported in recent years,
 - 8.30.2. more important role in global value chains,
 - 8.30.3. greater degree of integration into crucial knowledge exchange processes with the HE and FE sectors,
 - 8.30.4. greater diversity in the nature of the businesses (manufacturing and services),
 - 8.30.5. higher levels of innovation in the Scottish operations.

Recommendations

- 8.31. Based on the findings from this evaluation, the following recommendations are made to the Scottish Government and its delivery partners.

Recommendation	Explanation
R1. Job Quality	<p>The number of planned new and safeguarded jobs are an important element of the Inward Invest Plan, but what is perhaps more important is the quality of those jobs in terms of skills and wage levels.</p> <p>This evaluation project managed to make some progress in that direction with direct questions to the beneficiaries of support. However, our recommendation would be that this needs to be addressed in a more systematic way and captured in the MI system at the time that the project is agreed and subsequently through data-linking work with, for example, the Annual Survey of Hours and Earnings (ASHE) which is based on a 1% sample of employee jobs from the HMRC. Discussions with the ONS and HMRC would be an important first step in the first instance to examine the extent to which the current 1% sample might provide an important starting point.</p>
R2. Facilitate business-to-business relations of supported firms with Scottish suppliers	<p>Sixty-six per cent of supported firms that buy from Scottish suppliers report that the support increased their buying from them. This indicates a potential for public support to encourage greater spillover effects from inward investment by affecting a share of inward investors that buy goods/services from within Scotland as well as a degree to which they use</p>

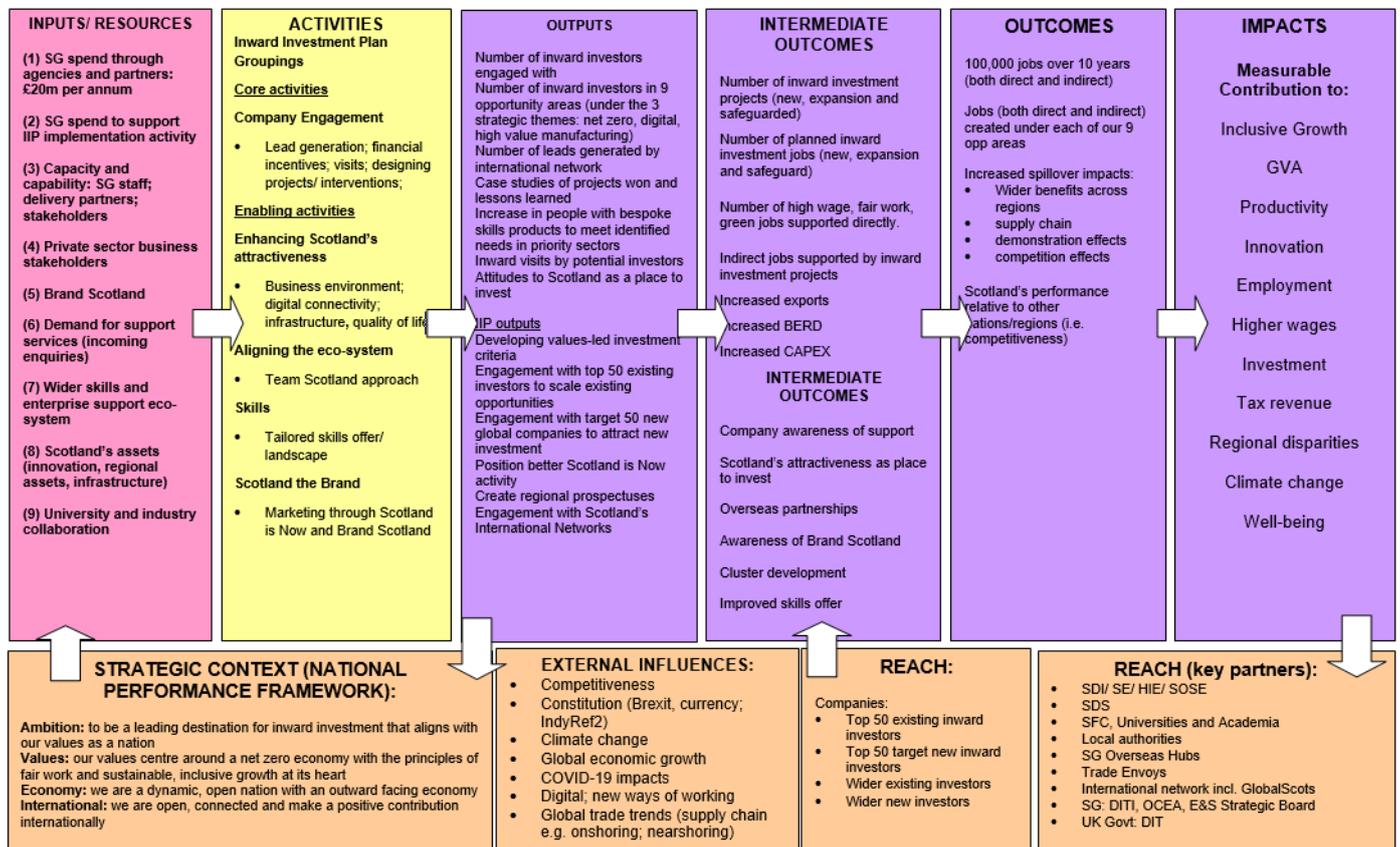
Recommendation	Explanation
	<p>Scottish suppliers. This could also alleviate deadweight effects of the support to inward investors who would come to Scotland regardless of the assistance. Facilitation could take the form of signposting and/or introducing supported firms to Scottish suppliers of relevance to their industry sector.</p>
<p>R3. Collect KEY business and outcome data from supported firms in the management information on businesses in Scotland</p>	<p>Key businesses characteristics (size, age, sector, location) are used to assess survey representativeness to all supported firms. They are primary variables in survey design and design of survey weights. This evaluation made representativeness assessment using the range of available data, mostly on the support characteristics, which could be associated with business characteristics. 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. Business data is also needed for robust econometric modelling or analysis involving non-beneficiary samples. Furthermore, collecting outcome data, primarily if firms that were offered financial assistance received it, and actual jobs created/safeguarded, would provide more accurate and representative information on key outcomes of interest.</p>
<p>R4. Maximise inclusion of supported firms into the evaluation</p>	<p>A large share of supported firms (38%) was not included in the beneficiary survey due to opt-outs and other operational reasons. In line with GDPR and internal policies, the size of sample that can be approached for the evaluation should be maximised prior to the evaluation, for example by making support conditional on participation in follow-up evaluation or by removing the opt-out option. Company contacts in the SDI Management Information system should also be regularly updated to ensure the best contact is approached for the evaluation (e.g., CEO, senior manager). This would positively affect survey representativeness as well as its response rate.</p>
<p>R5. Extend the evaluation to less successful investment projects</p>	<p>The evaluation included investment projects that were “validated successes” as described by the delivery partners, i.e., projects that successfully landed in Scotland. Including less successful investment projects into the evaluation could provide more insight into impacts of support and in particular usefulness of its different support activities (the “what works” element).</p>
<p>R6. Use mixed-mode survey with due consideration to evaluation timeline and available contact details</p>	<p>Mixed-mode survey (online and CATI) resulted in only one firm (0.6% of the contact list) that could not be reached by any means. Thirty-five percent of firms could not be reached by telephone, indicating that CATI only survey would have</p>

Recommendation	Explanation
	<p>had 65% coverage rate; meanwhile, online survey only would have had a 97% coverage rate, though with more partial responses and a 20% lower response rate than the mixed mode survey. Mixed-mode survey thus improved coverage and response rate of the beneficiary survey though at the cost of longer fieldwork stage. This option should be considered against the evaluation timeline, timing, and availability of complete and up-to-date contact information from firms.</p>
<p>R7. Clarify nature of support received</p>	<p>A small number of firms in the evaluation reported that they received no support from Team Scotland for their inward investment project. Reasons for this are anecdotal, possibly due to not recognising non-financial assistance as support or not receiving financial support after the offer. Future evaluations, therefore, should include more detailed explanations and prompts on what the support/assistance covers. Firms could also be prompted with exact support activities they received to help with potential recall if that information is easy to extract from the Monitoring Information.</p>

Appendix 1

The logic model for the Inward Investment promotion (April 2021):

Inward Investment Promotion logic model: The Scottish Government's Inward Investment Plan, Shaping Scotland's Economy, underpins efforts to increase the direct and indirect impacts of Inward Investment into Scotland and sets out the actions to be taken to deliver 100,000 direct and indirect jobs over 10 years. This encompasses and/or complements activities by the Scottish Government, agencies and partners. Our aim is to understand the impacts of these *on a consistent basis* and to better understand which approaches or combinations of approaches work best.



Appendix 2

SIC code	Sector	Number of Projects	Capex £m	Financial Assistance £m	Total Jobs
62011	Ready-made interactive leisure and entertainment software development	4	1.5	0.2	68
62012	Business and domestic software development	34	2.9	13.8	808
62020	Information technology consultancy activities	19	2.2	5.9	710
62090	Other information technology service activities	21	5.1	8.6	438
62102	Business and domestic software development	1	-	-	70
55100	Hotels and similar accommodation	51	480.3	2.5	2,537
5510	Hotels & motels with or without restaurant	1	85	-	350
55	Accommodation	1	-	-	10
82200	Activities of call centres	7	0.5	2	946
82910	Activities of collection agencies and credit bureaus	2	-	0.1	26
82990	Other business support service activities n.e.c.	38	58.1	24.1	3,872
32200	Manufacture of musical instruments	1	0.4	0.1	23
32300	Manufacture of sports goods	1	0	0	57
32500	Manufacture of medical and dental instruments and supplies	4	82.5	17.6	831
32990	Other manufacturing n.e.c.	15	24	16.2	389
32	Other manufacturing	13	104.7	7.6	2,444
3210	Marine aquaculture	2	-	-	25
64110	Central banking	1	300	12.8	4,342
64191	Banks	5	-	-	968
64205	Activities of financial services holding companies	2	-	-	670
64209	Activities of other holding companies n.e.c.	3	0.3	7	1,436
64301	Activities of investment trusts	1	0.1	1.4	81
64303	Activities of venture and development capital companies	1	17.2	1.9	46
64304	Activities of open-ended investment companies	1	-	-	20
64992	Factoring	1	-	-	16

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SIC code	Sector	Number of Projects	Capex £m	Financial Assistance £m	Total Jobs
64999	Other financial service activities, except insurance and pension funding, (not including security dealing on own account and factoring) n.e.c.	12	0.2	0.7	347
64	Financial service activities; except insurance and pension funding	7	0.1	0.2	741
28120	Manufacture of fluid power equipment	1	25	-	117
28131	Manufacture of pumps	1	0	0	27
28150	Manufacture of bearings, gears, gearing and driving elements	1	1.7	0.4	34
28290	Manufacture of other general purpose machinery n.e.c.	4	19.3	4.9	629
28490	Manufacture of other machine tools	1	0	0	180
28930	Manufacture of machinery for food, beverage and tobacco processing	1	-	-	50
28990	Manufacture of other special purpose machinery n.e.c.	22	20.7	2.1	492
2890	Manufacture of other special-purpose machinery not elsewhere classified	1	-	0.5	10
72110	Research and experimental development on biotechnology	15	6.4	10.6	397
72190	Other research and experimental development on natural sciences and engineering	13	112.5	154	508
Total		309	1,350.60	295.1	24,712