

**ENTERPRISE  
INNOVATION  
WORKING FOR SCOTLAND  
INVESTMENT**

Scottish Enterprise **Business Plan 2009/12**  
Working for Economic Recovery and Growth





# WORKING FOR SCOTLAND

## INTRODUCTION AND OVERVIEW



### CHAIRMAN'S FOREWORD

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Like most other countries across the world, Scotland's economic performance is now clearly weakening, reflecting the impact of the financial crisis and its spill over into the general economy. That said, our country's asset base remains inherently strong and the economy continues to demonstrate a certain resilience in some specific sectors and amongst some of our stronger companies.

For Scottish Enterprise, the economic downturn poses numerous challenges much as it does for many other economic development agencies. Prime amongst these must be finding a sensible balance between our short term response to the immediate economic conditions and our long run commitment to delivering on fundamental economic goals.

In making that judgement we have been fortunate in two ways. Firstly, we have the framework of the Government's Economic Strategy to help us. Despite all that has happened over the past year, the Strategy remains solid and so therefore does the importance of measures to improve on Scotland's underlying underperformance in economic growth. Scottish Enterprise will therefore continue to focus on two main tasks;

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helping Scotland's key industry sectors to grow faster and supporting the most promising Scottish companies from across the country to exploit their potential to the fullest.

Secondly, the work that my predecessor, Sir John Ward, has done so ably in responding to the Government's Reform of the Enterprise Networks is complete. Scottish Enterprise is in good shape and is well placed to make a valuable contribution to the delivery of the Economic Strategy.

Of course there is much yet to be done to deliver on the agenda Scottish Enterprise has embarked upon. To take just two examples, we must turn our attention increasingly to developing further a successful Scottish innovation model that translates our very rich seam of home-grown intellectual property into commercial returns for Scottish business. Our business plan sets out some new directions for Scottish Enterprise here.

And, second, we must work hard at embedding our new approach to supporting the Industry Advisory Groups in Scotland's key sectors. Together with these groups Scottish Enterprise must continue the development and delivery of transformational projects such as those already underway in the life sciences sector that will help radically improve the growth of these key sectors. I believe passionately that it is for business to play the key leadership role in the creation of sustainable economic growth, with Scottish Enterprise and other public sector agencies playing a valuable supporting role in that endeavour.

We are at our best when we pull together and just as I am committed to supporting the Industry Advisory Groups so too will I be throwing Scottish Enterprise's combined

weight behind the work of both our Regional Advisory Boards and the Strategic Forum. The Forum has been established by the Government to help co-ordinate the work of those public sector agencies with a lead role in economic development. I look forward to contributing to the work of the Forum in helping deliver the Government's Economic Strategy and to collaborating closely with all those who have a contribution to make to Scotland's economic growth.

I am delighted to be appointed as Chairman of Scottish Enterprise and with my fellow Board Members I look forward to steering the organisation through some challenging times in the coming years. I can think of few roles more exciting than helping Scotland tackle the economic challenges that lie ahead. Maintaining confidence remains a priority so that we are in a powerful position to respond to the acceleration of economic activity and to the many opportunities that will continue to emerge.

**Crawford Gillies**

Chairman, Scottish Enterprise



## CHIEF EXECUTIVE'S FOREWORD

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There can be no doubt that the economic downturn provides a new and more challenging backdrop to the work of Scottish Enterprise over the period of this Business Plan. Our plan highlights the work that we already have underway to increase the support we are giving to our customers. We have set aside more resources to help companies respond to the economic downturn whether through increased advice and guidance, additional resources for equity investments or through extra support to exploit international markets where opportunities for growth exist.

The Government is asking every agency in Scotland to consider what they are doing – and what more they could do – towards achieving the Government's economic targets both for the long and for the short term. For Scottish Enterprise the constant challenge is to improve the impact we are having on the factors that most affect economic growth and that will help Scotland recover quickly and emerge stronger from the current downturn.

While the difficult challenges facing many businesses during the economic downturn are all too evident, I constantly meet

companies across Scotland who remain optimistic and ambitious for growth and who know that market disruption can also create opportunities that they can grasp. We will go out of our way to help them do so.

We will also be advancing expenditure on some important projects to invest in the growth of Scotland's key sectors; in the life sciences at the hugely exciting Edinburgh BioQuarter, in tourism with the expansion of the Scottish Exhibition and Conference Centre and in energy at the Fife Energy Park. These are only a sample of the projects that we have in the pipeline which we believe will help Scotland's key sectors grow faster.

Our plan mentions many other opportunities for Scottish Enterprise to make a demonstrable impact on Scotland's economic performance. Our proposal to increase the availability of finance for small and medium sized businesses by maximising European funding is another example where the catalytic role Scottish Enterprise plays can make a big difference.

The pressure is on for agencies across the public sector to deliver more return for less investment. That is no different to the pressures faced by business. We have made good progress in taking cost out of our organisation and we will continue to do so.

The Board, management and staff of Scottish Enterprise are ready to play an ever increasing and important role in helping Scotland's economy reach its potential. We look forward to working with you to deliver sustainable economic growth for Scotland.

**Jack Perry**

Chief Executive, Scottish Enterprise



## WORKING FOR SCOTLAND **CONTEXT AND STRATEGY**

The Government Economic Strategy (GES) sets out the purpose of the Scottish Government:

*To create a more successful country, with opportunities for all of Scotland to flourish through increasing sustainable economic growth.*

Scottish Enterprise makes an important and valuable contribution to the Government's priorities and our primary objective is:

*To deliver high quality, practical support to businesses in Scotland that will enable them to maximise their contribution to economic growth.*

The achievement of that objective is essential if we are to play our part in helping to deliver the Government's Economic Strategy, particularly at a time when the global economy is experiencing conditions which are unprecedented in recent times.

Of the three main goals set in the Government's Economic Strategy – population growth, economic participation and increased productivity – it is the urgent need to tackle Scotland's lagging productivity performance which is of most significance to Scottish Enterprise.

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*...our primary objective is to deliver high quality, practical support to businesses in Scotland that will enable them to maximise their contribution to economic growth.*

**SCOTTISH ENTERPRISE'S CONTRIBUTION** Focus on building the competitive advantage of Scotland's key industries and businesses as our contribution to sustainable economic growth

STRATEGIC PRIORITIES	SCOTTISH ENTERPRISE'S CONTRIBUTION
Learning, Skills & Well-Being	<ul style="list-style-type: none"> <li>• Deliver organisational development &amp; leadership</li> <li>• Stimulate demand &amp; skills utilisation</li> <li>• Promote talent attraction &amp; retention</li> </ul>
Supportive Business Environment	<ul style="list-style-type: none"> <li>• Focus on key sectors</li> <li>• Support growth companies</li> <li>• Improve access to risk capital</li> <li>• Internationalise company base &amp; attract FDI</li> <li>• Increase business innovation &amp; exploitation of IP</li> </ul>
Infrastructure Development & Place	<ul style="list-style-type: none"> <li>• Deliver business infrastructure &amp; national/regional regeneration</li> <li>• Facilitate industry influence over transport, planning etc</li> </ul>
Effective Government	<ul style="list-style-type: none"> <li>• Deliver year-on-year efficiencies</li> <li>• SE to be an effective partner (eg Strategic Forum etc)</li> </ul>
Equity	<ul style="list-style-type: none"> <li>• Increase renewable energy &amp; business resource efficiency</li> <li>• Promote business benefits through diversity</li> <li>• Support rural growth and diversification</li> </ul>

**Scottish Enterprise supports the Government in delivering its Economic Strategy by focussing on three key areas of activity:**

- Supporting **Enterprise** in growth companies and key industry sectors
- Promoting **Innovation** to improve productivity and achieve competitive advantage
- Stimulating **Investment** in both physical infrastructure and companies.

Scottish Enterprise will continue to work closely with individual companies and key industry sectors that make a contribution to sustainable economic growth and especially where the scale of growth potential can help Scotland outperform other economies and its own historic economic performance. In partnership with the private sector and other public sector agencies, we want to help Scotland grow its stock of companies of global scale and we will work with significant and growth companies and key industry sectors to achieve this.

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## RESPONDING TO THE ECONOMIC DOWNTURN

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### ECONOMIC CONDITIONS

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Scottish Enterprise is committed to doing what it can to support companies and business more generally during the current economic downturn. In consultation with our International Advisory Board and Regional Advisory Boards, the National Industry Advisory Groups, our business customers and our partners, we have concluded that much of what we had planned to deliver is still, despite these altered circumstances, relevant and focussed on the task in hand.

**According to our customers and partners, the significant impacts of the downturn are:**

- Restrictions in the amount and cost of bank finance
- Movements in exchange rates
- Falling demand
- Pressure on asset values and partner finances.

Structured reviews of economic conditions with our customers do however suggest that the strongest companies remain positive and can see many opportunities opening up for them during the downturn.

### OUR RESPONSE

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**Scottish Enterprise's role is to help firms respond to change and grow, whether that is at times of global economic growth or slow down. As part of our commitment to support companies during the downturn and in support of the Government's economic recovery plan and the challenges facing business, Scottish Enterprise has developed the following 12 point action plan:**

1. Undertake a **Business Review** of all of SE's account managed companies and follow up with additional demand-led support including:
  - Financial management/capital restructuring
  - Market development, including internationalisation
  - Cost reduction (including lean, environmental management)
  - Workforce development
  - Research and development
  - Innovation and product development.
2. **Accelerate Major projects:** including SECC; Fife Energy Park; Edinburgh BioQuarter.
3. Increase access to **risk capital** for SMEs: Responding to growing immediate demand for **additional equity** investment from the Scottish Venture Fund, *Scottish Co-Investment Fund* and *Scottish Seed Fund*.
4. In collaboration with local authorities, ensure **Business Gateway website** and **Enquiry Service** provide relevant business information including online diagnostic tools, information guides.
5. Double the resource capacity of the **Scottish Manufacturing Advisory Service** to provide wider and deeper engagement with business.
6. Provide additional independent advice on **raising new capital** (through greater use of existing "investor ready" product).
7. Increase support for **exporting**. More intensive work with growth companies to develop new markets (exploiting favourable trading conditions).

8. Increase support for **inward investors**:
  - Closer discussion with existing investors on retaining and developing new opportunities
  - Development of new leads on “consolidation” opportunities.
9. Active response to prevent and minimise impact of closures, especially through working with Skills Development Scotland supporting Partnership Action for Continuing Employment (PACE) initiatives.
10. Increase flexibility in **R&D support grant**, increasing aid intensity (where possible), with greater emphasis on safeguarding existing jobs.
11. Increase Scotland’s competitiveness in **innovation**:
  - Mitigate potential stalling of business **Innovation** activity through light touch innovation grant with high aid intensity
  - Increase **innovation advice** to *groups of companies* (e.g. expand existing approaches i.e. “*Winning through Innovation*”)
  - Additional grant support for **Innovative high growth starts**. Secure new power under the EU “*Young Innovative Enterprise*” scheme.
12. Increase focus on **business to business** collaboration.

We need to maintain confidence and capability to help minimise the impact of the downturn and the associated concerns around demand. The downturn will end and above all we need to emphasise the importance of Scottish companies being in a strong position to respond to the acceleration of economic activity when the time comes.

## COMPLETING THE REFORM OF THE ENTERPRISE NETWORKS

The Reform of Scottish Enterprise began in earnest in late 2007. The transition phase was swift and effective despite its inherent complexity. Over and above the activities passed to Skills Development Scotland and the local authorities, staffing was reduced by over 250 and running costs reduced by nearly £13 million per annum. These are substantial first steps in driving down costs and improving efficiency in Scottish Enterprise. Our new streamlined structure enables us to adopt a more hands-on approach to our customers, ensuring we are more responsive to their needs and allowing us to channel finance and resources to those areas where they are most required.

As a single body operating from the North East to the Borders, we are able to ensure that our services and support are consistent, wherever they are accessed in Scotland.

To ensure the effectiveness of this new approach we will continue to draw heavily on the views, expertise and experiences of those industries in which we invest as well as our business customers and our partners.

The only remaining component of the Enterprise Networks Review is the transfer into Scottish Enterprise of the Regional Selective Assistance, SMART and similar business support programmes from the Scottish Government. It is anticipated that the formal transfer will take place in April 2009 but an extended handover is likely to be required as a consequence of substantial forward commitments which will continue to be handled by Government. Full details of the transition arrangements are still under active consideration and therefore no reference is made below on how we will integrate this activity, nor do we include any of the financials in the budget profiles set out within *Appendix 1*.



## **WORKING FOR SCOTLAND**

# **SUSTAINABILITY AND GROWTH**

While the wider context within which we operate has changed considerably, the basic business model that Scottish Enterprise has designed in response to the Government's reforms is one for the long term adjustment of Scotland's economic performance. We are not proposing any fundamental change in direction.

## **ENTERPRISE**

We will continue to concentrate our activity on those businesses where we know we can make an appreciable difference to their growth performance. While we will support growth businesses that can achieve scale from all industry sectors, we anticipate that a high percentage will be drawn from the key industry sectors.



*We will continue to concentrate our activity on those businesses where we know we can make an appreciable difference to their growth performance.*

## **HELPING COMPANIES GROW THROUGH DIRECT SUPPORT**

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For each growth company that we support we appoint an account manager to ensure that the full range of our services is made available effectively and efficiently including advice on strategy development, business efficiency, workforce development and internationalisation.

We are increasing our investment in the Scottish Manufacturing Advisory Service (SMAS). Offering a specialist service to Scotland's manufacturing businesses and with an emphasis on small and medium sized companies, SMAS has helped to deliver increased productivity through efficiency improvements and does so usually in less than six months. Cost savings of over £23 million to date (as well as a reduction in carbon emissions) are a practical measure of assistance to companies at this time and so we are doubling the size of SMAS.

One of the key elements of our work with companies is the focus on improving their internal leadership and management capabilities and how they develop and use the skills of their workforce and more generally, to manage change effectively, address barriers to growth, exploit new opportunities such as acquisitions and mergers, expand markets and adopt innovative processes and systems.

Our focus, and support, is particularly important in the current economic downturn when, faced with short term pressures, companies may seek to scale back their investment in training and development to the potential detriment of their longer term growth.

## **INCREASING OUR BUSINESS IN INTERNATIONAL MARKETS THROUGH SCOTTISH DEVELOPMENT INTERNATIONAL**

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Scottish Enterprise, Highlands and Islands Enterprise and the Scottish Government jointly support Scottish companies to break into international markets and help attract overseas investors to Scotland through the work of Scottish Development International (SDI). Through its network of international offices and highly experienced and professional advisers and sales force, SDI is committed to fully exploiting the opportunities for internationalisation for companies in Scotland.

SDI's focus remains on working closely with account managed businesses to support them in exploiting international opportunities. This is vital at a time when Scottish companies are likely to be searching harder for opportunities in growing markets overseas. This will include working to capitalise on movements in exchange rates favourable to exports from Scotland.

Attracting inward investment has never been more competitive and SDI has a long and impressive track record of delivery in this field. SDI will continue to concentrate on attracting and retaining investment from companies supporting high value added employment. SDI will keep in view the relative importance of key target markets and will fully exploit its networks and capability to promote internationally the key sectoral strengths Scotland has.

We are widening our strategy to take account of potential opportunities in areas such as the Middle East, China and India and our work to capitalise on movements in exchange rates which make Scotland's export products more competitive.

## SUPPORT TO INDUSTRY SECTORS

Within key industry sectors, we will promote collaborative projects whether through networking, the sharing of information or through joint centres of excellence which Industry Advisory Groups believe will help those industries to grow.

## PLANNED INVESTMENT

In allocating our resources over the life of the Business Plan, we aim to maintain our investments in Enterprise to ensure that we are providing the fullest advice to business in dealing with the economic downturn and in exploiting new opportunities in foreign markets. We have therefore ensured that, despite increasingly tight budgets, funding is held broadly steady for each of the areas we support.

### PLANNED INVESTMENT 2009/10 TO 2011/12

OBJECTIVE	PLANNED INVESTMENT £M		
	09/10	10/11	11/12
<b>Account Management &amp; Specialist Advisory Services:</b> assist more companies to realise their growth potential.	17.2	17.0	17.0
<b>Enterprise Support Projects:</b> support for entrepreneurial activity with focus on high potential start-ups.	7.7	6.8	6.8
<b>Internationalisation:</b> accelerate internationalisation of Scottish businesses and attract foreign direct investment.	23.2	23.0	23.1
<b>Support to Industry Sectors:</b> support the business environment particularly for priority industries.	6.5	6.0	6.5

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# INNOVATION

The Government Economic Strategy emphasises just how important it is that Scotland improves its performance on innovation. Innovation is vital to economic and business success, whether it is in technology-based high growth companies or product, service or business model innovations across manufacturing and services industries.

Scottish Enterprise has contributed to the development of the Government's "Science for Scotland" and "Innovation Framework" strategies and will ensure that our activities are fully aligned with, and contribute to, the successful implementation of both. In particular, we will encourage and develop the exchange of knowledge between academia and business and support the flow of overseas investment into Scotland's research and development base.

It is essential that Scotland's key sectors enhance their ability to innovate and remain internationally competitive, in both the short term (in a difficult trading environment) and in the medium to longer term in order that they can reap the opportunities from the global upturn, when it comes.

**In helping our customers respond to these requirements, Scottish Enterprise will focus on three main issues:**

- Increasing the commercial exploitation of Scotland's existing strengths in science and research
- Stimulating innovation in the key sectors
- Stimulating innovation in growth companies with a more integrated support service on offer to more Scottish businesses.

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## GENERATING INTELLECTUAL PROPERTY

While Scotland's track record in developing intellectual property has traditionally been strong, the country's ability to exploit it for commercial returns has not reflected this.

In addressing this key area, Scottish Enterprise has invested heavily in the development and exploitation of IP via initiatives such as the Intermediary Technology Institutes (ITIs), the Proof of Concept Fund and the Translational Medicine Research Collaboration.

As we complete the process of integrating the ITIs into Scottish Enterprise, we believe the time is now right to shift the balance of our investment from the development of IP to embedding it more firmly into the Scottish company base. The integration of the ITI's will allow us to achieve greater alignment across our commercialisation activities. To that end we will invest more of our resources into support for those companies who see the exploitation of IP as a key element in their future success.

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## COMMERCIALISATION

A highly significant change in our future emphasis will be in the area of commercialisation. A key element will be reform of our company building process which recognises the critical role which high-growth start-ups such as university spin-outs can play in maximising value from innovation. This intensive support is given to help new ventures grow to significant 'businesses of scale' and works best where companies have a significant technology dimension with a strong IP element.

A comprehensive review of the best ways of commercialising intellectual property and helping to create high growth technology companies is nearing completion.

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**Our refreshed approach will be based on several new principles that will amount to a significant change in emphasis. These will include:**

- Integrating the current suite of programmes and services such as Proof of Concept, Enterprise Fellowships, Research and Development grants and the work of the ITIs behind a clear market opportunity within Scotland's key sectors. This market focus will take account of the different timescales for development, funding needs, levels of maturity and investment partners required for each sector
- Applying innovation best practice approaches from around the world to improve the likelihood of creating companies of scale
- Drawing more heavily on market focused entrepreneurial champions to help drive the projects out of universities and research institutes
- Developing advisory and review boards composed of respected business leaders to help improve the management of projects and the achievement of their milestones
- Establishing dedicated entrepreneurial support to help the project champions and advisory and review boards in achieving the highest levels of innovation best practice.

## **INNOVATION SUPPORT TO KEY INDUSTRY SECTORS**

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Within our key sectors we will continue to invest in a portfolio of projects that are designed to stimulate innovation. In the life sciences industry the Translational Medicine Research Collaboration and Edinburgh BioQuarter remain primary examples of this.

We will work closely with the national Industry Advisory Groups for each of the key sectors to develop a pipeline of similar "high impact" projects. In every case Scottish Enterprise will pay particular attention to linking each of the stages of the innovation and commercialisation process. We need to be able to see how investment at the proof of concept stage is going ultimately to lead to commercial exploitation by a Scottish company. We believe we must aim to support projects which can have a transformational impact on the performance of many of Scotland's key sectors.

## **HELPING COMPANIES GROW THROUGH SUPPORT FOR INNOVATION**

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We will increase our emphasis on innovation in its broadest sense when our account managers' work with growing companies and we will create an enhanced innovation service offering specialist support on issues such as product development and process innovation. We aim to increase the number of companies engaged in successful innovation.

## **PLANNED INVESTMENT**

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Over the planning period, we are reducing our investment in the generation of intellectual property in favour of increased investment its commercial exploitation. We have provided additional headroom in the second year of our plan to accommodate pressure from elsewhere in the plan, notably Investment. However, we will concentrate on developing our new integrated approach to company building and on working with Industry Advisory Groups to develop new transformative projects in key industries. The outline resource allocation for the third year of our plan reflects our desire to increase our financial support for these initiatives.

## PLANNED INVESTMENT 2009/10 TO 2011/12

OBJECTIVE	PLANNED INVESTMENT £M		
	09/10	10/11	11/12
<b>Intellectual Property Generation, including ITI Scotland:</b> investment in the development of the Scottish IP asset base.	38.0	30.9	36.4
<b>Support to encourage innovation in the company base.</b>	13.6	10.7	12.7
<b>Commercialisation:</b> exploitation of the Scottish IP asset base.	5.9	6.5	7.2
<b>Support for Innovation in key industry sectors.</b>	16.5	14.2	15.9

# INVESTMENT

## PHYSICAL BUSINESS INFRASTRUCTURE

Scottish Enterprise will continue to invest in physical infrastructure to support the development of the key sectors. Following our refocusing, we are now concentrating on projects of national and regional importance ensuring that these projects must clearly enable a key industry sector to grow faster.

We acknowledge the impact that the economic downturn is having on the availability of finance for some of the joint investment partners that we work with and that this may have an impact on the speed in delivering any one individual project.

We are nevertheless eager to make our contribution to the Government's action plan for handling the impact of the economic downturn and we are therefore committed to accelerating £35 million of our capital spend into the earlier years of our plan.

**Amongst the projects which we will be including in our plans for the next three years are:**

- Advanced Forming Research Centre in Renfrewshire (Enabling Technologies in engineering)
- Fife Energy Park and Energetica in Aberdeenshire (Energy)
- Edinburgh BioQuarter and Centre for Regenerative Medicine (Life Sciences)
- Scottish Exhibition and Conference Centre in Glasgow (Tourism).

These projects offer strong long-term returns to the Scottish economy.

We are working in conjunction with the Scottish Government, the Convention of Scottish Local Authorities (COSLA) and the local authorities to examine the potential for introducing a European Union JESSICA (Joint European Support for Sustainable Investment in City Areas) model within Scotland. The JESSICA programme provides Member States with the option of using some of their EU Structural Funding (European Regional

Development Fund & European Social Fund) to make repayable investments in projects that form part of an integrated plan for sustainable urban development.

We will continue to invest expertise and resources in national regeneration priorities, working collaboratively with local authority and private sector partners. We have allocated £12.5 million each year to the Urban Regeneration Companies in Clydebank, Irvine and Inverclyde and in the East End of Glasgow where the Commonwealth Games will be held in 2014. We will also continue to participate fully with our partners in the regeneration of the Ravenscraig site in Lanarkshire and, in addition, we aim to enhance Dundee's emerging role in the financial services sector and its contribution to life sciences, digital markets and tourism through our support and involvement in the Central Waterfront project.

## EQUITY INVESTMENT FUNDS

In response to both good evidence of impact and an increasing level of demand, Scottish Enterprise will increase the resources directed at supporting equity-based co-investments in growing companies. We expect a high percentage of those investments to be with our account managed companies and in Scotland's key sectors.

We will make an annual investment of £10 million in the Scottish Co-Investment Fund to take equity stakes of between £100,000 and £1 million in growing companies. We will increase our commitment to the Scottish Venture Fund supporting equity investments from between £500,000 and £2 million. In both cases we will invest alongside private sector investors who will continue to take the lead in investment choices. We will at the very least maintain our performance in leveraging at least £2 of private sector funds for every £1 of our own.

Scottish Enterprise has also been working in conjunction with the Scottish Government and the European Investment Bank (EIB) on the adoption of the JEREMIE (Joint European Resources for Micro and Medium Enterprises) model as a mechanism for the delivery of public sector investment in early stage risk capital across Scotland.

## PLANNED INVESTMENT 2009/10 TO 2011/12

OBJECTIVE	PLANNED INVESTMENT £M		
	09/10	10/11	11/12
<b>Business Infrastructure:</b> create the best possible infrastructure for priority industries and businesses to grow including national regeneration projects	75.3	19.5	37.5
<b>Urban Regeneration Companies:</b> ring fenced funding support for Clyde Gateway, Irvine Bay, Clydebank Rebuilt and Riverside Inverclyde.	12.5	12.5	12.5
<b>Equity Investment:</b> increase leverage from public funds by attracting more risk capital to invest in Scotland.	25.6	26.5	26.9

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JEREMIE offers the opportunity to create a substantial risk capital fund with scope through re-investment from commercial returns to be an evergreen, self-replenishing fund. It is an initiative of the European Commission's Directorate General for Regional Policy and the EIB Group which comprises both the EIB and the European Investment Fund (EIF).

### **PLANNED INVESTMENT**

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We will significantly increase our plans next year for investment in business infrastructure to ensure we make a full contribution to the advancing of capital spend set out in the Government's six point plan. We have also maintained our commitment to equity investments in response to the credit crunch.

### **SUSTAINABILITY AND EQUALITY**

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In delivering our contribution to the Government's Economic Strategy, we must also ensure that we maintain our commitment to helping the government secure its equity goals.

Our focus will be on activities that further the sustainable economic growth agenda and contribute to the strategic objectives of sustainability, equality and regional equity.

#### **We will:**

- Promote the growth of a "low-carbon economy" through support for resource efficiency, the development and use of cleaner technologies in our key sectors and an approach to business infrastructure investment that helps to mitigate climate change
- Promote rural economic diversification and support the growth of rural businesses, particularly in energy, food and drink and tourism key industry sectors
- Encourage more participation in our client company work by women, ethnic minorities, older and disabled people as well as

addressing specific equality issues in our priority industries such as encouraging more women into science and engineering

- Continue to participate in the Board of Social Investment Scotland, working alongside the banks, to encourage the availability of financial products for the third sector.

#### **We will play our part in reducing Scottish emissions by 2011 by:**

- Promoting and developing business opportunities that will make a positive contribution to the Government's sustainability goals
- Calculating the carbon savings from our resource efficiency work with businesses
- Working alongside the Scottish Government on their Carbon Accounting project to better understand the carbon impact of our investments.

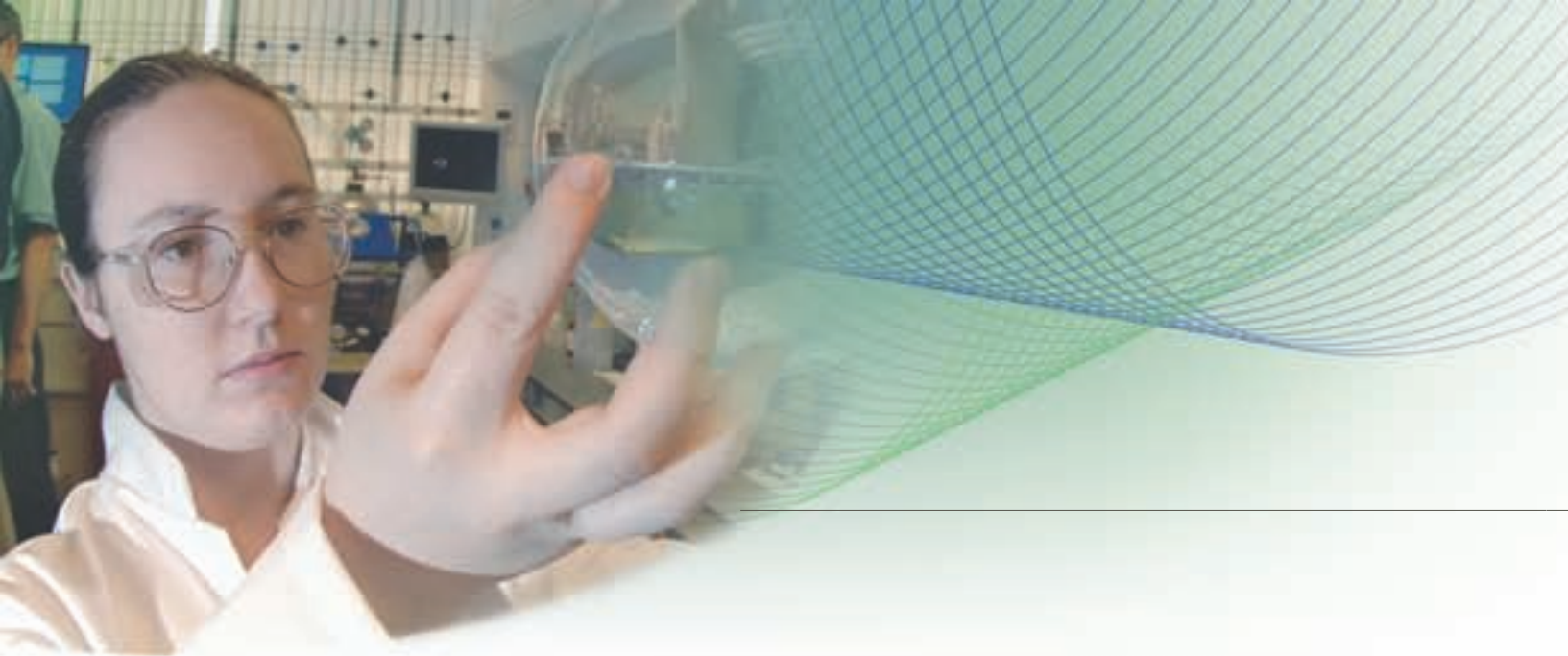
### **EFFICIENT AND EFFECTIVE DELIVERY**

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We are committed to achieving value for money and to delivering our wide range of services as efficiently and effectively as possible.

The Enterprise Networks Review provided the opportunity for a further substantial cost reduction programme in addition to those realised in previous change initiatives. We expect to reduce costs by approximately £8 million in 2008/9, out-performing our Efficient Government target of 2%.

Further reductions of at least 2% per annum will be targeted in the next 2 years generating a cumulative saving of £37 million over the period 2008/11. These savings come primarily from a reduction in staff costs. Further savings of £4 million per year will be generated from a rationalisation of operational properties.



# WORKING FOR SCOTLAND

## FOCUS AND APPROACH

**Scottish Enterprise will deliver its business plan based on three underlying principles:**

- We will help key industry sectors identify what needs to be done to grasp competitive opportunities and help shape the response
- We will be driven by the needs of our customers
- We will engage in meaningful and effective partnerships that maximise investment in wealth creating projects.

### KEY SECTORS

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In the delivery of our services to businesses, Scottish Enterprise focuses on identifying and responding to the needs of the key sectors outlined in the Government Economic Strategy. These key sectors provide Scotland with the best prospects to raise Scotland's underlying trend rate of sustainable economic growth.

We will work closely with the national Industry Advisory Groups for each key industry sector. Each industry owns and leads on the development of its strategy. Our job is to respond to and prioritise the investment needs laid out in each strategy.

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*In the delivery of our services to businesses, Scottish Enterprise focuses on identifying and responding to the needs of the key sectors outlined in the Government Economic Strategy.*

We are also responding to the direction of the Government Economic Strategy in placing increasing emphasis on the six specific industry sectors: life sciences, energy, creative industries, financial and business services, food and drink and tourism, as well as the technologies that support or “enable” their development.

**These industries have been chosen because:**

- Scotland has both distinctive capabilities and businesses in the sectors with the potential to be internationally competitive in areas with growing global demand
- they currently account for a significant part of the Scottish economy and continue to have disproportionately high levels of future growth potential
- Government intervention can make a significant difference to future success by facilitating or accelerating development.

For each of the seven key sectors we set out below the industry’s goals and give an indication of how Scottish Enterprise will contribute to those goals.

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## LIFE SCIENCES

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### Industry Goal

- “A globally-oriented, sustainable, fully connected sector built on collaborative action that exploits strengths in scientific excellence, financial services and innovative business models and develops, retains and builds upon Scotland’s talents.”

Source: Life Sciences Scotland, 2008

### For its part, Scottish Enterprise will:

- Participate, through membership in the Life Sciences Advisory Board for Scotland (LiSAB), in development of the overall strategy for the growth of the Life Sciences sector in Scotland. Work through the Life Sciences Alliance to assist in the delivery of a sustainable sector in Scotland
- Work with the industry to attract, create, anchor and grow more life sciences companies. We will do this by delivering key projects such as the extensive development at Edinburgh BioQuarter. We will also increase the number of account managed companies and the number of companies with access to specially designed life sciences products such as the Life Sciences Business Advisory Service
- Support increases in technology exploitation and collaborations. We will work with key partners in industry, across the National Health Service (NHS), the Scottish Funding Council and Scotland’s universities to develop and deliver projects to stimulate collaboration, embed activity, and exploit economic value from Scotland’s key strengths. We will concentrate specifically on clinical/translational medicine and stem cells/regenerative medicine.

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## ENERGY

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### Industry Goals

- “To increase oil & gas export values (to £6 billion by 2012) and to become a dominant player in marine renewables (including offshore wind), achieving at least 30% Scottish industry content in offshore development in Scotland by 2012”
- “To ensure Scottish businesses take full advantage of cleaner fossil fuels power generation opportunities and nuclear decommissioning activities”
- “To ensure a more robust and growing supply chain for low carbon industries in Scotland, and to deliver economic benefit for Scotland through internationalising Scottish research, demonstration and deployment activities in the field of low carbon energy.”

### For its part, Scottish Enterprise will:

- Concentrate on Scotland’s distinctive strengths in the growing renewables and power generation markets through the development of new technology, the transfer of existing technology and the development of stronger supply chains
- During the next two years, develop, and agree with the industry, proposals for three to five priority projects for renewable energy and carbon capture & storage, for nuclear decommissioning and for cleaner fossil fuels
- By March 2011, deliver five key projects across the energy sub-sectors, these being the Hydrogen Office, the National Sub-sea Research Institute, the Power Systems Demonstration Centre that will investigate opportunities to develop onshore and offshore grid technologies (including subsea grids), the European Marine Energy Centre and a Decommissioning Industry Forum. These projects will be delivered in partnership with the industry, Scottish Government, Highlands & Islands Enterprise and the Scottish Funding Council and others
- Help oil & gas businesses maximise sustainable revenues by exploiting emerging markets and diversifying into new opportunities, such as those in offshore decommissioning; in the Arctic region and in renewable energy
- Support in partnership with industry, Scottish Government, Highland & Islands Enterprise and the Scottish Funding Council and others the delivery of economic development benefits through research, demonstration and deployment initiatives such as the Saltire Prize, the Energy Technology Partnership and the Scottish European Green Energy Centre.

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## CREATIVE INDUSTRIES

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The Creative Industries encapsulate a number of markets and capabilities of varying sizes and growth rates. Scottish Enterprise is working with the Scottish Government, Highlands & Islands Enterprise and Creative Scotland, to identify those areas that offer the greatest potential for economic growth. In doing so, we will focus Scotland's talent on those areas where content is being generated, distributed and consumed in new ways.

The increase in mobile and broadband penetration in recent years has been a particular driving force behind high rates of growth in some of the Creative Industries. The Creative Industries also play a vital role in many other industries such as Fashion Design in Textiles and Architectural Services in Construction.

### Industry Goals

From within the Creative Industries the industry goals of most relevance to Scottish Enterprise's work are:

**Digital Media:** "To increase the availability and uptake of specialist investment, increase the level of innovation driven by creativity and enhance Scotland's international reputation as a centre of commercially successful creativity. In TV production, capture the commercial opportunities that increased Scottish commissioning enables."

**Information & Communication Technology (ICT):** "To develop more internationally successful products originating from Scottish companies, encourage collaboration between Scottish companies in emerging high growth markets."

### For its part, Scottish Enterprise will:

- Focus on areas of market growth such as Games, New Media and TV Production
- Attract specialist investors in digital content and technologies to partner in our investment products such as the Scottish Co-Investment Fund and Digital Media Joint Investment Fund. We will also support creative companies to be investor-ready through one to one support and a series of Scottish/International events
- Help creative companies turn their skills, ideas and intellectual property into products that can be internationally successful by driving the uptake of innovation support in this sector from a comparatively low base
- Work with Creative Scotland, Highlands & Islands Enterprise and Business Gateway to implement the Creative Industries framework agreement.

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## FINANCIAL AND BUSINESS SERVICES

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### Industry Goal

- An innovative, competitive and thriving international industry in Scotland underpinned by world class infrastructure and universally recognised as a leader on the global stage”.

Source: The Strategy for the Financial Services Industry in Scotland

### For its part, Scottish Enterprise will:

- Participate fully in the development of the Annual Report 2009 including the “looking to the Future” section with specific regard to the outcomes of the FiSIG scenario planning exercise as endorsed by FiSAB
- Working closely with all partners as identified by Scottish Minister, Chair of the Financial Services Task Force, reporting directly to FiSAB, in its work to ensure the maximum levels of employment are retained across the sector and where restructuring leads to a reduction in headcount, that high level skills are retained for the wider labour market
- Support new indigenous high growth financial services businesses in Scotland

- Identify opportunities for the further attraction of high value financial services jobs to Scotland and ensure that Scotland’s Financial Services profile continues to be promoted internationally, taking account of the outcomes of the FiSIG scenario planning exercise and the direction of FiSAB
- Work with senior Financial Services GlobalScots to challenge the Scottish Financial Services proposition and to ensure the offering meets the future needs of the Financial Services companies across the sector
- Identify opportunities for company growth, internationalisation and inward investment by the development of four detailed propositions across key Financial Services sub-sectors, beginning with Asset Management and Asset Servicing in 2009
- Deliver supply chain events to support relevant technology companies to achieve profitable growth through capturing an increased share of the Financial Services market.

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## FOOD & DRINK

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### Industry Goal

- “To generate £10 billion each year from food and drink processing by 2017 and to continue to outperform the gross value add rates of the UK food and drink industry and the Scottish economy”
- “For Scotland to be regarded internationally as a land of food and drink.”

Source: Scotland Food and Drink, 2008

### For its part, Scottish Enterprise will:

- Support the growth of individual companies, and , through the leadership of Scotland Food & Drink, share the risk with partners on projects that can bring about transformational change in industry performance
- Promote market development through our support of 300 companies to capture an increased share of premium growth markets
- In collaboration with partners, including Scotland Food & Drink and the Scottish Funding Council, support increased innovation through the Food & Health Innovation project, capitalising on the growing health market and exploiting links with the life sciences industry

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## TOURISM

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- Work with partners including the Scottish Environmental Protection Agency to support companies on waste minimisation and energy utilisation
- Support increased scale within the food and drink industry. This includes looking at the environment to support mergers and acquisitions, collaborative working, available finance, supply chain models and joint marketing and distribution.

### Industry Goal

- “To grow tourism revenue by 50% by 2015 by developing distinctive visitor experiences that capitalise on Scotland’s tremendous tourism assets. These assets include our key tourism destinations, opportunities for sports and activities and Scottish food and whisky all of which together provide a basis for future international competitiveness.”

### For its part, Scottish Enterprise will:

- Concentrate on promoting higher levels of innovation, providing support for business collaboration and investing in infrastructure projects at the key tourism destinations in Glasgow, Edinburgh, rural Perthshire, Loch Lomond & the Trossachs National Park, Cairngorms National Park & Royal Deeside and St Andrews
- Deliver Scottish Enterprise’s Tourism Innovation Programme, including the provision of nine Tourism Intelligence Scotland resources disseminated to 6,000 tourism companies, the delivery of 60 Tourism Innovation Workshops with 600 companies

participating, and 40 projects assisted through the Tourism Innovation Fund. (April 09 to March 12)

- Support product development activity in market opportunities such as golf, food, mountain biking and sailing. This will include SE support, alongside industry and public sector partners, to develop golf tourism in the run up to the Ryder Cup in 2014; stronger links with the food and drink sector to make more of Scottish food and whisky as part of the overall visitor experience and provide support for investment in activity tourism facilities such as the new mountain bike visitor centre in Glentress
- Support the development of strong industry-led tourism partnerships in the main tourism destinations within our operational area, working with the industry, local authorities and VisitScotland. Deliver investment in support of Destination Development Plans for the six key destinations including: The Scottish Exhibition & Conference Centre (SECC) Arena and major resort developments in Perthshire and Deeside (April 2009 to March 2012).

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## GROWTH INDUSTRIES

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There are other growth sectors that we will support as they make a specific contribution to Scotland's economy, including **Chemical Sciences, Aerospace Defence & Marine, Construction, Textiles** and **Forest Industries**.

## ENABLING TECHNOLOGIES

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There are a number of technologies in which Scotland is strong which can have an influence on the success of several of the key sectors. Scottish Enterprise will work with each of Scotland's key sectors to identify the areas of Scottish technological capability that can underpin their growth.

Through the recently established Technology Advisory Group we will support the development of a Scottish Technology Strategy. The objectives of this work will be to focus public and private investment in technology development on those areas of greatest opportunity, encourage greater collaboration, develop more end products and systems in Scotland and increase our international reputation as a centre for technological innovation and commercialisation. Key milestones will be an international showcase of the best of Scotland's technological talent, the launch of the Industry-led strategy in late 2009 and the opening of the Advanced Forming Research Centre in 2010.

## UNIVERSITIES – THE SEVENTH SECTOR

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Scottish Enterprise has long recognised the pivotal role that Scotland's universities play within the wider economy and, in particular, the proactive role that they have played in the development of the six industry sectors that we believe are central to Scotland's current and future economic growth.

We look forward to continuing to develop our existing working relationships with the universities in order to support the growth of the life sciences, energy and enabling technologies sectors. We will seek to broaden these relationships to encompass opportunities emerging in other sectors, for example in the development of the financial services supply chain and in food and health innovations.

In addition, we will assist the institutions within the sector to develop through the internationalisation support that we provide via Scottish Development International.

## CUSTOMERS

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Every aspect of our business is geared towards delivering to our customers. From individual businesses who receive advice and support from SMAS or account managers, to start up and growing companies in which we invest new equity through to those that we support in exploiting international markets.

All of our products and services are created and continuously developed in conjunction with customers and in response to their feedback.

The Business Plan has been revised to respond to the current economic conditions. We have been closely monitoring the state of the economy with our account managed company customers. We have also carried out reviews of global and local economic conditions with our International Advisory Board, our partner organisations and with the key Industry & Regional Advisory Boards. These primary sources of intelligence help us to respond to the profound changes we face in supporting the growth and in some cases survival of Scottish businesses.

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## PARTNERSHIPS

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The vast majority of our plans will continue to be delivered jointly with business customers, with academia, with industry and with our Strategic Forum partners and other parts of the public sector.

In particular, Scottish Enterprise recognises the importance of achieving alignment with the Government's purpose targets through the Strategic Forum partnership and we intend to play a leading role in the achievement of those objectives.

### **Effective partnerships will be achieved through:**

- Close collaboration with partners on the Strategic Forum – Scottish Government, Highlands and Islands Enterprise, VisitScotland, Skills Development Scotland (SDS) and the Scottish Funding Council
- Engaging actively in Community Planning and with local authorities in the development and delivery of Single Outcome Agreements. Also working closely on national and regional regeneration projects and in aligning our respective economic development activities more generally
- Continuing to work closely with lead local authorities on the development of Business Gateway to ensure a seamless service for companies wishing to access the range of business support available across the public sector, particularly in terms of identifying and nurturing growth companies
- Supporting SDS's lead role in; delivering Partnership Action for Continuing Employment, particularly in the current economic climate; the Scottish Employer Service or Industry Skills Gateways for employers
- Complementing VisitScotland's work on maximising the economic value of the Scottish brand, providing information for visitors and quality assurance to the visitor and to the industry. We will do so by focusing on business development support and on product development investments guided by the Tourism Industry Advisory Group
- Working closely with the Scottish Funding Council on stimulating the relationship between Scottish business and universities and colleges. We share a strong common agenda to use our respective investment resources to help build new companies of scale based on the exploitation of academic research and innovation. We are particularly excited about the potential for maximising the impact of the new "Horizon Fund" to help unlock opportunities in renewable energy and life sciences in particular
- Pooling our resources and expertise with the Scottish Environment Protection Agency (SEPA) in two key areas to stimulate sustainable economic growth in Scotland. Firstly, improving advice in the area of environmental legislation to boost business competitiveness, and secondly, in the use of new technologies to generate power, reduce power consumption and recycle waste offer technology companies new opportunities in growth markets
- Continuing our long close working relationship with HIE and the development of shared approaches to support for high growth companies, the development of key sectors under the guidance of the Industry Advisory Groups and the work of Scottish Development International in securing greater international trade and investment opportunities for Scotland.



## WORKING FOR SCOTLAND

# DELIVERY AND RESULTS

In developing an updated performance framework to support this Business Plan, we have sought to refine our existing approach through an increased focus on measures of outcome and output. We are also seeking to make a more explicit link to the action plans laid out by each of the key Industry Advisory Groups. We will continue to review and refine the performance framework and, in particular, our evaluation programme will be developed to allow us to move towards assessing the additional gross value added (GVA) generated across the breadth of our Business Plan activities.

### **DELIVERING THE GOVERNMENT'S ECONOMIC STRATEGY**

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Within the overall purpose of sustainable economic growth, our focus is clearly set within the Governments' National Performance Framework, linking GES Purpose Targets, National Outcomes and National Indicators, to accurately demonstrate what difference Scottish Enterprise is making to the Scottish economy.

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*...we have sought to refine our existing approach through an increasing focus on measures of outcome and output.*

**The key measurement of our success will be the specific contribution which we make to the GES Gross Domestic Product (GDP). Our aim is to contribute towards:**

- Raising the GDP growth rate to the UK level by 2011
- Matching the GDP growth rate of the small independent EU countries by 2017
- Achieving a ranking in the top quartile for productivity against our key trading partners in the OECD by 2017
- Maintaining our position on labour market participation as the top performing country in the UK.

**Our activities will also contribute towards the national indicators of:**

- Halving the gap in total research and development spending compared with the EU average by 2011
- Increasing the business start-up rate
- Growing exports at a faster average rate than GDP
- Improving knowledge transfer from research activity in universities
- Increase the social economy turnover.

**We will focus on the first three National Outcomes:**

- We live in a Scotland that is the most attractive place for doing business in Europe
- We realise our full economic potential with more and better employment opportunities for our people
- We are better educated, more skilled and more successful, renowned for our research and innovation.

**Our activities will also have an indirect impact on the following National Outcomes:**

- We live in well-designed, sustainable places where we are able to access the amenities and services we need
- We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others
- We reduce the local and global environmental impact of our consumption and production
- Our public services are high quality, continually improving, efficient and responsive to local people's needs.

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## LINKING OUR PERFORMANCE FRAMEWORK TO THE GOVERNMENT ECONOMIC STRATEGY

Outlined below are the specific measures and target ranges which SE will adopt in support of the Business Plan, allowing us to track and report progress.

- **Outcomes:** measures of the direct economic benefit from our activities e.g. additional turnover & GVA growth and jobs created and safeguarded
- **Outputs:** measures of completed projects which will contribute to the outcomes above
- **Activities:** measures of the range of activities which we will undertake in-year
- **Inputs:** resources (funding and staff) to support delivery of the Business Plan.

A detailed list of the proposed measures is set out within *Appendix 2*.

In developing the Framework Measures and Target Ranges, a number of factors have been taken into account, such as market size/potential and levels of available inputs (funding and staff). The outputs from evaluation evidence have also been important in quantifying our contribution. For example, a recent comprehensive evaluation of our Account Management activities highlighted the ratio between the additional turnover of companies supported by SE and additional GVA (42% of turnover).

The most significant factor which we have not been able to quantify is the economic uncertainty which our customers face in the year ahead, and the potential impact which this may have on our ability to achieve our proposed targets. This will be the basis of ongoing review and reporting to the Board; however, at this stage, our opinion is that the ranges as proposed are both challenging and aspirational, in support of our overall objective of supporting sustainable economic growth.

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## TRACKING PROGRESS

There are several measures where we have chosen not to set targets at the start of the year.

### These are for two specific reasons:

- A “tracking” measure (including new Outcome measures), where we propose to gather data during the 2009/10 in order to set a benchmark for future years (e.g. GVA, additional jobs and CO<sub>2</sub> savings)
- A “qualitative” measure (e.g. achievement of industry milestones).

These measures are set out within *Appendix 3*.

## APPENDIX 1: FINANCIAL SUMMARY: BY THEME

### Business Plan: Allocation Proposals 2009/10 to 2011/12

PLANNED INVESTMENT	Notes	Key Industry Sector Share	Forecast Expenditure 2008/9 (£M)	Proposed Resource Allocation 2009/10 (£M)	Proposed Resource Allocation 2010/11 (£M)	Proposed Resource Allocation 2011/12 (£M)
<b>ENTERPRISE</b>						
Account Management & Specialist Advisory Services		80%	12.4	17.2	17.0	17.0
Enterprise Support Projects		50%	14.8	7.7	6.8	6.8
Internationalisation		90%	22.3	23.2	23.0	23.1
Enterprise Support to Industry Sectors		100%	6.2	6.5	6.0	6.5
<b>Enterprise Sub-total</b>			<b>55.7</b>	<b>54.6</b>	<b>52.8</b>	<b>53.4</b>
<b>INNOVATION</b>						
IP Generation, including ITI Scotland		100%	43.7	38.0	30.9	36.4
Account Management & Specialist Advisory Services		80%	13.7	13.6	10.7	12.7
Commercialisation		100%	3.9	5.9	6.5	7.2
Innovation support to Industry Sectors		100%	19.2	16.5	14.2	15.9
<b>Innovation Sub-total</b>			<b>80.5</b>	<b>74.0</b>	<b>62.3</b>	<b>72.2</b>
<b>INVESTMENT</b>						
Business Infrastructure	(1)	95%	39.8	64.9	10.0	28.0
Property Portfolio Running Costs		N/A	11.6	10.4	9.5	9.5
Urban Regeneration Companies		N/A	12.5	12.5	12.5	12.5
Investment Funds		90%	26.7	25.6	26.5	26.8
<b>Investment Sub-total</b>			<b>90.6</b>	<b>113.4</b>	<b>58.5</b>	<b>76.8</b>
<b>CUSTOMER FACING STAFF COSTS</b>			<b>41.6</b>	<b>43.8</b>	<b>44.5</b>	<b>45.3</b>
<b>RESEARCH &amp; DEVELOPMENT</b>			<b>5.3</b>	<b>2.4</b>	<b>2.2</b>	<b>2.2</b>
<b>SUPPORT COSTS</b>						
ICT			11.8	11.3	10.2	10.6
Premises			10.5	7.5	7.5	7.5
Other Support Costs			7.5	7.0	7.0	7.0
<b>Support Costs Sub-total</b>			<b>29.8</b>	<b>25.8</b>	<b>24.7</b>	<b>25.1</b>
<b>Efficiency Investment</b>			<b>3.0</b>	<b>5.0</b>	<b>3.0</b>	<b>8.0</b>
<b>TOTAL SE CASH INVESTMENT</b>	(2)		<b>306.5</b>	<b>319.0</b>	<b>248.0</b>	<b>283.0</b>
<b>SE CASH INVESTMENT - ORIGINAL PROFILE</b>	(3)		<b>301.5</b>	<b>289.0</b>	<b>283.0</b>	<b>283.0</b>

INCOME (SOURCED FROM)	2008/9 (£M)	2009/10 (£M)	2010/11 (£M)	2011/12 (£M)
Scottish Government Grant	242.5	250.0	183.0	218.0
European Union Funds	8.0	10.0	10.0	10.0
Property Disposals	25.0	33.0	29.7	29.0
Property Income	10.0	7.0	7.0	7.0
Scottish Co-investment Fund	12.0	10.0	10.0	10.0
Other Business Income	9.0	9.0	9.0	9.0
<b>Total Funds Available</b>	<b>306.5</b>	<b>319.0</b>	<b>248.0</b>	<b>283.0</b>
<b>Total Funds Available - Original Profile</b>	<b>301.5</b>	<b>289.0</b>	<b>283.0</b>	<b>283.0</b>

## APPENDIX 2: MEASURE TARGET RANGES

	MEASURE DESCRIPTION	TARGET RANGE
OUTCOMES	Turnover growth by businesses supported (through account managed activities)**	£300m – £600m
	Planned jobs through inward investment (of which at least 1,600 will be high value)	1,600 – 2,400
OUTPUTS	Number of companies showing improvement: <i>a. Innovation:</i> Number of new products/services/processes implemented (and forecast revenues as result)	200 – 300
	<i>b. Business efficiency:</i> Number of projects resulting in a business benefit (productivity improvement and/or emissions reduction as a result)	200 – 300
	Number of high growth start ups (including spin outs) with potential to reach £5m value in 3 years	17 – 25
	Investment in business R&D resulting from SE R&D grant/SMART	£60 – 70m
	Investment leverage in physical infrastructure resulting from high impact projects	1:2 to 1:2.5
ACTIVITIES	Number of growth businesses supported:	
	<i>a.</i> Number of businesses assisted to internationalise	600 – 700
	<i>b.</i> Number of businesses assisted to innovate	700 – 800
	<i>c.</i> Number of businesses assisted to improve efficiency	700 – 800
	Leverage resulting from SE Investment funds	1:2 to 1:3

## APPENDIX 3: TRACKING MEASURES

	MEASURE DESCRIPTION
OUTCOMES	Number of additional jobs (split by sub-measures for 'new' and 'safeguarded') <i>(Tracking measure)</i>
	CO <sub>2</sub> related savings <i>(Tracking measure)</i>
OUTPUTS	Number of companies showing improvement: <i>1. Exports:</i> Number of internationalisation projects delivered (and forecast revenues as result) <i>(Tracking measure)</i>
ACTIVITIES	Achievement of Industry Milestones <i>(qualitative measure)</i>
	Industry leadership group structure <i>(fit with best practice – qualitative measure)</i>

### NOTES

- (1) The proposed resource allocations for Business Infrastructure reflect the impact of Scottish Enterprise's share of the Scottish Government's accelerated capital expenditure programme. This will result in SE investing an additional £5m in 2008/09 and £30m in 2009/10 with the acceleration of funding being offset by lower capital expenditure in 2010/11.
- (2) The allocations for 2011/12 are dependent on the outcome of the next Scottish Government Spending Review.
- (3) The original SE Cash Investment profile shows the planned investment levels in each financial year prior to the effects of the accelerated capital investment programme.

NB: Customer Facing and Support Staff costs included within the overall budget proposals give a total payroll cost of £48.6m in 2009/10, £49.7m in 2010/11 and 2011/12.

\*\* Our evaluation programme will allow us to quantify the associated additional GVA derived and the resultant contribution to the Government's economic goals. Recent evaluation evidence would suggest that £300 million- £600 million of turnover equates to £135 million- £270 million of additional GVA. The evaluation programme will continue to be developed to allow us to assess the additional GVA generated from wider Business Plan activities.



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