



OFFICIAL REPORT
AITHISG OIFIGEIL

Economy, Energy and Fair Work Committee

Tuesday 20 November 2018

Session 5



The Scottish Parliament
Pàrlamaid na h-Alba

© Parliamentary copyright. Scottish Parliamentary Corporate Body

Information on the Scottish Parliament's copyright policy can be found on the website - www.parliament.scot or by contacting Public Information on 0131 348 5000

Tuesday 20 November 2018

CONTENTS

	Col.
DECISION ON TAKING BUSINESS IN PRIVATE	1
BUSINESS SUPPORT INQUIRY	2
EUROPEAN UNION (WITHDRAWAL) ACT 2018	35
Provision of Services (Amendment etc) (EU Exit) Regulations 2018.....	35
CRC Energy Efficiency Scheme (Amendment) (EU Exit) Regulations 2018	35
INSPIRE (Amendment) (EU Exit) Regulations 2018.....	35

ECONOMY, ENERGY AND FAIR WORK COMMITTEE
32nd Meeting 2018, Session 5

CONVENER

*Gordon Lindhurst (Lothian) (Con)

DEPUTY CONVENER

*John Mason (Glasgow Shettleston) (SNP)

COMMITTEE MEMBERS

- *Jackie Baillie (Dumbarton) (Lab)
- *Colin Beattie (Midlothian North and Musselburgh) (SNP)
- *Angela Constance (Almond Valley) (SNP)
- *Jamie Halcro Johnston (Highlands and Islands) (Con)
- *Dean Lockhart (Mid Scotland and Fife) (Con)
- *Gordon MacDonald (Edinburgh Pentlands) (SNP)
- *Andy Wightman (Lothian) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Rachael Brown (Cultural Enterprise Office)
Fiona Godsman (Scottish Institute for Enterprise)
Douglas Westwater (Community Enterprise)

CLERK TO THE COMMITTEE

Alison Walker

LOCATION

The David Livingstone Room (CR6)

Scottish Parliament

Economy, Energy and Fair Work Committee

Tuesday 20 November 2018

[The Convener opened the meeting at 09:45]

Decision on Taking Business in Private

The Convener (Gordon Lindhurst): Good morning, and welcome to the Economy, Energy and Fair Work Committee's 32nd meeting in 2018. Agenda item 1 is a decision for the committee on whether to take items 4 and 5 in private. Do members agree to do so?

Members *indicated agreement.*

Business Support Inquiry

09:45

The Convener: We continue with our business support inquiry. I welcome our three witnesses: Rachael Brown, who is chief executive officer of the Cultural Enterprise Office; Douglas Westwater, who is executive director of Community Enterprise; and Fiona Godsman, who is chief executive of the Scottish Institute for Enterprise. I thank you all for coming in.

I start with a fairly general question. How would you describe the provision of business support for small and medium-sized enterprises at the local level in Scotland? What are the strengths and weaknesses of that provision, and what can be done to improve it?

There is no need for you to press any buttons; the sound desk will operate the microphones for you. You may indicate by raising your hand if you want to speak, or you can simply join the discussion as appropriate. Who would like to start on the first question?

I see that there are smiles all round but no takers. *[Laughter.]*

Fiona Godsman (Scottish Institute for Enterprise): I will go first—I am always willing to fill a vacuum.

One of the challenges—this is probably one of the reasons for our delay in responding to your question—is that we all work with specialist groups of people, so it is hard for us to speak generically about business support needs. My organisation works with students and recent graduates, specifically with those who have innovative ideas, and it is not easy for them to slot into the provision of more generic business advice. We use services such as business gateway when we have got the students to a certain stage.

We will often have worked with a student for some time on their business idea and business model before they are ready to take generic advice on how they start the business and set up their accounts—that sort of thing. Once we have got them ready and they are at that stage, the process is fairly straightforward. We have already primed them, and we get them to go in and ask for the advice that we know will be easily accessible to them at that point. I am not sure whether that answer is much help to you.

The Convener: It is helpful to hear your point of view with regard to the type of individuals whom you are helping and looking to help. When those individuals reach the stage at which they come to business gateway, how does the system work at that point?

Fiona Godsman: It depends on the individual to whom they end up speaking—that message comes across loud and clear. They sometimes get someone who is absolutely great, but that is not always the case. Our specialist business advisers are used to working with innovative young people who have no experience of business because they are still at university or college or they have only recently graduated. Those young people have no experience in setting up a business or in using business language. If they see an adviser who gets them, that is great, but if they see someone who is not used to dealing with people like them, it can be quite challenging. Those individuals are very smart people, but they lack confidence when it comes to the business side and business language. If they see an adviser who simply does a tick-box exercise, they really struggle. They need someone who can coach them through things—otherwise, we may as well just send them to a website. That approach does not work. They need personal support and engagement—a personal shopper, if you like.

Rachael Brown (Cultural Enterprise Office): I agree with everything that Fiona Godsman said. An interesting comment that we always hear from clients either before or after they go to business gateway concerns a lack of understanding of the entrepreneurial activity that they want to develop. People do not necessarily want to start with a business idea and take it through a general process; they may want to do something entrepreneurial and interesting. The creative industries in particular can provide a specialist niche in which to develop an idea quite quickly. The generic business support is very good. Business gateway is involved in a lot of creative industry meetings and engagements, and its website information is pretty thorough. Where it falls down is in the provision of person-to-person contact with a specialist who has perhaps been involved in a similar situation and who knows the choices that must be made in deciding whether to pursue an entrepreneurial activity or a straight business start-up.

We specialise in the SME space in the creative sector, which I often describe as the canary in the coal mine with regard to portfolio working. In general, a lot of the creatives with whom we work do several different things, including business activity, which is rarely linear. When they go to business gateway with an idea for setting up a business, it may come across as a lifestyle choice rather than an employment opportunity; something is often lost in translation. However, we see an equal amount of people who have been to business gateway and had a really positive experience, and they come to us when they are ready for specialist support.

We also see a lot of people who are referred from business gateway straight to us because they require specialist support straight away. In our experience, the balance is even in so far as the numbers stack up. I am looking at the figures that I have in front of me: in the current financial year, 113 people were referred to us from business gateway, and in return we referred 75 people. It is recognised that there is a niche somewhere, and that business gateway plays its role while we play ours.

Douglas Westwater (Community Enterprise): We were pausing there—getting us to shut up is now going to be the problem. *[Laughter.]*

Community Enterprise's niche is social enterprise: our role is to support social businesses, from tiny community groups to multimillion-pound businesses, which come with very different perspectives. Our experience of business gateway is very much as Fiona Godsman and Rachael Brown said: it can be very good or very not good. It is a bit of a postcode lottery. In some areas—I will not name and shame them—business gateway will get a referral from a business that it views as a social enterprise and think, "You're not one of us; you're actually something else", and refer them on to us. Business gateway simply lifts up the phone and says, "These guys are a social enterprise—that's your world", and the business comes across to us without business gateway ever having really engaged with it.

I will name and praise business gateway in West Lothian, where we have an office. There is almost an informal tripartite arrangement between us, the social enterprise network and the business gateway adviser. It is excellent, and it allows for three different perspectives. We dealt with one project that was in a bit of difficulty. Some people had said to the woman involved, "You need a wee bit of cash—you can get an awards for all grant to sort yourself out." However, we went with her to meet the business gateway adviser, who said, "You have a cash-flow difficulty, so you need to liquidate some of your assets." She needed to hear that commercial language, and that approach worked very well.

The partnership approach that we have in West Lothian and in other areas works very well. The type of referral that Rachael Brown spoke about—when business gateway simply lifts the phone and says, "Can you help these guys?"—is not quite so good.

Jackie Baillie (Dumbarton) (Lab): I want to develop the theme of partnership working. Your individual organisations are quite specialist, and I am keen to know the extent of the collaboration, engagement and partnership working that goes on. Douglas Westwater described a model that

works. Do such arrangements arise informally or are there formal partnerships? Is it more beneficial to go beyond referral and into much deeper working? I would be interested to hear your views on that.

Rachael Brown: Yes—in theory, it is more beneficial. We have a formal relationship with business gateway, in that we are the creative partner but the arrangement on the ground is—as my colleagues have described it—more ad hoc. We do not have any formal partnerships, although we are developing one with Glasgow City Council in recognition of the fact that specialist support is required. We tend to get ad hoc referrals just as Douglas Westwater described—people say, “If they do not fit our system, they must fit yours.” The challenge that we face is that we are tiny in comparison, and we can never deal with all the inquiries that we get. It would be helpful to have a much more collaborative approach in which there is a deeper understanding of who we actually deal with and the needs and wants of that sector.

We deal with business models of choice, which include social enterprise, commercial and high-growth models, in any subset of the creative industries, of which there are 16. That can often be quite confusing for people, who do not know whether the term “creative” means a dancer or an artist, or digital or tech. It is all those things, but the key point that business gateway sometimes misses is that we deal with people at transition points in their business journey. They may be facing challenges with leadership or finance, or they may have had an idea that did not work and they want to try something new; that is very common in our sector, but it sometimes gets lost.

Building a deeper collaboration that enables people to understand the needs and wants of the sector would be hugely helpful, not to mention world leading. It is worth saying that our dedicated office is the only one of its kind in Europe; the situation is similar for my colleagues here. Scotland has a rich landscape that we are not threading together as well as we could.

Douglas Westwater: The point about collaboration is fundamental. Things work best when people collaborate. Our biggest internal problems relate to partnership and collaboration—for example, when people let us down or vice versa. Collaboration is difficult and challenging—it is not a perfect solution—but we get better results when people work well together, especially, although not only, in business support.

We deal with an entrepreneur or a group of people who have an entrepreneurial idea. As I discussed with the other witnesses before the meeting, entrepreneurship can involve a bunch of people who have an idea to develop; it is not always about the archetypal entrepreneur.

Afterwards, we can look back at where things have worked effectively. Sometimes a group of people will have a fabulous idea—I do not have a lot of ideas, but I can help them to get where they want to go if they cannot get there alone or if they are stuck. When we find people with hugely brilliant ideas, we need to ensure that they have three things: the right business support beside them, and the right funding and investment. A fourth area is networking—they need to talk to like-minded people. That is where we see sustainability and success.

Often, people receive only business support or funding, or they are members of a network with no other support. If we can work in partnership by providing not only business support but support in other areas such as networking and funding, that can be really effective. Collaboration is currently ad hoc—it is not formalised. It is based on networking with people whom I happen to know because I have worked in the sector over the past few years, as Fiona Godsman and Rachael Brown have done. We build our networks, as local business gateways do, so the arrangements can be quite ad hoc.

Fiona Godsman: We do not have any formal relationship with business gateway, and we do not get referrals from it. We usually work on quite a small scale because we are specialists—we are looking for innovative student ideas—but we see 300 new students every year. We are working with a cohort of 100 who are developing, or who definitely intend to develop, businesses. We will probably refer them all to business gateway for access to market reports or to the workshops that it offers. We do not get referrals from business gateway in return—in fact, it probably does not know that we exist. I am sure that some students will go to business gateway first because they have heard of it, rather than coming to us or to their own university or college enterprise networks. We do not see them coming back to us at all.

Our biggest challenge is that we are quite small: we have only three business advisers. Although we work with every university and college, and any innovative student that you hear about nowadays—the really bright, smart ones—will have come through us, we do not have strong personal relationships with business gateway given that it has so many different offices and we have only three advisers.

10:00

We used to refer students who had high-growth potential directly to the entrepreneurial team at Scottish Enterprise. We had one key contact there who would signpost those students to the relevant people. However, the system changed and we now get the high-growth support from business

gateway. Since then, we have lost the single point of contact for our organisation. It might well be beneficial to have someone in the business gateway network who could be a point of contact for specialist organisations such as ours. That would ensure that we get a good strong relationship going so that we can refer students to the right people at business gateway.

Jackie Baillie: Do you network with others? Are there people in the private sector who would ordinarily come to see you to do that kind of thing?

Fiona Godsman: Absolutely. That is one of the key elements—we all know each other. For instance, those of us in the Scotland can do forum, which is massive now, all tend to know each other. We know where to signpost people; I certainly refer people to Rachael Brown's organisation. We also refer them to the innovation centres, and we have our own network of private contacts to ensure that students get the right advice at an early stage. The networking part is vital, and we have very strong and diverse networks to which we refer people.

Jackie Baillie: That is interesting.

Angela Constance (Almond Valley) (SNP): Good morning, panel. I am sorry to mention the B word, which is Brexit. Will the impact of Brexit necessitate different support for SMEs, social enterprises and start-ups? If so, why? Who should provide that support, and how?

More specifically, given that the European regional development fund and European structural funds have made a huge contribution to business support services, do you have any views on sustainability as we move forward?

Rachael Brown: We are seeing two very interesting things come out of the Brexit conversation: one is positive and the other is negative. I will start with the negative. From the get-go, our clients are global. If someone is involved in music, it does not matter whether they live in Greenock or in Caithness—they can sell their product globally. That is now a challenge. We know that festivals are now unable to book people quickly enough, and there has been a halt in people's ability to trade their intellectual property across Europe, in particular. The rest of the world—especially the US—has always been slightly problematic when it comes to music, but activity is now stunted as people are not able to get to the book or music festival that they are supposed to attend in order to ply their trade. A lot of the musicians with whom we work actually make more money from songwriting or exchanging their IP. There is a missed opportunity and a misunderstanding of what is really needed.

On business support, we have done a lot to help people through crisis. In some key areas, costs

have gone up by 20 per cent. How do people manage that unexpected rise? That has been quite challenging. Another challenge has been the fact that we have lost people to other cities in the United Kingdom such as Bristol, Cardiff and Manchester, where support is more robust. Overall, 40 per cent of the creative industries sit in London—that is inevitable—but we see Scotland, and Glasgow in particular, as a global gateway. People can get a bit obsessed with London, but it is the smaller cities that present a challenge.

Business support becomes more about life support in addition to the business aspect. That is where the positive message comes through from Brexit. We are seeing a lot of what we call creative returners coming back to Scotland. A lot of people want to come home and build their creative career from Scotland. We have the right ecosystem to make that happen, but we do not yet have the joined-up approach. People who have had a career in London for 20 years have now chosen to come back to Scotland, and to Glasgow and Dundee in particular, where we are seeing a lot of traffic. How do we hook them into an industry that is built largely on individuals?

People are paying 40 per cent tax and building portfolio careers, but there is no easy route in, because the process is considered to be linear. I was talking about that with the other witnesses before the meeting. Everyone with whom we work comes in and out of the system at key points—it is not a linear journey. Some people may have what is considered to be a good year, followed by a bad year. In the creative industries, that is par for the course. It is very difficult for people to find the right type of support in that respect.

On the question about the ERDF, we have never received any European money. We are funded largely as a project, because we are a specialist organisation, so Brexit has not had an effect on us in that respect. However, it has had an effect on where we can send people to, and there are definitely gaps in that regard.

Douglas Westwater: I can answer the question from a slightly different perspective. We discussed the issues as part of our internal strategy. We have 20 staff who are involved in marketing, market research and community development to nurture businesses from an early stage and develop social enterprises, and they tap into a lot of support. The common theme that I have been discussing over the past few months and perhaps even the past year, which is partly but not solely to do with Brexit, is that there is a reduction in funding and levels of support.

When I heard Angela Constance's question, I thought, "I honestly don't know the answer to that", but we are certainly seeing a reduction in the volume of business support that is available.

People have less time to give, but demand is going up because people are being asked to be more entrepreneurial and develop businesses, and they need support because they are quite new to the whole thing. The demand is going up and the supply is going down.

I have been chatting to a lot of people who provide support of different kinds and they say, "We don't have enough resources." There can be a wee bit of a poverty mentality when, in fact, there are other ways to do things. A few years ago, people took a traditional route. They would come in with an idea and get a lot of support to develop a business plan, a financial plan and a marketing strategy, and to get funding and investment. That does not exist now, so we need to find new ways of doing things.

If you will forgive me, I will give another example. We are trying to build a business support infrastructure around 10 organisations in the Borders, and it is a struggle because the available provision is currently quite light. We thought, "There are four organisations that will be doing something similar five or six years down the line", and we spent £700 on taking those folk to visit each other for a day. It was transformational. They are now implementing new business practices simply as a result of seeing like-minded people who have done the same things. Simply by enabling those people to talk to similar businesses, we almost circumvented, to a great extent, the need to put in business support from scratch. That is just one example of how we can be smarter at providing business support in different ways to deal with what are essentially cuts. We need to find a cleverer way to do things rather than moaning about the cuts.

Fiona Godsman: As I said, we work with students and recent graduates. I do not have the statistics, but I would say that well over 50 per cent of the students and young graduates with whom we work on potential innovative high-growth businesses are not from Scotland or even the UK—they are mostly from Europe, and sometimes beyond. At present, they are still here. They are always incredibly positive about the support that they get here; they find Scotland a very good place in which to do business. Those students are not native to Scotland, but they have studied here. They are the brightest individuals. They are the people whom we really want to be here, and they really want to be here, too.

I do not know what is going to happen with Brexit. If those individuals no longer come to Scotland, we will not see the same level of graduate start-ups here.

I will give an example. We have in Scotland a very successful young company called MindMate, which was started by two German students and a

student from Mexico. They have had hundreds of thousands of pounds of investment and have done extremely well. They started off in Scotland and they got support from several organisations including ours, as well as from the Scottish encouraging dynamic growth entrepreneurs—EDGE—scheme and the converge challenge. They may also have got support from the organisations that Douglas Westwater and Rachael Brown represent. They are a great bunch of people. They had the opportunity to work in an incubator in Berlin, but they chose to stay in Scotland. They went to Techstars in New York, which they found to be an amazing experience, but they came back to Scotland.

We offer a lot to such individuals. At present, as I said, such people still come here to study, but I do not know what will happen in the future if they do not. They have an effect that is quite difficult to measure. It is not that international students are better than Scottish students. The important aspect is that the ones who choose to study abroad are probably more entrepreneurial and innovative and more open to new ideas because they are travelling to study. We are capturing the best of the best.

The knock-on effect is that, when we are networking and bringing those people together with Scottish students, their confidence rubs off and the home-grown talent really benefits. There is also the effect of competition: having those really bright, smart people here raises the level at which everybody plays. What will happen to such people after Brexit? I do not know, but they will have other choices. They will not come to Scotland, will they?

Angela Constance: I thank you all for those full answers. I will change the subject and move on to my next question. I would be interested to hear the panel's views on how our approach to embedding equalities in business support could be improved and mainstreamed further. How does the business support landscape reach underrepresented groups such as women, the black and minority ethnic community, people who have disabilities and folk who live in more disadvantaged areas? Douglas Westwater can start, as I know that he has some experience in that area.

Douglas Westwater: Speaking as a white middle-class male without a disability—

Angela Constance: I am glad that you have checked your privilege. [*Laughter.*]

Douglas Westwater: The area of equalities is very interesting; we spoke about it briefly before the meeting. We find that equalities come through where a business starts from a social need rather than a business idea. The business and the entrepreneurialism come later.

I will give you an interesting example that happened just a few days ago. A grant funder who gives grants to women and girls who are suffering from domestic violence—such organisations are entirely grant funded—asked me to speak about sustainability, because they were wondering where those women's groups will go when the funding finishes three years down the line. A lot of the women's groups were struggling to think of ideas—the question of how to commercialise a women's refuge is quite difficult.

One woman said, "I don't know whether this will work", and she went on to outline her idea. She said that her organisation supports a lot of women who have challenging backgrounds that involve domestic violence and very difficult situations. It takes them out, gives them some support and helps them to get into supported accommodation. In general, they are on their own, although they are sometimes with their children and they are protected and so on.

She said that the big problem is that, as they move into a tenancy, they inevitably need a cooker plumbed in, a set of shelves put up or a plumber to fix a blocked drain. The issue is that, 99.9 times out of 100, that person is a tradesman—a male. That is a real issue, because the women are frightened. She said, "I suddenly had an idea: we need to train up some women to be plumbers and electricians." She came up with the idea simply to address the issue of fear, but she suddenly realised that it could be commercialised. We all talked about that, everybody got very excited, and suddenly we had a national women-led tradesperson project.

That experience is common, whether it relates to disability, drugs or the environment. People come along to address a need and we are a third of the way into the idea before we suddenly think, "Oh my word—this needs to be sustained." At that point, the business aspect comes in. Those people do not go to business gateway or the just enterprise service at the beginning and say, "I have a business that I want to run and I need a business plan." The idea is based on the need to address a problem and the realisation that we need to sustain the solution. That is the point at which it can become a business.

Angela Constance: What is the impact of that in terms of the type of support that needs to be provided?

Douglas Westwater: The support needs to be incredibly sensitive. That is the case in a lot of the social enterprise support that we do, which is why we are great advocates for working closely with business gateway while bringing in the just enterprise service and others to provide specialist business support. There is a social impact and a

business impact, and they are often in competition.

10:15

It can come down to simple things. For example, we work with a homeless organisation that many of you may know, which creates items out of wood. On the one hand, we could say, "Build 1,000 planters—that will totally solve the financial issues with big margins and the business will fly." On the other hand, we might say that younger people who have mental health issues and drug addictions need to find something creative—they could work for months on a beautiful, bespoke, high-quality cabinet and sell it for £1,000. In that case, the social impact will be very high and the financial margins very small.

A business adviser might say, "That's a stupid decision—build your planters", while somebody who is taking the social impact too much into account might say, "Those folk in business don't know anything—it's all about this." There is a constant discussion in which the financial imperative and the sustainability of the business are weighed against the social impact. Both aspects need to be considered, but they constantly clash with each other.

Fiona Godsman: We work with quite a privileged group of people—in general, they are in full-time education, mostly at universities. A lot of specialist support—I speak as someone who is involved with one of the colleges—is to do with building confidence in people and giving them belief in themselves from the get-go, way before they even think that they might have a business idea. That is where we need the specialist social enterprises and projects that are targeted at particular demographics.

Much of the work of organisations such as Radiant and Brighter, which I am sure you are aware of, involves building confidence and community. People walk into a room and feel comfortable because they know people. By offering people that encouragement, we start to build up the ideas that might ultimately become businesses. They need that level of hand holding and a confidence boost before they walk through the doors of business gateway.

There are a lot of specialist projects that are targeted at specific demographics. For example, Glasgow Clyde College runs projects with young people in the refugee community to build their confidence and abilities. When we work with such groups of people, we do not focus on whether they have a business idea or say, "You could be an entrepreneur and start a business." Before we reach that stage, an awful lot of groundwork needs to be done, largely by specialist agencies. In

general, social enterprises are probably the best at doing that. The links between business gateway support and those social enterprises, and the relationships and partnerships between, and support for, such organisations, are the key factor.

Rachael Brown: The majority of people with whom we work are freelance portfolio self-employed creatives. A real challenge with generic support is how we ensure that fair work, in which we have a real interest, is promoted. Where there is no employer, there is a customer, and in our experience general support often promotes the idea that the customer is king. When a freelancer or similar individual seeks advice, the focus is always on doing whatever the customer asks.

We support fair work and we have done a lot of work on how we encourage people to negotiate the correct contract and take the right approach in order to be valued and viewed in the right way. For example, we have a specialist project that engages with creatives who have long-term health conditions. We are looking at how we support them to continue to work as creatives given that our industry operates 24/7—people can trade in America, and they do not have to leave their bedroom if they do not want to. How can we make sure that that experience is positive?

As my colleagues said, the desire to build a nurturing and enabling environment slightly changes the type of business support that we give and the way in which we give it, because it is based on the needs of a specific individual. We will deliver business support at 7 o'clock at night or 10 o'clock on a Sunday morning if that is appropriate and relevant. There is nothing 9 to 5 about our service because we have to react to our clients' needs.

At present, the majority of the creative entrepreneurs whom we see who want to build a successful business are 45-plus. We are also seeing a large increase in the numbers of female founders and members of the BME community who are coming forward. Other organisations have built confidence in people whom they then pass on to us; we are specialists rather than generalists.

Andy Wightman (Lothian) (Green): I thank the witnesses for coming. The Government is quite focused on the new Enterprise and Skills Strategic Board, which came out of the enterprise and skills review that was designed to bring coherence to Highlands and Islands Enterprise, Scottish Enterprise, the Scottish Further and Higher Education Funding Council and so on. How much contact have you had with the national organisations that are responsible for business support? To what extent is the relationship between business gateway and those national agencies working?

Douglas Westwater: The new relationship is very different. I have no idea how things will go from here, but we more than welcome that strategic decision. We have a lot of grass-roots experience across Scotland—we do not necessarily work strategically, but we have done a lot of work in the Highlands and Islands and in cities and towns across the central belt. Working with HIE has been different. We can immediately make contact with local development officers because of the mix of community and enterprise, so we have a route in straight away. We have easily developed a strong relationship with HIE, and we very much work jointly with it.

To be honest, our relationship with Scottish Enterprise so far has been pretty much nil, as it has been difficult for us to get in. There is one person in the whole organisation who is responsible for social enterprise, and she is excellent, but it is hard for us to get a route in. However, that is changing, and I have seen a real difference over the past six months or year. There is now much more openness and transparency, which is great. It will be valuable for SE to learn from HIE and use the same approach. I hope that the south of Scotland enterprise agency, when it appears, will take up that joint community and enterprise approach, because that is where sustainability works well. We have certainly seen a positive change, but getting specialist support from SE for social enterprises has been challenging. We have a few examples of where business gateway has said, "We are your gateway in, and we'll try to get you into high-tech support and support for exporting," but there has been a real barrier to getting that support from Scottish Enterprise.

Andy Wightman: Is that even when you go through business gateway?

Douglas Westwater: Yes.

Andy Wightman: Why is that?

Douglas Westwater: To be honest, I am not really sure. It is partly down to a perception on the part of Scottish Enterprise that a lot of the people whom we bring to it are not running proper businesses—they are not commercial enough and their language is not right. We have tried to get support from SE, but it has been difficult.

Fiona Godsman: At one stage, we had funding directly from Scottish Enterprise, and as a result we had a key contact there and things worked extremely well. That person was our route into a huge amount of support from SE, and they fully understood the types of people whom we were putting forward and directed them to the right level of support.

One of the challenges that we face concerns the people with whom we work. There is no doubt that

they have high-growth potential, but that is not yet proven because they are still at a very early stage. They need access to specialist support, and they will benefit hugely from interventions from the right people, but they do not necessarily tick the right boxes at that stage. It can be challenging for us to go to the business gateway high-growth team and say, "We've been working with this person, and we know that they need specialist support now." The team should not wait until that person has ticked a box and achieved a certain milestone. We work with innovative organisations and innovative ideas and patents, and we know that it is a long journey before people start to reach the financial threshold. We are talking about people who are getting investment but not making any money yet. How do we get the right sort of support for them?

Another challenge is that our funding comes from the Scottish funding council. There is still a big silo mentality between different organisations, and we often hear about projects that have already started on which we would be well qualified to offer advice. We could deliver some of the work, but it has been given to someone else who has to start from the bottom. We could either have worked with that person to enable them to start from a higher level, or we could have hit the ground running on our own, because we have the expertise. However, people in the Scottish funding council, Scottish Enterprise or wherever do not know of our existence, because we work with a particular department and the other department does not know what we do. That is a challenge that we see again and again, and we find it very frustrating.

Andy Wightman: Does that have a direct effect on some of the people with whom you work, or are you simply saying that the effectiveness of the national agencies is not as good as it could be?

Fiona Godsman: It has a direct effect on the people with whom we work. If we cannot get them the timely advice that they need, that has a real knock-on effect. It could stop somebody completely. We work with really bright young people who do not want to keep on hitting their head against a brick wall. They do not have the money—they are recent graduates. They are used to surviving on a shoestring, and most of them do not have a mortgage or a family to support, although one or two might. They are not looking for large sums of money, but they need some money and advice to enable them to get to the next stage of their business. If they do not get that support, they may well be offered a graduate job somewhere, and we will lose that potential. There is a real knock-on effect simply because those people cannot access the support that they need quickly enough. They are in the system and somebody will get back to them, but if that happens two or three months later it is no good—

they may already have reverted to plan B, which could take them out of Scotland.

Douglas Westwater: The perspectives can be quite different. The perspective of Scottish Enterprise in offering business support is based on growth. It says, "We will give you support to help you to grow by £X hundred thousand a year, with X hundred staff, and we want you to franchise and become bigger." There is a big issue with that in our sector. Some people want to grow their businesses, and we welcome that—I am not anti-growth by any stretch of the imagination—but a lot of the enterprises that we work with are happy to be who they are. They might say that they want to develop a shop locally and do some innovative stuff around e-commerce, but they want to stay in a particular village in Fife and they are not interested in having 10 or 20 shops or 100 staff. Growth is a real issue. A lot of our clients run very effective businesses, sometimes with high turnover, and they do not see why they should grow. Scottish Enterprise support comes from the perspective of a commitment to growth, and many of our clients—not all of them, but a lot—do not take the same approach.

Rachael Brown: We deal with a lot of clients who are trendsetters, so they bring the pre-idea. Skyscanner is a good example. The Cultural Enterprise Office worked with the people involved for two years before those ideas were developed. It is difficult for us to bring such people to the table with Scottish Enterprise. A lot of the creatives with whom we work might not see any growth until two or three years down the line, so they need a different level of expertise. We do not start from a baseline and work our way up in terms of getting advice and support. Instead, we see that there is something interesting bubbling away, and we ask how we can get the right type of investment, support and mentoring for those people so that, when their business is ready to grow, it can explode. It is difficult for a business in the creative sector not to be treated as a lifestyle business. Most people understand digital. If I brought along a digital high-growth project, I would probably get some level of investment and support for it, no matter what it did, because people now understand the mechanisms of such a project and the impact that it could have.

We always ask—I think that my colleagues would say the same—what it would look like if we had 100, 500 or 1,000 businesses in our local area that were all turning over half a million quid or £1 million. We could look at fair work policies and the distribution of a pipeline, and at how those businesses could make a social, creative and economic impact. We are talking about growing a sector rather than individual businesses.

10:30

For us in the specialist space, that seems to be where the trends are and where the support should be. Other cities are doing well in that respect—Bristol is doing it brilliantly, and Cardiff is starting to recognise the need for a hub approach and doing that brilliantly. It is about wider inclusive growth across the piece rather than linear growth.

My view of relationships is similar to that of my colleagues. We work very well with Highlands and Islands Enterprise, and we have started a productive relationship with the south. However, people's perception of growth and scale sometimes holds us back. Most of our businesses do not take a linear approach to growth—the approach can be almost one of boom and bust, but that is quite healthy, as the experience of one business can have an impact on communities in other areas. That point often gets missed.

Fiona Godsman: That goes back to my point about getting access to specialist support. We work with individuals who need to leapfrog a few stages, and that is where things get really difficult. We know that those people have huge potential, and we should not make them go from one level to the next in incremental steps when they are ready to leap from here to there. We worked with a young guy—a medical student at Dundee—who created snap40. Within a year, he had significant investment in his company; the speed at which he developed was phenomenal. We need to be able to support such individuals as well as the people who are slow and steady and who may take a little longer to get there. The outliers—the ones who go from here to there very fast—sometimes do not get the right support at the right time.

Colin Beattie (Midlothian North and Musselburgh) (SNP): Given the diverse organisations that are involved in this area, it is important that, in general, everyone is heading in the same direction. To what extent are local support services, including business gateway, aligned with existing policy? How do we ensure that appropriate cross-policy connections are made?

Rachael Brown: That is quite difficult to answer from our perspective. We believe that, as a specialist organisation, we are fully aligned with the direction of travel from the Scottish Government. We see the impact of policy on our customers around inclusive growth and innovation in particular. In those areas, which keep on coming up, we are perfectly aligned with policy. All the organisations and individuals whom we see are quite ambitious in their own space, but it can be difficult where that breaks down at the local level and there are competing priorities. Our head office is in Glasgow, where local geography often plays a big part. They might want to see more

businesses housed in a particular geography of the city or in a particular locale where an office block needs to be filled. There is pressure around the local impact there—

Colin Beattie: Can you confirm who “they” are?

Rachael Brown: Sorry—I was being polite. With business gateway in our local area in Glasgow, there is often a push to fill a particular building or to develop a specific set of resources that the city needs. The organisations and clients with whom we work might have bigger ambitions than that.

Colin Beattie: Is that push from the council?

Rachael Brown: I expect that it comes from a mixture of things. There is probably a push from the council, and there can definitely be a push from peers and from different sectors. People who work with social enterprise or in further and higher education do not want to lose individuals from a particular area. We are currently experiencing a challenge with the University of Glasgow, which is keeping everybody together rather than letting students be a bit more ambitious and allowing them to go off and do other things.

There is a need to understand the pace of the market alongside the pace of the support that is provided, and to understand what people want to achieve in a particular locale. If the pace of the market dictates that somebody wants to go from zero to hero in 18 months, they should be allowed to do that. They should not have to go through specific steps in which they are based in a certain geography for a little while and they move through the sector development programme and become part of a certain academic group. They should be able to move on. In our experience, certainly with the creative industries, there is not that freedom at a local level. There is still a lot of gate keeping as people move through, and sometimes our clients' ambitions are not fully recognised because they are not fully understood.

Colin Beattie: Does anyone else have a comment on that?

Fiona Godsman: Those issues do not affect us too much, although we sometimes find that students are pushed towards certain business incubators or accelerator programmes that are not right for them. It is hard for those students to resist that push, because otherwise they may get only a limited amount of support. There can be opportunities there, and students may benefit from certain elements of what an incubator or elevator programme offers. Nonetheless, it can be challenging for them if they are told, “You need to go into this programme and base yourself here if you want to access all this support.” People can be squeezed into places where they do not need to be.

Colin Beattie: Those are local pressures—

Fiona Godsman: Yes.

Colin Beattie: It is interesting to hear about those things, but they are not Government policy—they are happening very much at the local level. I was concerned when Fiona Godsman mentioned different organisations working in silos. How do you align policy when you are working with silos?

Fiona Godsman: If I knew the answer to that—
[*Laughter.*]

Colin Beattie: You have probably just answered the question.

Fiona Godsman: Yes—it is really difficult. It is often people from outside who make the connections.

Rachael Brown: Yes.

Douglas Westwater: I have been thinking about some of those issues. Sectors, industries and people—everything ultimately involves people—have different perspectives, but we are certainly seeing a move taking place. We work with social enterprise and community business, so we sit somewhere in the middle and we see people who fit in on different sides. On the community development side, people will quote the community engagement strategy. They work within a policy framework that may, at the extreme end, say that business and the profit motive are bad. They will say, “We’re here to help people,” and they think that it is ridiculous to want to become a business—they do not want to do that, as business is for the people over there. On the other side, the policy framework is based on sustainable economic growth and profit: things such as growth in staff numbers, economic development and reducing unemployment figures. The profit motive becomes really important.

We sit somewhere in the middle, and we are seeing that the bigger picture is beginning to bring those two sides together. Because of reality, the community development guys have to become more businesslike; they have to trade and sustain what they do at the local level. They are starting to buy into the 10-year social enterprise strategy, community empowerment, asset transfer and land reform. They are taking those opportunities and moving towards the businessy bit.

The guys on the other side are saying, “Actually, we need to have fair business practices and invest in our community, because otherwise people won’t buy our stuff.” They have to be nicer, and put in place social enterprise supply chains, environmental policies and so on. Good businesses are moving towards the nicer policy framework, while communities are moving towards the more commercial policy framework. There is a

broad national policy in favour of sustainable economic growth, and we are seeing a slow movement towards the middle. The tanker is beginning to point in the direction of everybody working towards some level of sustainability.

Colin Beattie: How do you view the Scottish Government’s level of involvement? Is that significant or does it take more of a light-touch approach?

Douglas Westwater: Our core involvement is with the third sector division, largely through the 10-year social enterprise strategy and the budget for that, and I would say that Government involvement is significant and substantial. Nothing is perfect, but the current set-up is the envy of a lot of other countries. That includes the level of support and specialism, and the learning and leadership that Rachael Brown mentioned, although the funding less so. I could criticise, but—

Colin Beattie: So you are satisfied that Government involvement is at the right level to give the support that is needed.

Douglas Westwater: Of course I want more, please—there is always a need for more—but in my view we are currently in a very supportive period with the Scottish Government.

Fiona Godsman: When I am in Europe or America and I talk about the support that we have in Scotland, people in general are very envious. That is also the case when I talk to colleagues who are in enterprise roles with universities in England; they are amazed at, and envious of, what we have here.

I come back to Colin Beattie’s earlier policy question. One of the challenges with silos is that people have individual targets. Sometimes those are not even targets but simply departmental objectives. People are focused on those individual objectives without any recognition of what their colleagues in different departments are doing. That is a challenge that one sees in any agency, and sometimes in businesses, too, but it seems to be more evident in public institutions, and universities in particular. We often introduce people from different parts of a university who are working on similar projects but do not know each other. What can be done? The enterprise and skills review is a big step in the right direction—if people at the top levels are talking to each other, that is great. However, people at the lower levels equally need to be talking across divisions and departments, and they must be actively encouraged to collaborate internally. That would go a long way towards solving some of the silo problems.

Colin Beattie: How effective are business support activities in delivering local economic growth? Is there any measurement?

Rachael Brown: From the point of view of the creative industries, there is very little measurement. That is a national problem—we do not have as much data as we need.

Colin Beattie: How do you measure success?

Rachael Brown: We measure the impact of the services that we provide on the journey of the individuals with whom we work. It depends on the definition of success, which may include elements such as high growth, more employment opportunities or international trade.

The individuals with whom we work can sometimes work at a pace that is too fast to allow the structures to keep up with them. For example, we work with a lot of people in and around the Barras who are doing a great trade—they are employing local people, and collectively their activity is having a big impact. However, we need to sustain that activity. It has not yet produced the economic growth impact that it could do—that is two, three, four or five years away. At present, it is under the radar. It fits brilliantly with the approach that we all want, as it is regenerating the area and having an impact on people who previously believed that they were unemployable and are now employed. It is also having an impact in terms of bringing new businesses to the area. New people are visiting the area, and the whole place has a much more vibrant feel. We can measure the impact of our involvement there.

Is our support service having a significant impact on economic growth? It is not doing so at the moment, which can make it difficult for us to justify our delivery of those services. However, because we offer specialist support, we can see someone's potential, and we can back their idea and ensure that it can travel. We provided the support that I have just described as a consortium; I do not think the general business support landscape would have been as keen on seeing those activities happen, because they were not hitting several measurements quickly enough.

Douglas Westwater: It might be worth mentioning the social enterprise census, which is a relatively recent development in the social enterprise world. Of course, it is flawed—it is not perfect. Two censuses have been carried out so far, and the third is due next year; at present, they are undertaken every two years. I am sorry—I do not have the statistics in front of me, but I can tell you that some social enterprises have closed while others have opened. The number has gone from just over 5,000 three years ago to 5,600 according to last year's census. There has been a growth in turnover that has been quantified. Each

census asks the same questions about turnover, profit margins, staff numbers, local economic development and thematic development in the creative industries, health and social care. It is possible to look at the comparators over the years, and we are certainly beginning to see a gradual increase in turnover, profit and impact locally.

The Convener: I am conscious of the time—you might want to write to the committee to provide those figures or a link to them. Indeed, if any of the witnesses wishes to write in with further information on the issues that have been raised today, they are welcome to do so.

Other committee members would like to ask some questions now.

10:45

Dean Lockhart (Mid Scotland and Fife) (Con): We have received feedback from other witnesses on the tension that sometimes exists between the need for general business support and the need for specialist sector support. The panel members touched on that issue previously, but I would like to go a bit further. How do you balance those needs? Perhaps you can provide specific practical examples of how you have achieved that balance.

Douglas Westwater: We have certainly seen a change. Our team of business advisers has changed remarkably over the past few years since I began working in the organisation. We are demand led—we are a social enterprise and we sell a service to our customers, so we provide what they need. Our business advisers previously offered generic support, and it was a straightforward task for them to support somebody with a business plan. Back then, people did not really know what a business plan was, whereas now they do. I have had to change our staffing structure, and we now have a lawyer and accountant on our team, which we never had before. We have had to increase the skills level in our team significantly because there is demand from the sector for specialist advice. Perhaps Rachael Brown can comment on the sector-specific aspects, because we are not sector specific. We work in partnership with the Community Woodlands Association and the Community Transport Association and use their specialisms as part of the support that we provide.

We work within broad specialisms. For instance, procurement is quite significant in some, although not all, of our sectors, and we have had to develop skills and support around the detail of the Transfer of Undertakings (Protection of Employment) Regulations 1981. People previously said, "There's a piece of work we can do—the Government is telling us to tender, so we will do that and deliver the work." They saw a clause that

said that TUPE was applicable, but they did not know what it was so they simply flicked over the page. We are having to provide quite a bit of support to enable people to understand the implications of TUPE.

That is just one example of where we provide specialist support. There are also issues around VAT and so on, so we have had to develop cross-cutting specialisms. People are no longer looking simply for a business plan, but for specialist cross-cutting support. We do not deliver very much thematic support—perhaps Rachael Brown can comment on that area.

Rachael Brown: We do not provide any general business support—everything that we do is specialist. People come to us at the start of their journey because they have a particular question or an idea that they want to develop. Our main challenge is that we are tiny in comparison with other support services. Unlike my colleagues here, we have a very small team. We have two in-house advisers, and we use specialist industry associates to bump up the provision. We are not able to meet demand in terms of answering all the inquiries that we get, but we always pass people on to business gateway if their idea is fairly straightforward. If someone is in a band, for example, and they want to set up a structure around them and they have a plan or an idea, they do not require specialist support. That is a fairly straightforward vanilla investment, and we would always pass them on.

In other areas, things can get more interesting. For example, a fashion brand wanted to make high-end tote bags out of recycled firefighter hoses. I ask you to imagine going to a general support adviser to say that you want to do that, and in addition you want to be a social enterprise and donate 50 per cent of your profits to the Fire Fighters Charity, and you want to be a global business by year 2. I am sure that you can imagine the response that you would get. However, that business is now an incredibly successful social enterprise called Elvis & Kresse. It does all those things—it has a partnership with Burberry, and Cameron Diaz is pictured wearing one of its belts on the cover of *American Vogue*. At the starting point, people would not necessarily understand the idea, but that company is now a multimillion-pound business. As a specialist, we would be delighted to support such a business to make inroads in that way. If someone went to look for general support with such an idea, they would get lost. The important thing is knowing when to intervene and when not to.

Fiona Godsman: I agree with Rachael Brown—it is about knowing when to intervene and when not to. We work with people from their early-stage ideas onwards. Sometimes we recognise that

there is an opportunity, but it can take some time for a business idea to develop from that. Our specialist advisers can offer coaching and advice to get people to that point, but we may then refer them to business gateway for the vanilla support that they need. That is great—it means that our guys can focus on the things that are different while ensuring that people get the right kind of vanilla support that they need.

We also get support from the private sector. For example, some students have ideas for which they potentially need patent protection or IP support. We have specialist professional services, including legal services, that can provide support to people who want to set up a global business from the beginning. In that way, we can help them to get those elements right at the start.

Every business needs some bespoke advice and support. Some are 80 or 90 per cent vanilla and they will do very well through business gateway; others' needs are completely the opposite and the figure for basic support might be 10 per cent. Businesses need support from the right person at the right time, and that can be provided through the specialist organisations.

Dean Lockhart: Later today, we have a debate in the chamber on digital opportunities and how to take forward the digital economy. If a company or business comes to you and it looks as though they need an e-commerce or digital platform to enable them to trade globally or engage locally, do you provide that specialist digital advice? If not, where would you signpost businesses in order that they can get such advice?

Rachael Brown: We can do three things. First, we can provide such advice in-house—we have a series of industry associates who are leaders in their field and who operate almost as a mentor or buddy system. Secondly, we can refer people to the appropriate support from Scottish Enterprise, although, as my colleagues have said, the SE system can be patchy and difficult to navigate. Thirdly, we arrange a lot of private sector hook-ups, which we find to be a way of sharing some of the most robust knowledge. People want to make other people successful; the business world is not as competitive as people might think.

An interesting question concerns the kind of digital platform that a business wants to develop. Is it digital for digital's sake, or a digital healthcare or trading platform? A range of different opportunities and technical points would need to be addressed. That would require a specialist who knows how to navigate not only the creation and impact of such a platform, but the future challenges—for example, the fact that things go out of date quickly. We sometimes find that the public sector support, as fast as it is, goes out of date within a quarter.

Douglas Westwater: There is a gap in the support. We have talked a little about how it has been quite tough to access support from Scottish Enterprise. Perhaps the support is there, but I have not quite got to it. I am happy to blame myself—I do not want to cast aspersions—but I have struggled to get access to that support for my clients.

The most effective route is not so much to look for support—although if it was there, we would absolutely take it—but to support our clients to develop a brief. We need to spend a lot of time with them—days, probably—while they work out exactly what they are trying to do. They might come to us and say, “I want to do this”, but when we get into the guts of their idea, it is not quite as they have described it. We then need to help them to source further support for funding and investment, which we do not offer in-house. We have a number of different technical coders, so we can go to them with a detailed brief and a budget, and commission something out in the digital sector. That tends to be the route that we take.

Fiona Godsman: I reiterate what the other witnesses have said. In addition, the cohort of individuals with whom we work are digital natives, so building a digital platform would be less of an issue for them. A key factor is peer-to-peer support. If we bring people together, they learn just as much from each other. As has been said, things move so fast that it can be helpful for people simply to work with somebody who is a few months ahead of them. Businesses tend to be very supportive of each other.

Gordon MacDonald (Edinburgh Pentlands) (SNP): We have heard this morning that students find Scotland a good place in which to do business, and—if I picked up correctly what Fiona Godsman said—that other parts of the UK are envious of what goes on up here in terms of support. However, Rachael Brown said that Bristol and Cardiff both offer better support for the creative sector. How does Scotland compare with the rest of the UK or Europe? Where are the lessons that we can learn, and what are they?

Rachael Brown: From the point of view of the creative industries, Scotland is growing more slowly than the rest of the UK. The lessons in that respect are threefold. First, we in Scotland have not quite cracked the understanding of what type of investment the creative industries need. That is a negative point. Secondly, a positive point is that the ecosystem here is really strong. The Scotland can do forum is fairly influential in the sector—people want to be part of the forum and they listen to the other partners around the table. Thirdly, in areas such as Cardiff and Bristol, organisations like ours collaborate and come up with solutions, which are implemented quite quickly. Everybody is

currently feeling the pace of change with Scottish Enterprise, which is positive, but the pace is not fast enough.

Gordon MacDonald: What is preventing that collaboration from happening now, and preventing the solutions that you have identified from being rolled out in Scotland?

Rachael Brown: I am not sure. From our point of view, resourcing is an issue. We are tiny, and we are funded only by Creative Scotland. In fact, we are going through a transition, and we are not sure who will be funding us as we go into next year. It might be nobody, or it might be somebody. We are in a very challenging position just now.

There is no doubt that Cardiff and Bristol picked key sectors to back and pushed them forward, and everything dovetailed into that. It is almost as if they conquer a sector and then move on to another one. We are currently seeing the same with social enterprise. There has been a decade of investment and the structural and political will to move the sector forward, and we are all now reaping the benefits. More businesses with purpose are being created and evolving in Scotland than anywhere else, which is something to envy. The challenge is how we support businesses when they start to flex around the edges. A business may start off as a social enterprise, but if it is part of the creative industry and it is flexing into our space, how do we start to support it?

In some areas, we are trying to do too much, and a laser focus would be helpful. Cities such as Cardiff and Bristol have backed industries that, like the creative industries, are a bit of a mystery in some respects. People are not quite sure what they are going to get. I always describe it in this way: it is like going for an Olympic gold medal. How much do you want a gold medal? What does it take to get one? What do you need to put in at the bottom to enable people to rise to the top? The creative sector still takes a bit of a scattergun approach; we have not yet consolidated everything. Creative Scotland, Skills Development Scotland and Scottish Enterprise are still working out how they work together—in the meantime, the market is just getting on with it. Everything is a bit disconnected.

Gordon MacDonald: What would you say the creative industries in Scotland should focus on as part of a laser-focused approach?

Rachael Brown: There are two aspects—the small and the large—and we can sometimes get distracted in the middle. We have a huge amount of portfolio-career people, and we do not really understand the impact of their activity. Because of the VAT threshold, people are either counted or not, so we are not quite sure of the landscape and

the potential. Could there be brilliant businesses in and among those people? Absolutely. There needs to be a real focus on the fact that, in the 21st century, people are living and working in completely different ways. The 9-to-5 model does not exist in our sector. How are we managing that? Do we have enough space for it? How do we support home working and the kind of entrepreneurial activity that can be transformational? What is fascinating is that those groups of people are hugely employable, but they are choosing to be their own employer. How do we support and capitalise on that? At the same time, we do not have enough investment in the system for the larger businesses. We are still looking at the process in far too linear a way.

Some of the people with whom Fiona Godsman is working can go from zero to £5 million, £6 million or £10 million in 18 months—we do not have the capacity to enable us to support that. The solution is for us to support and hotbed very small entrepreneurial activities in a way that makes Scotland the envy of other places. People can see where there is high-growth potential—that is not a unicorn, nor does it exist only in a company like Amazon. That potential can be found in high-quality and high-impact industries that are doing something different. The fintech sector is a good example. We are seeing some really innovative ideas, but they are taking far too long to get off the ground because the money is just not enough.

11:00

Fiona Godsman: The money is the issue, especially if people need a big investment. I used to work in the life sciences sector, and 20 years ago we were saying the same thing. It is not an easy problem to solve. The angel community in Scotland is very good, and programmes such as Scottish EDGE have usefully plugged a gap. Scottish EDGE has been fantastic—we send a lot of students in that direction for money to get their ideas off the ground. However, there are other students who need a bit more investment—perhaps £0.5 million or £1 million—very early on. That is where they start to struggle, and they end up disappearing—they go off to London or wherever.

Gordon MacDonald: In the context of learning lessons from other parts of the world or the rest of the UK, is there anything that you can point us to?

Fiona Godsman: It is really difficult. Initiatives such as Techstars in the States bring investors in, so that the people with potential—those behind companies such as MindMate, for example—get the exposure that they need very early on. The EIE—engage, invest, exploit—showcase is trying to do that in Scotland, but it is very specific. We need to see that happening in other areas. We

need more awareness of the talent that we have in Scotland, and we need to ensure that those individuals get exposure to the people with the big money. That is the biggest gap.

Gordon MacDonald: The transfer of business gateway from Scottish Enterprise to local authorities has been in place for 10 years. During that period, how effective has business gateway been in your sectors?

Rachael Brown: As we have all said, provision is patchy in places. In some areas, the service is proactive because the business advisers on the ground really get it, while in other areas it is not. It is difficult to provide a general service, given that each geography and local authority has its own characteristics and a range of challenges around business growth rates, regeneration and poverty. In Glasgow, where we are based, the business death rate is really high. It is hard to attribute that to anything in particular, but it has been the case for a long time. From our perspective in a specialist environment, we can say—I am sure that my colleagues would say the same—that the death rate among the businesses that we support is very low, because they are specific rather than general.

Douglas Westwater: It is very hard to answer the question. Previously, when the service was outsourced beyond local authorities, provision was very patchy. It is still patchy, but in a different way. On the whole, business gateway has improved: our experience has been better since it has been embedded in local authorities. One issue relates to our clients sourcing support from the service. Following unification, it feels like the service has been tidied up a bit—there is a single brand with a website and a phone number—but it does not feel very local. Individuals on the ground can be good, but the structure itself does not feel very locally responsive. A lot of people look at business gateway, and think, “That’s not for me—it’s for Amazon and all those guys.” There is a perception issue in that regard. We have to break through that by saying, “Listen—don’t worry. It’s Jeannie Smith up at Fife House; she’s lovely. Here’s the phone number.” We need to do a wee bit of bridge building sometimes.

John Mason (Glasgow Shettleston) (SNP): I want to follow on from some of the points that Gordon MacDonald raised. Douglas Westwater suggested that the service is a bit patchy around the country, and yet he said that business gateway is seen as a national brand.

As far as you know, how do people hear about business gateway? The witnesses indicated that, in some cases, they point people towards it. Is the problem that people do not understand what business gateway can offer? Do they not see

advertises or find the service online? What is the problem there?

Douglas Westwater: From our perspective, the problem—to which I referred earlier—concerns the motivation that drives people who come to see us. I will give you an example. I was speaking to a family member who said, “I quite fancy starting a new business—I have a couple of ideas.” Business gateway is the obvious first port of call. However, we deal with social enterprises that, by and large, do not come in with the idea of starting a business. Fiona Godsman’s clients are probably slightly different in that respect. Most of our guys have identified a need, and they are trying to work towards solving that specific issue in their community or thematic area. They begin to develop something and they realise that it needs to become sustainable; they think, “We need to generate some money, or this is going to close in three years.”

At some point on the journey, their idea has become a business. By that time, they have probably already had support from us, the just enterprise service, Rachael Brown or the Community Transport Association. They are already embedded in the third sector support network, and they will not see or look to business gateway because, on the whole, they do not view themselves as a business in that way.

I will give a brief example; I know that time is short. Perception is an issue. I was recently down in Inverclyde to see people who are working on a community project—they would never, in a million years, call themselves a business. They are running a voluntary organisation, and they get no grants from anyone. They have £200,000 in reserves in the bank, and they made £35,000 last year and £45,000 the year before. They work with refugees and the poorest people in the community. They run an amazingly effective and efficient business.

John Mason: Would they benefit from business gateway?

Douglas Westwater: They probably would, but they would not think of themselves as a business.

John Mason: They would not think of themselves in that way. Do we need to change the name of business gateway? How do we get round that?

Douglas Westwater: Well, that is the question. I suppose that we could change the name “social enterprise” to something else.

John Mason: Does business gateway need a bigger advertising budget to enable it to get its message out there?

Rachael Brown: One of the challenges is that people have good and bad experiences when they

come to a service such as business gateway. If a creative has a poor experience or receives patchy service, they pass that information on to any other creative who asks them about their business journey. That is what happens in the network. The same applies if someone has a great experience, but it is difficult to measure the overall quality of provision if the service is patchy.

We work in and support communities where there are young people who, for whatever reason, might not have been successful at school, but who are hugely creative. Someone might be a brilliant dance DJ and run a club night, and it is going so well that they need to formalise it and push it into a business. They would not dream of going to business gateway, because it is seen as an established—or an establishment—service that does not speak their language. The issues are quite complicated and cover a multitude of factors.

John Mason: If provision is so patchy around the country, should we or somebody at the centre, such as the Government, be telling the business gateways—all 28 of them, or however many there are—to get their act together and provide a specific set of services? Would that be one way of dealing with the issue?

Rachael Brown: Would that be effective, though? The service might be patchy just for our clients, and that might be okay—I know that that contradicts what I said. The service in North Lanarkshire, for example, might seem patchy to one of our clients, but they might be signposted to a specialist service from which they should have been receiving advice all along. It depends on what we are trying to achieve. Each of our 32 local authority areas will have a completely different set of ambitious individuals living in it. What do we want to achieve by telling business gateway to change and do things differently? Would that involve duplication?

John Mason: That is one of the questions for the committee to consider. Do we want to centralise the service and make it more uniform, or do we want it to be locally responsive? We are struggling to know what the balance should be.

Rachael Brown: Absolutely.

Douglas Westwater: It is a tricky issue. Perhaps it is only human, but there is a tendency in sectors to try to tidy things up. It is a bit of a mess out there, and we want to turn all those quangos and support services into a nice neat pipeline so that people can come and get what they need. However, people are not like that. In our experience, people find the support that they need at some or other point.

In some ways, business gateway just needs to be true to what it is. The crucial point about access is that we need not so much to brand and unify the

service, but to ensure that we engage in collaboration and intelligent cross-referral. As was mentioned earlier, that would be more effective than trying to sort out business gateway, and we need to make an effort to do more of it. There are only three of us here today—that is a tiny number among the hundreds of people who provide business support.

In some ways, as Rachael Brown mentioned, we need space. Everyone is so busy that we have no breathing space for us to be creative and think above the parapet. For example, I have not spoken to the staff of West Dunbartonshire business gateway, and we are quite active in that area. There is a gap there. I need to take some time out to go for coffee with them, but I have not done so because I am too busy.

John Mason: The committee is very committed to West Dunbartonshire, as the panel will realise. *[Laughter.]*

Jackie Baillie: It is very good of you to say so.

Jamie Halcro Johnston (Highlands and Islands) (Con): I am very conscious of the time, but I want to ask two questions. First, we have touched on the transparency around business gateway's regional performance and target-setting process. I would be interested to hear briefly from the panel about the type of targets that you feel would be appropriate for assessing the success of business gateway, and what they would achieve.

Douglas Westwater: As I have said, we need to ensure that the target is not always financial growth. It can be financial growth where that is appropriate, but it could be sustainability instead. The businesses with which we work want to be around in 10, 20 or 30 years, but they do not want to be bigger—they just want to carry on doing what they do. Sometimes business support involves supporting people to diversify and become more effective, and to cope with changes in circumstances; indeed, we have already talked about Brexit and other changes in the economy. If the outcome for a business is that they are still there in 10 years' time, but they still have only three staff and a £50,000 turnover, that is a success story.

You would expect to hear this from me, but my perspective is that any activity that is not making a social impact and changing Scotland for the better is largely pointless. I know that this is not business gateway's job, but we need more equality and less poverty, and more people in work who are currently struggling to get work. We need to see refugees settled in and contributing to their communities. I am passionate about all those things. We need to see business as a means to the end of achieving those things, and I would love

those kinds of targets to be embedded in business gateway's plan as crucial to the economic picture.

Fiona Godsman: There is sometimes too much pressure to start a business just to tick the "We've created a business" box. That can lead to a higher rate of business failure, because people who have been encouraged to start a business are just not ready to do so. In that sense, setting targets can be detrimental to the number of business start-ups.

Another message that comes through loud and clear is that business gateway is part of a complicated ecosystem. To say that there are specific things for which business gateway alone is responsible is one of the biggest challenges.

It is difficult for us to assess the economic impact of what we do at SIE, because the people whom we have supported and who have done extremely well have also had support from a lot of different agencies. We need to set targets for team Scotland rather than for any specific institutions. That is difficult, but it comes back to the point that mess is not always a bad thing. In fact, it can be a good thing. We do not want a one-stop shop where everyone is expected to go through the same door and follow the same route. I often use the analogy that not everyone will get everything that they need from Tesco; sometimes they need to see a personal shopper or visit a specialist provider on the high street. How do we measure that?

Rachael Brown: I agree. A key message that has come through loud and clear today is the need to develop relationships and understand what is possible through them. From our point of view, the social, economic, creative and environmental impact of entrepreneurial activity is crucial. Some of the measurements that we, as specialist organisations, apply to ourselves very much link in with the team Scotland approach. It would be great if business gateway was part of that, so that we would not feel, as we currently do, that we are quite far away from each other.

Jamie Halcro Johnston: I do not want to get into this too much, but the witnesses have talked about a messy approach as a possible answer; if we are not careful, Dean Lockhart will start on cluttered landscapes. Fiona Godsman talked about referrals and how her organisation refers people to business gateway instead of getting referrals from it, and Rachael Brown mentioned being under the radar. Is that kind of thing being monitored by Government in the context of the performance of team Scotland, or are we perhaps missing out on being fully aware of some of the things that work very well, because they are ad hoc?

Douglas Westwater: We are a delivery partner in the just enterprise service under the national social enterprise business support contract, which offers specialised support for social enterprises and includes a key performance indicator for the number of cross-referrals to business gateway. The ad hoc nature of things can be an issue. The contract manager will say, “You’re a wee bit low in this area”, and I think, “Oh, goodness—I forgot to tell you about what we have done”, because I am just doing my day-to-day work. We just lift the phone and speak to people, and it can be quite a challenge to monitor that. I know that that particular KPI is part of the tender, and the contract managers are keen for the number of cross-referrals from business gateway to just enterprise and others to continue to grow.

11:15

Jamie Halcro Johnston: I have one last question. Approximately £15 million is spent on business gateway’s core services. Do you think that that represents value for money?

Rachael Brown: Our current turnover is £168,000, so I am probably not the right person to ask. Value for money is relative. If we want to be serious about providing business support across the country, the question is whether we really know the needs and wants of all the businesses that we are creating and individuals whom we are supporting. Our sector is growing more slowly in Scotland than anywhere else in the UK and, like other sectors, needs a varied approach. Perhaps a fair answer to your question is that we feel that we are too far away from all the support that could be possible.

Fiona Godsman: I do not know whether business gateway is good value for money. There was a question whether we should advertise the service more; perhaps, instead of putting money into advertising campaigns, we should put it into small organisations that feed in and refer people to business gateway. Instead of taking a more conventional route that involves marketing or advertising—and I am speaking as a marketer myself—that could be a more effective way of reaching the people who need to be reached. How do we get the message to the people who need to know about business gateway? The answer is probably more word-of-mouth and peer-to-peer communication, and putting some of the money into the smaller specialist organisations that can refer the right people at the right time. That could be more cost effective than advertising business gateway.

Jamie Halcro Johnston: Does Douglas Westwater have anything to add?

Douglas Westwater: If £14 million instead of £15 million was spent on business gateway and you gave us £1 million, we would do loads of great stuff with that money. You would hardly miss it. *[Laughter.]*

With regard to best value, I literally do not know the answer. As I have said, there is money spent on the social enterprise development strategy and on business gateway and not very much money spent on the Cultural Enterprise Office, but we can see that there is money if we spread it all out on the table.

It is a hard question. We would have to look at that spend, as you do in Parliament, in the grand scheme of all the spending in Scotland. I do not meet a lot of business gateway advisers who are sitting, twiddling their thumbs, but I do not know the answer, because I have not looked at the impact. I have to say that £15 million does not seem a massive amount for promoting the Scottish economy at local level. You could tinker around the edges by removing or increasing some funding. The honest answer is that I do not know, but that amount does not seem ridiculous to me.

The Convener: Thank you very much for coming in this morning. We will leave it there. I am sure that we will find the money—or at least not miss it or lose it.

European Union (Withdrawal) Act 2018

Provision of Services (Amendment etc) (EU Exit) Regulations 2018

CRC Energy Efficiency Scheme (Amendment) (EU Exit) Regulations 2018

INSPIRE (Amendment) (EU Exit) Regulations 2018

11:18

The Convener: Agenda item 3 is consideration of three proposals by the Scottish Government to consent to the UK Government legislating using the powers under the European Union (Withdrawal) Act 2018 in relation to proposed UK statutory instruments.

On the first instrument, the Provision of Services (Amendment etc) (EU Exit) Regulations 2018, I should by way of explanation tell you that the Provision of Services Regulations 2009 established the legal framework for the UK's membership of the European Union single market in services. The proposed statutory instrument would amend those regulations to reduce the scope of their application in the event of no deal with the European Union.

Secondly, the CRC Energy Efficiency Scheme (Amendment) (EU Exit) Regulations 2018 provide for a UK-wide scheme to incentivise energy efficiency. The proposed United Kingdom statutory instrument would ensure that exemptions that are defined in EU law continue to be available between exit day on 29 March and the closure of the scheme on 31 March.

Thirdly, the INSPIRE (Amendment) (EU Exit) Regulations 2018 relate to an EU directive establishing a European spatial data infrastructure with the aim of improving environmental policy making. The proposed statutory instrument will correct deficiencies that will arise from the UK's exit from the European Union.

The notification for the regulations indicates that they are all category A proposals, which is to say that they are technical with minimum policy choice or only one obvious policy solution. Is the committee content for those matters to be dealt with by statutory instruments at Westminster?

Members *indicated agreement.*

The Convener: As the committee is content, I will write to the Cabinet Secretary for Finance, Economy and Fair Work and the relevant ministers to notify them of our decision. We now move into private session.

11:20

Meeting continued in private until 11:45.

This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

All documents are available on
the Scottish Parliament website at:

www.parliament.scot

Information on non-endorsed print suppliers
is available here:

www.parliament.scot/documents

For information on the Scottish Parliament contact
Public Information on:

Telephone: 0131 348 5000

Textphone: 0800 092 7100

Email: sp.info@parliament.scot



The Scottish Parliament
Pàrlamaid na h-Alba