

EDAS Route Map of Common Ambition

Executive Summary

November 2016



***Key Messages on Innovation, Internationalisation and Skills for Scotland's
Economic Development***

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Introduction

The Journey of the *Route Map of Common Ambition*: from Indyref to Brexit

This report presents the key findings from EDAS' *Route Map of Common Ambition*: the policy analysis framework of the Economic Development Association Scotland from late 2014 to early 2016.

The Route Map has been developed during a period of rapidly-changing political and economic circumstances in Scotland, with significant implications for economic development. The strategy was conceived during the national debate about Scotland's constitutional future, and has been completed amid the uncertainties generated by the UK vote to leave the European Union. Challenges and opportunities are also being created by additional devolution to the Scottish Parliament, the Enterprise Review, budgetary constraints and City-Region Deals.

EDAS feels that the core messages of this Route Map can help provide a guide for economic development in these changing times, and may be even be more germane to present challenges than were first conceived. It is considered that the future of a relatively small open economy like Scotland is likely to be heavily influenced by *how well we innovate, how well we engage with the rest of the world and how well we realise the potential of people*. EDAS will continue to use this Route Map to guide its work, but will refresh it as the road ahead becomes clearer.

Perhaps the most important message to emerge is that of "collaboration" – across sectors and organisations – and that somewhat paradoxically, the ability to build an ethos of cooperation in a competitive world can reap long-term benefits for economic performance. Through greater collaboration, we can develop a national socio-economic system embedded in the country's unique cultures and attributes, that enables Scotland to compete and thrive in the global economy.

The Making of the Route Map

As Scotland's foremost economic development membership association, EDAS decided to create a 'Route Map' strategy of priorities for Scottish economic development following its conference in summer 2014. The aims of the Route Map were twofold. First, to reconsider, in a collaborative manner, some of the big policy issues facing the economic development community. Second, to ensure key aspects of Scottish economic development were kept at the forefront of public debate, analysis and comment.

It was decided that three central policy challenges for Scotland's economy would be examined, consisting of innovation, internationalisation and skills. Importantly, these areas were also central to the Scottish Government's new Economic Strategy, published in March 2015.

In early 2015, three working groups were established to examine these three policy areas, with expert members from public, private and third sector backgrounds invited to participate. During their working life, each group examined pertinent issues and created ten core "messages" for consideration by the wider economic development community. The EDAS Board is pleased to release this final report, which presents both the group-specific and cross-cutting key messages created by the three Route Map working groups.

Cross-cutting Messages from the Route Map of Common Ambition

In addition to the findings of each Route Map working group, five common threads were identified as running through the strategy as a whole. These cross-cutting messages have relevance to the work of the wider economic development community, regardless of sectoral background or focus.

1. Global context – local potential

In each of the three policy areas there was a global context, either in terms of market and investment opportunities or competitive challenges. A key role for those looking to promote economic development is to understand the global environment in relation to the area or industry they are dealing with and use it to assess the local potential they have, to make the most of the global context.

2. Public sector contribution

Market failure is endemic in nearly all aspects of economic development work, in particular in relation to the disparities between private and social costs and benefits (e.g. externalities in benefits from investment in skills and R&D). Given these externalities (along with the need for public goods and effective institutions to allow the economy and society to prosper) the public sector will continue to have a key role to play, alongside the private and third sectors, in realising the full potential of a place.

3. Systemic approach

Piecemeal approaches with too narrow a focus are unlikely to be as effective as those that attempt to understand and build on the way an economy functions or could function on a systemic basis. In particular, culture and ambition that is collectively engendered within an economy came up as being important in a number of different ways: for example, a culture of innovation and enterprise, and the openness of a society to ideas and talent from other places. Ways in which a systemic approach could be developed to stimulate outward-looking culture, ambition and economic activity were explored in the Internationalisation Group's article series, "Culture, Outlook and Scottish Internationalisation".

4. Equity and empowerment

Greater equity between individuals, places and groups is not just about greater social justice, important though that is. It is also about realising the full potential of a place. The more inclusive a society and economy the more people will be willing to contribute to its success and the more they will be willing to take risks and be innovative. The engagement, enablement and empowerment of disparate groups in society will be critical to realising this potential.

5. Collaboration, collaboration, collaboration...

The whole needs to be greater than the sum of the parts. Somewhat paradoxically in a competitive world those places that can build an ethos of co-operation within and between different sectors, focussed on shared interests, are more likely to be successful, e.g. between industry and academia, between local government and public agencies, between exporters to a particular market etc. In assessing the impact of co-operation, consideration should be given to the longer term, indirect benefits as well as shorter term, direct benefits.

EDAS Innovation Working Group – Ten Key Messages

To finalise its work, the Innovation Group produced ten key messages regarding innovation activity and support in Scotland, for consideration of all those involved in supporting the innovation process.

- 1. Innovation Performance** - There have been recent signs of improvement in Scotland's business innovation - but there is still a long way to go in matching leading countries. Performance is mixed (some of it world class) both between and within sectors.
- 2. Varied Approaches** - Sources and methods of successful innovation vary a lot (traditional measures e.g. BERD doesn't capture the full picture) - process, organisation and service innovation alongside product innovation have an important role to play in improving productivity and developing new markets in all sectors, private and public.
- 3. Accessing Finance** - Access to finance on the right terms and workforce skills (along with opportunities to innovate) remain constraints on innovation - particularly for SMEs.
- 4. Higher Education** - Scotland's university research base is comparatively strong and provides a solid foundation for promoting innovation.
- 5. Public Sector Role** - Significant externalities (e.g. returns on R&D investment) mean the public sector has a key role to play in promoting innovation.
- 6. Intellectual Property** - Careful consideration is required of how best to handle the intellectual property generated by publicly funded research to optimise returns to society as a whole.
- 7. Cultural Outlook** - Attention needs to be focussed on developing a broad culture of innovation alongside specific initiatives to realise potential and ease constraints.
- 8. Open to Outside Ideas** - Returning diaspora and new citizens with different perspectives can help stimulate a culture of innovation and develop innovative businesses with an international perspective.
- 9. System Design** - Systemic approaches are needed in developing the complex eco-systems where innovation thrives and where cause and effect are often difficult to disentangle.
- 10. Collaboration** - Close collaboration across organisational boundaries (public, private and third sector) at local and national level is critical - successful collaboration requires a good understanding of the different needs and interests of partners.

EDAS Internationalisation Working Group - Ten Key Messages

The Internationalisation Group produced ten key messages regarding internationalisation activity in Scotland, for consideration of all those involved in promoting greater overseas economic links.

1. Rethinking Scotland's Role - Following deindustrialisation and the end of empire there remains work to be done to collectively shape and reframe Scotland's ambitions and offering on the global stage, including our related global outlook.

2. Media and the Global Conversation - Digital journalism and social media are engaging Scots in global patterns of interaction as never before. This can help include all parts of society in the process of internationalisation and promoting an international outlook.

3. Scotland's Culture and Story - Scotland has stories to tell about its products and how they connect to its culture, land and people that can capture global imagination and form part of the strategy for successful internationalisation.

4. The Scottish Brand - Scotland has a positively-regarded brand recognisable around the world. Such a brand could be coherently re-vamped for the 21st century to encapsulate both our traditional areas of strength as well as apply to emerging fields of international expertise and competitiveness.

5. Scotland's Diverse Geography - Scotland's diverse geography – rural areas, islands, towns and cities – is an important asset, with many products associated with particular regions of the country. Further, our cities possess extensive global links and are important portals for increased internationalisation.

6. Traditional and Emerging Markets - There are significant opportunities for Scottish companies in emerging markets, with examples of how successful entry into these markets has been achieved. Meanwhile, the EU is still Scotland's main international export market, and our traditional markets continue to require promotional effort and focus.

7. The Utility of Foreign Languages - The utility of foreign languages for internationalisation can depend on the specific job role, market or region, and their necessity may be reduced where English is already the established business language. In a wider sense, an appreciation of foreign languages can be important to instilling a deeper understanding of and empathy with other cultures and regions.

8. The Education System and Young People - The education system is key to fostering cultural understanding and the necessary skills and ambition to internationalise. Through an appropriate and dynamic curriculum, our young people can develop their own informed ideas about the economy and their potential role in regarding internationalisation activity.

9. Government and the Public Sector - Government and the public sector are playing an important role in promoting internationalisation, including directly via brand marketing, trade promotion and attraction of inward investment. The public sector can also play an intelligent role as a collaborator and facilitator with other sectors and organisations.

10. International Strategy and Systems Design - Collaboration between the private, public and third sectors is vital for promoting the Scottish brand and international engagement. Other small economies have developed national socio-economic systems, embedded in their unique cultures and attributes, that allow them to compete and thrive in the global economy. Scotland can do more in this respect.

EDAS Skills Working Group – Ten Key Messages

The Skills Group produced ten key messages regarding workforce planning and skills in Scotland, for consideration of all those involved in promoting a more dynamic and equitable labour market.

1. Labour Market Demand - There is a mismatch between the demand and supply for labour. This is particularly acute in higher education in many disciplines where numbers graduating are greater than demand.

2. High Education Output - Greater use of outcomes data and targeted incentives could encourage HE and FE to adjust course offerings to more closely reflect the needs of industry and the wider economy.

3. Parity of Esteem - Parity of esteem between higher education, further education and apprenticeships may also contribute to correcting this mismatch. Changing attitudes and providing additional information could encourage young people to pursue other, more successful routes into the labour market.

4. Productivity Challenge - A fundamental challenge for firms is to increase their productivity. In order to achieve this, they will require to upskill their workforce. This will subsequently increase the demand for skilled workers in the economy. In some cases poor job design prevents this, with more on the job learning needed.

5. Labour Market Skills Data - Collecting data on local skills shortages could further support the valuable labour market information (LMI) provided by SDS to understand labour market needs. It is recognised that traditional approaches to LMI are limited in both their detail and timeliness and as a consequence have not been successful in shaping skills supply. Other techniques should be explored including data mining to develop 'live' labour market data.

6. Equity within Employment - There are multiple issues related to equity within employment which need to be addressed. For example, there is a dichotomy between female attainment at school and university and the proportion of female senior managers.

7. Underemployment – Unemployment figures under-estimate the loss of productivity where underemployment persists in the economy – ONS statistics show 8.7% of the labour force in Scotland would like to work more hours than is currently employed to do. This represents under-utilisation of skills and potential in the workforce.

8. Benefits of Equity - There are commercial benefits to promoting greater equity within the workforce, in addition to ethical and legal requirements. These need to be emphasised.

9. Employability Support - There is an opportunity to use the devolution of employability programmes to support greater equity in access to employment. This should include ensuring consistent access to support for employability services in rural areas.

10. Support for Firms - Improving growth, productivity, innovation and internationalisation requires a skilled workforce. Consideration should be given to providing financial incentives to companies to increase training and widen support for the Business Pledge and Fair Work Framework.

EDAS 2015 - 2016

Overview of a Year Supporting Economic Development in Scotland



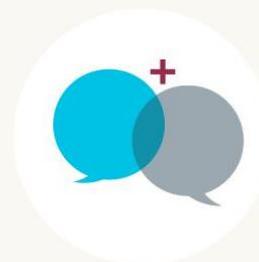
Diverse & growing membership

- 2500+ members & 47 organisations from across sectors
- Membership retention of 98.6% and growth of 1.3%
- Attractive support package based on member needs



Extensive digital network

- 6500+ key contacts
- 1000+ Twitter followers
- Active website & LinkedIn community



Regular events programme

- 9 events held May 2015 - June 2016
- Expert speakers on key topics invited
- 300+ ED practitioners engaged



CPD courses delivered

- 8 Introductory & Update ED Courses held
- 110 practitioners receiving training



Innovation conference

- Flagship innovation conference held in June 2015
- Partnership with NESTA and leading international guests
- 200+ senior ED delegates



EDAS Route Map strategy

- Policy analysis framework created
- 3 working groups on innovation, internationalisation & skills
- Presentation of key themes at 2016 AGM