

# Scottish Enterprise

**Practitioner insight: *The Scottish scale up ecosystem – ensuring high growth firms have access to the right mix of ingredients for success***

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# Presentation Overview

1. Quick background to Scottish Enterprise, Strategic Context in Scotland – supportive business environment, policy and strategic focus on scale ups, Scotland’s journey – timescales and the Scottish Growth Challenge – what's the gap?
  2. Scottish Enterprise’s Scaling Service overview
  3. Question & Discussion
- Shared some website links to key sources of information / background slides for information

## Scottish Enterprise (SE) - overview

- Scottish Enterprise is Scotland's main economic development agency and a non-departmental public body of the Scottish Government budget of £350m per annum (addition £160m during covid pandemic)

We work with partners in the public and private sectors to identify and exploit the best opportunities to deliver a significant, lasting effect on the Scottish economy.

- Our vision is – an economically vibrant Scotland making a positive impact on the world
- Our purpose – to create more jobs, green jobs and better jobs that nurture shared wealth and collective wellbeing
- SE works with 8,000-10,000 businesses per annum of which 2300 growth businesses receive an “account management” service (sales growth of more than £1m <3 years)
- Start2scale works with circa 230 companies across the pipeline



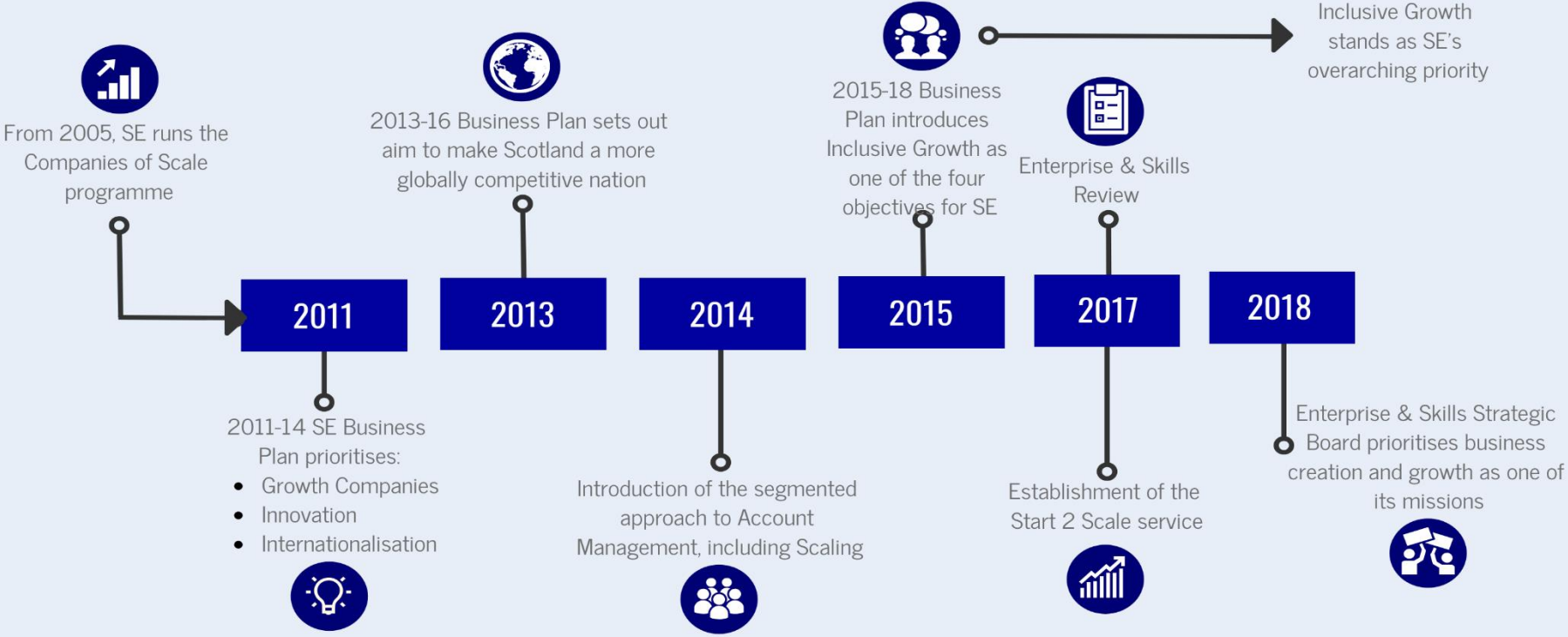
# Scottish Enterprise (SE) – overview

## ENABLING SCOTLAND'S ECONOMIC SYSTEM TO RESPOND

- ▶ Scottish Government's economic agenda:
  - ▶ Programme for Government
  - ▶ Economic Action Plan
  - ▶ A Trading Nation
- ▶ Enterprise & Skills Strategic Board's Strategic Plan
  - ▶ Vision and priorities focussed on four connected missions:



# Scotland's journey – key policy milestones



# The Scottish Growth Challenge

- The influential 'Scale-Up Report' on UK economic growth, published by Sherry Coutu in 2015, highlights the significant benefits 'scaling up' companies could deliver to the UK economy, stating that a *"boost of just 1% to our scale-up population should drive an additional **238,000 jobs** and **£38 billion** to GVA within **three years**."*
- Mid sized businesses are the most dynamic group of companies in the economy with compelling evidence that they make significant contribution to raising productivity, boosting innovation, raising exports and international competitiveness and job creation
- **650** mid sized businesses (MSB) registered in Scotland and **2105** MSB operating in Scotland (ie£25m-£500m turnover)
- MSBs account for a lower proportion of the business base in Scotland than the UK average, and to bridge this gap Scotland would require an additional **40 MSBs**
- If Scotland had the same number of MSBs per head of population this would increase to an additional **155 MSBs**
- Scotland is making improvements but need many **more** companies growing faster
- Collective recognition in ecosystem that growth companies need specific support

# Scottish Enterprise Scaling Services





# Scottish Enterprise - Start②Scale Service

- The Scottish Enterprise service to help create more mid sized businesses in Scotland launched in 2017.
- The service provides support to companies with the characteristics, ambition and potential to accelerate to significant growth. That is:
  - A strong value proposition and customer focus
  - Innovation driven product or business model
  - International sales and marketing
  - Targeting significant, accelerated growth
- Comprehensive approach which streamlines support available and focuses on areas which provide companies with a clear path to accelerate through the growth stages
- Portfolio of circa 230 companies, team of 36 across the projects, programmes and services

A comprehensive 'start to scale' offering, it focuses on the key stages of the customer '**fast growth**' journey offering targeted support at each these critical phases.

**Start up:** Less than 5 years old, potential to grow to £5m+ in 5 years or require to raise £5m+ investment  
*Focus: Becoming a market and investor ready business*

**Scale up:** Less than 10 years old, innovation driven early stage business with potential to grow sales quickly, typically 20% per annum to excess of £10m within next 5-10 years.  
*Focus: Scale-up sales and markets.*

**Scaling:** a business with a £10m+turnover, with the ambition and potential to grow to £50m -£100+m and beyond within 5 years.  
*Focus: Scaling international growth*



# Start②Scale - Service Overview

- Intensive SE account management service with account manager working with a number of similar companies (team of 26 – 2 Team leaders and 24 account managers)
- SE specialist account team working to shape and support a development plan for accelerated growth
- Additional external specialists and peer support to address key challenges and themes such as business model and market validation, talent & leadership development and funding / investment strategy and raising – pre seed through to growth finance
- Focus on early stage funding and investment to accelerate towards product launch and generating repeatable sales
- Intensive leadership and talent development and attraction support in order to build company capability to secure investment and manage future growth, including extensive peer to peer networking
- Access to worldclass executive education programmes (via ecosystem) and exposure to best practice through extended networking and facilitated special interest groups

# Start<sup>2</sup>Scale - Who is it For?

Age < 5 Years  
Team: 1-10  
Turnover: <£500k  
Investment Sought: £500K - £1M

Age < 10 Years  
Team: 10 - 50  
Turnover: >£500k/1m  
Investment Sought: £1M - £3M

Age < 20 Years  
Team: 50+  
Turnover: >£10M  
Growth, Investment or Acquisition Sought

## HG START-UP COMPANIES

- Validating product and market fit
- Testing feasibility of product/prototype
- Developing a prototype
- Developing minimum viable product
- Securing early adopters and customers
- Raising initial funding
- Seeking external start-up funding
- Forming investor ready team and advisors.
- Completing investor ready business plan
- Securing funding

## SCALE-UP COMPANIES

- Repeating sales
- Early international expansion
- Identifying and recruiting talent
- Developing the leadership and team
- Board development and governance
- Expansion of workforce
- Developing supply chain
- Formalising systems and processes
- Additional products and/or market
- Future funding strategy

## SCALING COMPANIES

- Driving international sales and profitability
- Optimising products and markets
- Shareholder returns
- Acquisitions to accelerate growth
- Series B or C funding or restructuring
- Additional sites and locations
- Leadership Renewal and Succession planning

GOAL

- Addressable market confirmed
- Evidence of customer demand
- Business model validated
- Founding team in place
- Investment to progress secured
- First product at market
- Early sales generated

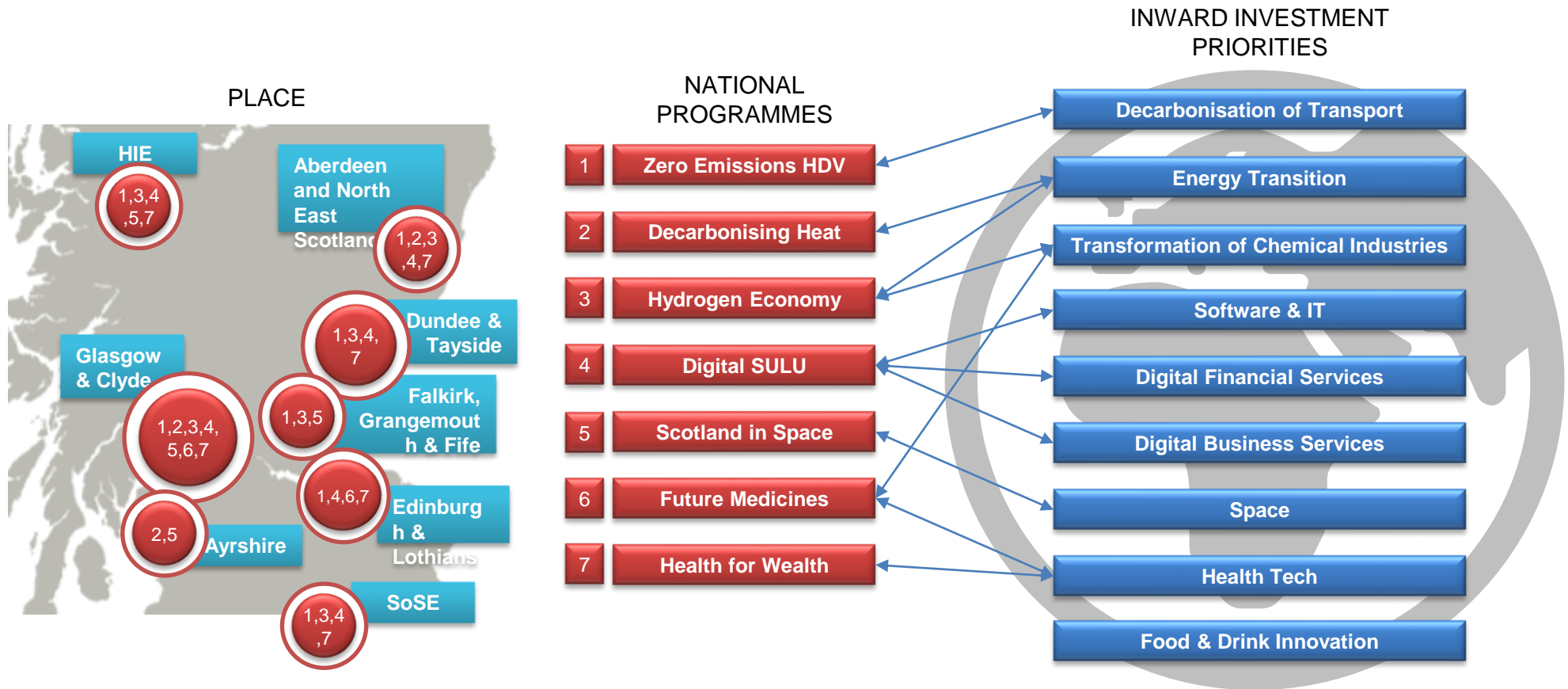
GOAL

- Growing customer base
- Sales growth c.20% per annum
- Breakeven and profitability
- Series A funding secured
- Follow on products and markets
- Team and board established and functioning

GOAL

- Sales growth
- Profit growth
- Increased market share
- Expanded international Markets
- Acquisition/merger

# Alignment with our National Programmes Portfolio, Place and Inward Investment objectives



# Early Stage Scale Ups Challenges & Opportunities

- Scotland's early stage market is **vital to economic recovery**. It houses some of the most **promising emerging sectors** of the economy: fintech, life sciences, space, green tech, digital and data-driven business and artificial intelligence.
- These sectors are **critical to Scotland's economic future**: high growth propositions that can accelerate innovation and productivity across the wider economy.
- They are often closely aligned to Scottish Governments vision for the future economy: creators of high value jobs, internationally focused, high tech and low carbon.
- They often operate in knowledge intensive sectors where Scotland has a competitive edge, creating opportunities for internationalisation and attracting inward investment.
- Job creators of the future



# Lessons Learned / key things to consider

- Pipeline – prioritise and align (need companies at every stage of scale up journey)
- Scale up v start-ups – easier to scale existing company v start-ups
- Recognise your services need to be differentiated - companies have different needs at different stages of their scale up journey
- Importance of “near peer” networks – leaders to affiliate to similar scale ups
- Skills of your team and advisors needs to align to scale ups – talk their language & recognise their needs
- Importance of public / private sector ecosystem
- Evolve your services – SE’s refining our approach to Business Services and Advice, Early Stage market, launch of Scottish National Investment Bank, focus on national programmes and our Place based objectives

## Lessons Learned / key things to consider

- Balance of activity between start-ups and scale ups
- Policy focus and alignment – government and Ministerial support UK/Scottish Government
- Metrics and measurement – measuring impact and demonstrating the importance of scale ups (build your evidence base)
- Executive education – importance of world class offering and University engagement / provision
- Establish a common narrative, understanding and enthusiasm including language
- Pace & alignment of activity
- Bring your stakeholders with you – but work with the willing
- Learning from others & share what works
- Balancing the day job but getting this to become the day job – focus resources
- Creating ownership for actions across your ecosystem – you can't do it all!

# Additional Slides / background



# Scottish Enterprise Start②Scale - Service Elements

High Growth Start-Ups	Early Stage Scale-Ups	Later stage Scaling companies
<p><b>Focus:</b></p> <ul style="list-style-type: none"> <li>• Intensive 1:1 advisor service</li> <li>• Guidance towards developing the core commercial offering</li> <li>• Signpost to relevant support mechanisms e.g. SE products, other available grants etc</li> <li>• Mentoring and coaching of CEO/Team</li> <li>• International engagement/connections</li> <li>• Investor readiness assessment and improvement</li> <li>• Connect with investors</li> <li>• Team development and attraction</li> </ul> <p><b>Key Service Elements:</b></p> <ul style="list-style-type: none"> <li>• SE Account Manager and Specialists</li> <li>• Business and innovation support grants</li> <li>• External Commercialisation Advisor</li> <li>• Executive Development Programmes</li> <li>• Talent attraction support</li> <li>• Pre Seed Investment outcome</li> </ul>	<p><b>Focus:</b></p> <ul style="list-style-type: none"> <li>• Building leadership, management and boards;</li> <li>• Practitioner led leadership and strategy executive education and training;</li> <li>• Support to building early teams</li> <li>• 1:1 in-house company training &amp; coaching</li> <li>• Peer to Peer networks</li> <li>• Focus on sales – increasing customer and market development and execution</li> <li>• Routes to international markets</li> <li>• Development of investor networks.</li> <li>• Systems and processes for growth</li> </ul> <p><b>Key Service Elements:</b></p> <ul style="list-style-type: none"> <li>• Intensive sales development focus – strategic sales and building repeatable sales</li> <li>• Talent Attraction and development</li> <li>• Scale-Up Peer Network</li> <li>• Early International support</li> <li>• Next rounds of investment</li> </ul>	<p><b>Focus:</b></p> <ul style="list-style-type: none"> <li>- Executive coaching, leadership assessment and development</li> <li>- Business benchmarking and visioning</li> <li>- Board Development</li> <li>- Understanding of companies position relative to competitors globally</li> <li>- International expansion, partnerships</li> <li>- Mergers, acquisitions &amp; investment finance</li> <li>- Developing economies of scale and cost optimisation</li> <li>- Structures, systems, organisational development and processes</li> <li>- Embedding company culture, communications, building key skills</li> </ul> <p><b>Key Service Elements:</b></p> <ul style="list-style-type: none"> <li>• Diagnostic Review and Action Planning</li> <li>• Service Delivery Phase</li> <li>• Themed networking events and “retreats”</li> <li>• Alumni and peer 2 peer activities</li> </ul>



# Evidence on Scale-ups identifies six critical elements which are at the core of their growth.



## Seamless collaboration

- Evidence suggests business support should focus on scale-ups, not start-ups.
- Companies find navigating between support across agencies confusing, and initiatives are fragmented and lack coordination.
- Data also needs to be quickly accessible across partners to enable the identification of scale-ups and offering relevant support.
- Time is of the essence in identifying companies who are scaling up, in order to ensure they get the right support at the right time.



## Talent

- Recruiting sufficient numbers of people with the skills and ambition for technical and business roles is the most cited barrier for existing and potential scale-ups.
- Since scale-ups appear in all sectors, companies need a broad range of skills and abilities including attracting talent in the existing labour force.
- Existing and future scale-ups also need a pipeline of skills being developed in education now, to provide the future scale-up workforce.
- Many companies fear leaving the EU may make finding talent even harder.



## Infrastructure

- Scale-ups find it difficult to identify sufficient and then access suitable facilities quickly and easily, particularly for R&D purposes.
- The same applies for identifying suitable premises to accommodate a rapidly growing company.
- Other challenges include super-fast broadband.

## WHAT ARE THE BARRIERS TO SCALING UP

## Developing leaders



- Companies who are scaling-up often find it challenging to develop them as the company rapidly expands.
- This limits the ambition in companies which leads to growth stalling (an inability to sustain growth).

## Appropriate growth finance

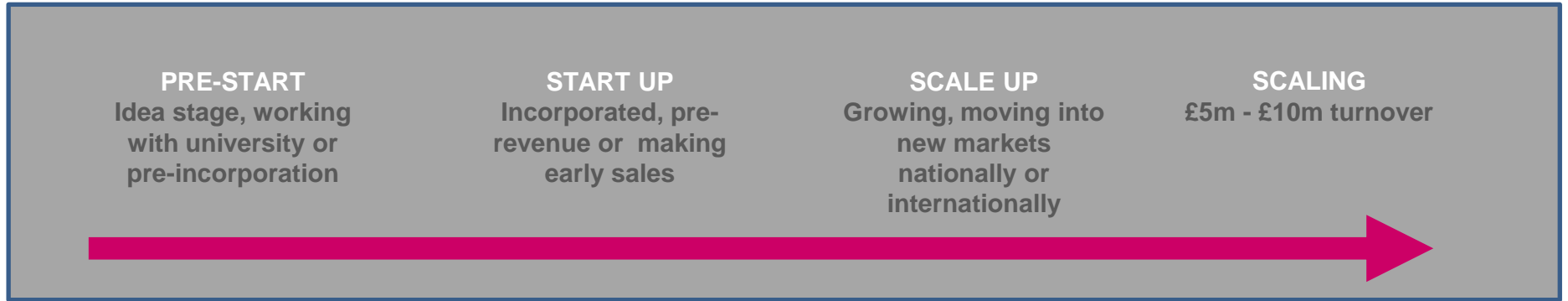
- There is some evidence that a historic lack of long-term finance has contributed to the shortfall in scale-ups. The British Business Bank and proposed Scottish National Investment Bank are designed to address this.
- There is also suggestion that venture capital funds with a lack of deep pockets leads to earlier exits than would otherwise be the case.
- Evidence has demonstrated that money follows talent, therefore it is argued this is 'less of a priority' as tackling the other elements will accelerate scale-up activity.

## Maximising existing and new customers



- Evidence suggests only 10% of scale-ups export, therefore doing more to encourage scaleups to export (and prioritising their engagement as part of trade missions) is encouraged.
- Scale-ups often find it hard to access public contracts. In the US, departments are compelled to report on growth rates of companies accessing contracts, which have incentivised the use of innovative and growth companies.
- There is a lack of collaboration between large companies - both domestic and foreign-owned - and scale-ups which develop relationships and open up supply and value chain opportunities.

# ECOSYSTEM SUPPORT THROUGH CUSTOMER JOURNEY



UNIVERSITY  
ENTREPRENEUR-  
SHIP SUPPORT

LOCAL  
ECONOMIC  
DEVELOPMENT  
SUPPORT

INCUBATORS

ACCELERATORS

INTERNATIONAL  
SUPPORT

FINANCE &  
INVESTMENT  
SUPPORT

IMPACT  
SUPPORT

SUPPORT FOR UNDER  
REPRESENTED GROUPS /  
DIVERSITY

COMPETITIONS

PRIVATE  
SECTOR

BUSINESS  
MEMBERSHIP  
ORGANISATION  
S

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## Profile

- Leah Pape is Head of Scottish Enterprise's (SE) Scaling Services, a position she has held since 2016. This includes responsibility for a range of teams within SE who are focussed on delivering a range of entrepreneurial development projects and programmes as well as services focussed on commercialising academic research from Scotland's University base creating high growth spinouts, support to high growth start-ups, early stage scale ups and companies with potential and ambition to scale to £50m - £100m and beyond. Programmes such as Unlocking Ambition, Principally Women, Grey Matters, SE's High Growth Spinout Programme and SE's Start2Scale service are within her portfolio.
- Leah has worked in Economic Development over the last 27 years in a range of positions including managing Business Gateway services across the South of Scotland, management of loan funds and delivery of a wide variety of projects focussed on food and drink, textiles, service sectors as well as specialist advisory services for the social enterprise sector, internationalisation and SE's national Account Management Service to growth potential businesses.
- Leah is a member of Scottish Edge Advisory Group since March 2019 and was previously a Director of SEBSED Ltd.

# Useful Sources of information

- **Scottish Enterprise Website** <https://www.scottish-enterprise.com/our-organisation/what-we-do>
- **SE'S Start2scale Service** - <https://www.scottish-enterprise.com/support-for-businesses/business-development-and-advice/scale-your-business>
- **Scottish Enterprise Growth Investment Team** (formally Scottish Investment Bank) [Business funding and investment in Scotland - Scottish Enterprise \(scottish-enterprise.com\)](https://www.scottish-enterprise.com/business-funding-and-investment-in-scotland)
- **Scotland's Entrepreneurial Ecosystem Guide** - <http://cando.scot/wp-content/uploads/2019/02/V3-Scottish-Entrepreneurial-Ecosystem-Guide-Feb-2019.pdf>
- **Scotland Can Do Movement** - <https://cando.scot/>
- **Scale Up Institute Website** - <https://www.scaleupinstitute.org.uk/>