

THRIVING ORGANISATIONS – An overview

1. Context/Background

The economy of the Scottish Borders faces a number of challenges. Long-term problems and short-term threats have combined to create economic conditions that are among the worst in living memory. The new Economic Development Strategy for the Borders cites a number of key issues to be tackled over the next ten years. The Borders economic profile has:

- Poor average wage levels (among the ten worst areas in the UK)
- Lowest industrial investment per employee in Scotland
- High dependency on textiles, a declining industrial sector (dependency on textiles employment in this region compares with the highest in the Europe Union) yet also has segments that are re-positioning and capable of future growth
- Concentrations of skilled craftsmen employed in declining sectors
- Low levels of service sector employment

Most recently the problems faced by the region have been thrown into sharp relief by factory closures in the knitwear/textiles sector on the one hand and electronics on the other. The main public sector economic development agencies in the Scottish Borders have been steering a course of diversification for a number of years. Traditional textiles/knitwear firms have been encouraged to modernise and diversify product offerings. At the same time, the public sector has encouraged economic diversification away from textiles and into "sun-rise" sectors such as electronics and printed circuit-board (PCB) manufacture in particular. The recent closure of Viasystems has had an acute effect on morale in the area. In diversifying into electronics the region had apparently been "doing the right thing". Recent economic experience tends to suggest that there is no single safe sector into which an economy can diversify. The need to change is a constant. Diversification means never standing still.

2. Issues

The following SWOT analysis has been produced in relation to that part of the local economic environment covered by the "Thriving Organisations" component in "New Ways".

Strengths	Weaknesses
<ul style="list-style-type: none">• Calibre of workforce• Quality of the environment• International success of firms and brands (but how much of this is "past"?)• Factor strengths including timber supplies, agricultural produce<ul style="list-style-type: none">• Excellent educational provision	<ul style="list-style-type: none">• Relatively poor economy (inc low wage levels)• Declines in a number of key sectors (textiles, electronics, farming)• Tourism lacking year-round provision• Employment dependency on faltering sectors• Low levels of service sector employment• Poor professional service sector

	<ul style="list-style-type: none"> • Lowest levels of industrial investment per employee in Scotland • Weak transport infrastructure • Ageing population, emigration of the young
<p>Opportunities</p> <ul style="list-style-type: none"> • Economic Diversification • Grow export sales • Increase number of exporting firms • Grow/build value-adding processes for forestry and agri-food • Attack niche markets • New start business • Re-build salvageable sections of Textiles on the back of diversification • Attract Rural Inward Investment • "Third sector" economic activity <ul style="list-style-type: none"> • Commercialisation of educational outputs 	<p>Threats</p> <ul style="list-style-type: none"> • Competition (Domestic & Overseas) • Closures = drainage of talented people • Re-positioning of products from high-perceived value items to middle-of-the-road status (Commoditisation) • Customer perception that the Borders is faltering as an economic bloc

3. Strategic Response

The main thrust of the new Strategic response is set out in the new Economic Development Strategy:

"A successful Borders must have organisations that have the capacity to compete successfully in their markets. Thriving Borders organisation will be characterised by innovation and adaptability; responsiveness and customer-focus; strategic thinking; environmental awareness and understanding of technologies; collaboration and confidence; learning, foresight and energy.

These attributes are not specific to a single industry; they characterise success in agriculture and tourism as well as software or biotechnology. They are also essential in public services and not-for-profit bodies. We will work with organisations from all sectors that are developing these characteristics for better performance in creating wealth, employment and delivering services."

Scottish Borders Enterprise should seek to build on mature/old elements in the local economy while investigating and developing new approaches and opportunities: e.g. reviving selected components of the textile/apparel industry (diversifying into modern, fashionable ranges) while at the same time growing "Knowledge Economy" based firms. The new approach involves exploiting downstream processing of forestry outputs (using the factor conditions of significantly increased timber harvest and traditional technology allied to modern marketing techniques to develop products from the Borders) while at the same time working with educational establishments to commercialise cutting-edge, high-tech processes and services.

Scottish Borders Enterprise, independently and with partner organisations, shall work with client firms to improve their competitiveness and enhance their ability to create wealth and employment. The strategic intention is to build

organisations capable of adding value in all areas of their operations. Commoditisation is not inevitable. By engaging at strategic planning level with client firms, Scottish Borders Enterprise and partners will encourage a new focus on niche marketing opportunities, quality improvement, innovation and performance efficiency. This will involve selection and targeting of resources on the part of public sector economic development agencies at those businesses with the greatest potential to provide significant economic benefits to the Borders.

Support products, informed by the new emerging strategy, will need to be developed on the basis of both long-term and short-term objectives. In addition to key sectors, SBE will target firms with the characteristics specified in "New Ways". The resulting impact on practice for Scottish Borders Enterprise should lead to an increasingly pro-active approach, anticipating and shaping new, significant relationships with targeted clients, instead of simply reacting to current short-term demand across the board.

To quote the draft Economic Strategy: "In the global economy all companies, whether operating internationally or locally, must drive towards continuously higher standards of performance."

4. Objectives

The new Joint Economic Development Strategy for the Borders sets specific objectives for "Thriving Organisations" which translate into the following objectives for Scottish Borders Enterprise:

- Encourage the development of positive attitudes, morale & expectations of the future on the part of Borders businesses.
- Encourage Borders businesses to engage, become & be seen as a full part of the Scottish business community
- Promote Entrepreneurship & Business to be seen as both a worthwhile and achievable aspiration for all types of Borderers..
- Diversify its economic base by stimulating the emergence and growth of "Knowledge economy"/intelligence based service business
- Diversify its economic base by building the professional service sectors
- Diversify its manufacturing base by
 - adding two new significant sectors to the current mix of manufacturing (this could for example involve targeting the current "Electronic Tagging" project and attempting a 'hot-house'/fast track' growth approach)
 - growing firms in existing sectors such as food & beverage; light engineering; print and recorded/repro media;
- Aim to grow export sales values from 1.4% of the total Scottish output to at least 2% of total Scottish output in ten years.
- Aim to increase the number of exporters generally and the number of active exporters (defined as a firm achieving 15% or more of its turnover from overseas sales)

- Secure those elements of the textiles/apparel sector that can be re-organised and re-positioned. Rebuild this economic cluster by bringing in new capital, new people and new ideas
- Make a strategic effort to grow and build "down-stream" value-adding processes for forestry (i.e. wood products from both soft and hardwood inputs) and farming (agri-food), harnessing the factor-side strengths that exist in the Borders which are currently under-exploited
- Develop Scottish Borders Enterprise products that actively discriminate in favour of firms that are strategy-driven, customer-oriented, targeting niche markets and sustainable
- Aim to encourage, and increase investment in, innovation and R&D., and specifically to set a target for numbers of patents registered from the Borders over the next ten years (is this an objective that is meaningful or achievable?)
- Continue to stimulate the creation of new businesses, maintain and improve business survival rates, and encourage increasing numbers of higher value start-ups.
- Establish specific Partnership-based services and delivery mechanisms with the Local Authority and others, e.g. Borders Corporate Marketing Unit; Joint Economic Intelligence Unit, a Joint Small Business Information, Advice & Support Organisation, Network and Centre.
- Aim to increase Third Sector activity where it provides quantifiable sustainable economic benefits to the Borders as a whole

5. Main Activities

The four sub-themes in the "Thriving Organisations" section of the new strategy will incorporate the following main activities:

Adding Value in Business

Scottish Borders Enterprise will focus on issues that improve business knowledge and competitiveness across a range of industries and sectors, for example, leadership, Internet and "e-commerce", know-how management, team working, strategic marketing, team-working, networking etc.

Increasingly, Scottish Borders Enterprise should seek to change *the culture of its own business environment* so that it works in closer relationships with firms, helping building and modifying clients' strategies. Scottish Borders Enterprise will seek to make the Borders increasingly outward looking by launching a series of "Food for Thought..." sessions. These will feature successful entrepreneurs and business success stories and will aim to stimulate interest and positive "can do" attitudes amongst the Borders business community.

More substantial and sustained impact is sought by working with targeted clients over time, as opposed to reacting to the needs of firms *that seeking Scottish Borders Enterprise* as a source of free cash and nothing else. This approach builds on the "key account" methodology currently employed by the Business Development team. The approach involves working with senior management and key stakeholders in targeted firms, developing client firms' strategy plans, building core management competencies through products such as Company Growth.

Products will also be re-positioned and new products will be developed to address a selection of critical disciplines that are vital to the success of business in the modern economy, i.e.

- Finance
- Marketing
- Skills (i.e. operator skills)
- Management
- Information
- Systems

Innovating in Public Service

A Task Force will be assembled from the main partners to review the internal operating practices and external delivery mechanisms of Scottish Borders Enterprise, Scottish Borders Council and Scottish Borders Tourist Board. *with a view to developing* . New "Best Practice" techniques and operational delivery mechanisms in for public service sector agencies will be developed.

As a priority, Scottish Borders Enterprise and the local authority *should will* review their intelligence gathering capabilities with a view to establishing a joint Economic Intelligence Unit and at the same time review studies and surveys that require to be commissioned in 1999/2000. A dedicated fund *should will* be established to finance specific research and feasibility study work. Partner organisations should consider secondments, "work-shadowing" etc to facilitate progress in this area.

Engaging New People

The Scottish Borders already has one of the highest new business per capita population start-up rates in Scotland. It also has one of the best long-term survival rates for those businesses. That work needs to be consolidated and extended.

At the most fundamental level, support designed to promote & encourage knowledge of, and enthusiasm for entrepreneurship will continue. Similarly direct support for business start-up will be enhanced with additional value-added support services. However, increasingly attention and resources will be targeted towards the identification, stimulation and support of higher value business start-ups. Additional, new work will be initiated to target and promote entrepreneurship to groups under-represented at business start-up (young people, women).

More ambitious plans for the future envisage carrying out a feasibility study assessing the prospects for establishing a new Business Creation Centre in the Borders. At the same time the area needs to attract new people, new talent and ideas. Focused marketing will be used to attract "incomers" who will invest in the area.

Developing New Opportunities

Diversity in the local economy is crucial to the long-term prospects of the Borders. Main activity in this area will encompass short-term and long-term projects including:

- Inward investment, call centre development, partnership activity with Locate in Scotland Rural Unit
- Links with Heriot Watt University, commercialisation of academic research projects, conference business, and exploitation of distance learning services
- Task forces to champion Primary sector Value-adding (Forestry) etc, and other areas of opportunity such as the North-South, Edinburgh-Borders link and Electronic Tagging
- The Borders' "sustainability" agenda (including Tweed Horizons and new enviro-initiatives).