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Rural Enterprise Evidence in Scotland¹

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Executive Summary

In 2019, rural Scotland hosted almost 50,000 enterprises, 27.6% of the nation's stock. However, this does not tell the whole story. Although these figures are drawn from a respected, well-used data source of private sector businesses 'registered' for VAT or PAYE – the Inter Departmental Business Register (IDBR) - the profile it presents of Scotland's rural enterprises is incomplete. It does not describe the tens of thousands of sole traders, partnerships, public sector and other so-named 'unregistered' businesses. Moreover, it provides only a snapshot annually of 'registered enterprises', their employees, employment and £turnover. For other or more detailed information about the activities, status, performance, aspirations, needs, confidence, barriers, etc. of rural businesses, or to see changes within a year or across sub-national geographies (including rural), other surveys, datasets and research is required. This briefing, and the wider project of which it is part, aims to improve understanding of three ongoing business surveys which provide data on some of these topics. The three surveys are:

- Annual/Longitudinal Small Business Surveys commissioned by UK Governments, and analysed for rural: urban differences at Newcastle University;
- Tri-annual business panel surveys designed and analysed by HIE (Highland and Islands Enterprise); and
- Three annual Rural Business Surveys funded by Scottish Government and Scottish Enterprise and conducted by SRUC in four regions of lowland Scotland.

This Briefing describes the scope, scale, focus, methods, timing and presentation of the three surveys and their analyses. Between them they offer: rich and regular statistical or quantitative evidence about some of the drivers, outputs, impacts of current or future changes and challenges, faced by rural enterprises; they add valuable information about markets served and approaches to trading; about access to and use of finance; as well as providing quantitative evidence, perhaps for the first time, of the nature and strength of upstream and downstream linkages between non-land rural businesses and those operating in the farming, forestry and estates sectors – linkages often referred to, but rarely quantified.

Individually each survey offers strengths and benefits in design, frequency or presentation that others' surveys and organisations could embrace. However, taken collectively they are sufficiently different in their approach, spatial or sector coverage, or methodologies, so as to prevent full comparison or even alignment of responses, even where there are strong similarities of focus or questions.

This review, taken together with discussions at a workshop of rural and economic stakeholders reported in a subsequent SRUC Policy Briefing, suggests ongoing need for alignment, collaboration or even co-design of future surveys and research in order to strengthen the evidence base about rural enterprises and economies across Scotland.

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1. Introduction

Scotland's rural areas host a diverse and important share of the country's businesses. Indeed, according to the report from the National Council of Rural Advisers (NCRA) in 2018, Scotland's rural economies contributed 27% of Scotland's overall economy in 2015, amounting to £34.6 billion – a value which is equivalent to Glasgow and Edinburgh combined³.

The shape and key features of rural industries, enterprises and employment have been profiled and made increasingly visible in the work of the Scottish Government, its agencies and academic researchers in recent years. Statistical profiles of their character, scale and key outputs have been drawn from national annual business surveys or registers⁴, especially for firms with employees or for those paying sales taxes.



However, in comparison to firms in other spatial, sectoral or demographic communities, rural enterprises have not been as well served in terms of the evidence base. Owners' aspirations and plans, obstacles to growth, trading relationships and responses to market or policy changes or challenges, as well as profiles and performance of young or very small firms, remain largely invisible in such standard ongoing surveys. Such evidence and insight has relied instead upon targeted or occasional surveys, panels or research commissioned and/or analysed at different spatial or sectoral levels by public sector agencies or research institutions.

The UK Government's large-scale business surveys are rarely designed to be representative of the rural business base, or the spatial diversity within the national stock. Yet these surveys are the key foundations of public policy making and programme design. Evidence and reporting of rural enterprises has relied more usually upon intermittent, secondary or ad hoc analysis, often undertaken by researchers who have retrospectively fitted rural locational tabs to survey responses, or have carried out small-scale or local surveys of rural areas. This has led to the lower visibility of changes, challenges and opportunities in rural enterprises, of key differences between rural and other business communities, and of the rural business specific impacts of public policy, regulatory or market changes. Without integrated, regular, representative and respected surveying of rural business communities, their contributions, opportunities and needs have not been embedded within processes of public or private sector decision making.

This briefing paper represents the starting point of a project to raise the profile of, and explore the future extension of, three active surveys of Scotland's rural enterprises. It provides a descriptive basis for public and private sector organisations to explore how this work might be improved, combined, made more complementary, etc. in order to reduce the remaining gaps and weaknesses in current evidence, analysis and usage. By so doing, it will be possible to place the characteristics, needs and opportunities of Scotland's rural economies in a more favourable position.

The three sources extend geographically from a Scottish sample within a UK survey, to substantial targeting of Scottish rural regions, temporally from annual to tri-annual. They include surveys in which rural is not integral to the design of the survey sample, to one that, whilst biased towards rural businesses, also interviews firms in towns and urban areas. All three sources are commissioned, funded or designed by/for public sector institutions.

³ National Council of Rural Advisers (2018) *A new blueprint for Scotland's rural economy: Recommendations to Scottish Ministers*, National Council of Rural Advisers (September). Available online: <https://www.gov.scot/publications/new-blueprint-scotlands-rural-economy-recommendations-scottish-ministers/>

⁴ For example: Scottish Annual Business Surveys (SABS) 2008-18, UK Longitudinal Small Business Survey (UK LSBS) since 2015, and Inter-Departmental Business Register (IDBR).

2. Scotland's Rural Enterprise Policy Context



It is probably fair to say that rural business and rural economy issues have risen up the policy agenda in Scotland in recent years. Scotland's Economic Strategy⁵ sets out the overarching framework for achieving a competitive and fairer Scotland and it recognises that, in order to achieve the Scottish Government's 'inclusive growth' aspirations, opportunities need to be realised across Scotland's cities, towns and rural areas by capitalising on local knowledge and resources. The most recent Programme for Government for 2019-20 recognises the "vital contribution" that rural Scotland makes to the national economy⁶. The final report from the

NCRA in September 2018⁷ highlighted the potential that exists in Scotland's rural economy and set out a bold and ambitious vision for the future, which will require a radical change and a new approach to policy-making and action. The NCRA put forward a set of recommendations for better supporting Scotland's rural economies, many of which have been accepted by the Scottish Government. Some of these have been acted upon, including for example, the setting up of the Rural Economy Action Group⁸. As argued by the NCRA and also, for example, by the recent SCDI Rural Commission report⁹, a thorough rural enterprise evidence base is required to inform such approaches to enhancing the contributions of rural areas.

More specifically, a number of current national and regional policy priorities require a detailed national and/or regional rural enterprise evidence base, including: the new Scottish National Investment Bank (requiring evidence, for example, on access to finance and any differences between the experiences of rural and urban firms); post-Brexit funding programmes for rural enterprises and communities, such as LEADER (for example, requiring evidence on linkages and dependencies between land and non-land enterprises), the shape of Regional Growth Deals, including for example those for Scotland's Islands and Borderlands, and the work of the new South of Scotland Economic Partnership/Enterprise Agency (requiring evidence on the characteristics and support needs of businesses in those designated areas).

3. Annual Business Surveys and Scotland

Core statistics and evidence of change for Scotland's businesses, such as numbers of enterprises, jobs, output and £turnover, have been available for many years from the Office for National Statistics (ONS), UK and Scottish Governments. These draw primarily upon two sources: (i) the Inter-Departmental Business Register (IDBR), a register of all firms registered for VAT, and/or PAYE (Pay As You Earn) with occasional estimates of non-registered businesses; and (ii) for the non-financial business economy, Annual Business Surveys (ABSs). These provide, *"the main source for understanding the detailed*

⁵ Scottish Government (2015) *Scotland's Economic Strategy*, Scottish Government, Edinburgh. Available online: <https://www.gov.scot/publications/scotlands-economic-strategy/>

⁶ Scottish Government (2019) *Protecting Scotland's Future: The Government's Programme for Scotland 2019-20*. Scottish Government, Edinburgh. Available online: <https://www.gov.scot/publications/protecting-scotlands-future-governments-programme-scotland-2019-20/>

⁷ National Council of Rural Advisers (2018) *A new blueprint for Scotland's rural economy: Recommendations to Scottish Ministers*, National Council of Rural Advisers (September). Available online: <https://www.gov.scot/publications/new-blueprint-scotlands-rural-economy-recommendations-scottish-ministers/>

⁸ More information on the Rural Economy Action Group can be found here: <https://www.gov.scot/groups/rural-economy-action-group/>

⁹ SCDI (2018) *An Economy for All of Scotland – Harnessing our Potential for Everyone Everywhere*, SCDI (September). Available online: <https://www.scdi.org.uk/ruralcommission/>

*structure, conduct and performance of businesses across the UK*¹⁰, and also present Country and Regional data on a sufficiently comparable basis year-on-year as to allow key trends in structure, costs and performance of economies to be consistently measured and reported.

These ABSs account for about two thirds of the UK economy, as measured by GVA or output, but may be less representative of its rural economies. They exclude sectors that make an important contribution to employment and turnover in many rural areas, such as crop and animal production, public administration and defence, and public provision of education and health. Moreover, spatial presentation of results at regional scales (NUTS 1-3), are generally too extensive to distinguish rural areas' contributions. A key rural weakness of IDBR datasets is their under-representation of self-employment, sole traders, home based businesses and partnerships, all of which feature strongly in many rural economies. Nevertheless, such large-scale surveys enable year-on-year comparison of UK, country and regional business structure and performance. In 2018, the Scottish Government produced an accessible profile of Scotland's rural economies¹¹ drawing on these and other sources of economic data. Other surveys now offer access to information about business owners' plans, expectations and reasons for change, their responses to obstacles and opportunities, and likely drivers of change. For such evidence and material, especially for Small and Medium Size Enterprises (SMEs) across the UK, decision makers and researchers have been able to turn to biennial or Annual Small Business Surveys (ASBS), commissioned since 2003 by the UK Government's business department (currently the Department for Business, Energy and Industrial Strategy, BEIS) in collaboration with Devolved Administrations' economy or business departments. The recent iterations of these SME surveys are described in the next section.

4. (Annual) Small Business Survey, Scotland (within the UK Longitudinal Small Business Survey)

4.1 Survey Design and Interviews

In 2015, the UK Government's Annual Small Business Survey (ASBS) was re-designed and forms the foundation year of the UK Longitudinal Small Business Survey (LSBS). Its initial sample was 15,502 UK SMEs, of which the Scottish sample was slightly above 1,000 SMEs, of which 820 were SMEs with employees. In this first year, businesses were invited to agree to be re-surveyed every year, thus establishing a future SME business panel. As SMEs withdraw from this LSBS Panel, the Panel has been topped up to maintain meaningful analysis for different areas or sectors. For example, in 2017 1,304 SMEs were added to increase the sample size particularly in Scotland and Northern Ireland "*to allow meaningful analysis on a national basis*". Of those interviewed across the UK in 2017 (6,619), the majority (4,165) had been interviewed in 2015 and 2016.

The sample of businesses to be interviewed was stratified according to the UK profiles of enterprise by employment size bands, and within these size bands, by the business activity or SIC code. Businesses registered for VAT/PAYE formed the majority of the sample and were identified from the IDBR. Non-registered businesses were also included for each surveyed country, with this sample being drawn primarily from Dun & Bradstreet's business datasets. The samples were weighted before analysis to ensure they were representative of the UK and country business populations. Interviews were conducted by phone during autumn months.

Interviewers questioned SME owners or managers about their business:

¹⁰ ONS (2018) *Non-financial business economy, UK (Annual Business Survey): 2017 provisional results*. Available online:

<https://www.ons.gov.uk/businessindustryandtrade/business/businessservices/bulletins/uknonfinancialbusiness/economy/2017provisionalresults>

¹¹ RESAS (Rural & Environment Science & Analytical Services) Scottish Government (2018) *Understanding the Scottish rural economy: research paper* Scottish Government, Edinburgh. Available online:

<https://www.gov.scot/publications/understanding-scottish-rural-economy/>

- Activity;
- Characteristics (e.g. gender, size, age, legal status);
- Performance (e.g. employment, turnover, profits);
- Aspirations, expectations and plans (over the following three years);
- Drivers of change (e.g. recent access to: external finance, amounts, use and sources; of business information and advice, innovation, exports and imports);
- Obstacles to running successful business (e.g. Recruitment, Access to premises); and
- Capabilities of the owners.

Some questions were tailored to reflect differences across the UK countries. So, for example, questions about awareness and use of sources of business information or advice in Scotland included Scotland-specific organisations and sources, such as Business Gateway, HIE and Skills Development Scotland, rather than for example LEPs (Local Enterprise Partnerships) which are features of the English economic development landscape, or Inter Trade Ireland for Northern Ireland.

Most questions retained their multiple choice selection of answers to similar questions asked every year since 2015, but new questions on issues topical to businesses and/or policy makers have been added each year (for example, uptake and impact of enrolment of employee pension plans, or the expectations or impacts of Brexit).

4.2 Analysis and Reporting

The numbers of usable answers vary across the survey, with most SMEs answering questions about their activity, characteristics and performance. Other questions offered a selection of optional answers that might include 'none', 'other' or 'not applicable' (for example, on questions relating to reasons for, and sources or amounts of, external finance accessed). Consequently, the numbers of positive responses to some questions has been small, thereby reducing the capacity of analysts to generate statistically representative samples or correlations with core business size, sector, tenure characteristics, or future plans, or for sub-national territories. This remains a particular limitation for 'rural versus urban' analysis in the UK countries.

Annual, technical or methodological reports and datasets from the LSBS have been issued, as far as we can discern, for the UK (by BEIS) and in each of the four UK countries by the relevant government department. The Scottish Government's reports are based only on responses from SMEs with employees¹². In June 2019, BEIS also released a LSBS 2018 Panel report¹³, analysing and commenting on responses from firms interviewed each year between 2015 and 2018 (2,757 SMEs). This describes changes of performance, expectations, plans, obstacles and use of external finance and business support within the SME Panel across this period.

4.3 Relevance to rural economies

The LSBS samples of SMEs to be interviewed were not designed to be representative of the UK or UK countries' rural business populations. This partly explains the very limited acknowledgement or evidence in LSBS or ASBS reports of responses from rural SMEs. The Scottish Government's Office of the Chief Economic Advisor (OCEA), and the UK Government's Department for Environment, Food and Rural Affairs (Defra), have provided exceptions in government-sector publications, though in the latter case this arose from rural: urban analysis undertaken by Newcastle University.

In 2016, Newcastle University's Rural Enterprise UK team (REUK¹⁴) was offered access by BEIS to LSBS responses, and worked with officials from Scottish Government's OCEA, from Defra and with the

¹² Scottish Government (2018) *Small Business Survey Scotland: 2017*. Available online:

<https://www.gov.scot/publications/small-business-survey-scotland-2017/>

¹³ BEIS (2018) *Small Business Survey 2018 Panel Report*. Available online:

<https://www.gov.uk/government/statistics/small-business-survey-2018-panel-report>

¹⁴ For more information see here: <https://research.ncl.ac.uk/ruralenterpriseuk/>

commercial company commissioned by BEIS to design and conduct the LSBS, to retrospectively fit the UK's official Rural: Urban classification to the LSBS sample and weightings. Subsequently, REUK has been provided with access to all LSBS survey responses, now aligned to the official Rural: Urban classification. REUK has undertaken and published additional comparative statistical analyses and narratives focused on several LSBS features, outputs and survey waves¹⁵ (in 2018 Defra carried some of this REUK analysis in the UK Government's *Statistical Digest of Rural England*¹⁶).

In 2016, the Scottish Government published an *Urban/Rural Topic Report*¹⁷ (one of three topic reports¹⁸) to accompany their main Annual Small Business Survey 2015 report. This presented a Rural: Urban analysis of the 820 Scottish SMEs with employees interviewed in the LSBS in Autumn 2015, of which 30% were allocated to Accessible or Remote Rural categories. The evidence presented in this short Topic Report described spatial characteristics and performance including innovation, business support, access to finance, and obstacles to business success. Occasionally, the results were disaggregated for Accessible or Remote Rural Areas.



REUK's disaggregation of Scottish responses in the 2015 survey applied a more fine-grained 8-point categorisation of urban and rural areas. This analysis revealed some interesting, statistically significant differences between rural and non-rural SMEs performance and use of finance and support. However, this analysis carries the caveat of low numbers of responses from, SMEs without employees, and also in questions for which several potential answers were available to surveyed firms, such as questions about awareness or use of sources of business advice and information, or about access to finance. For example, close to 50% of Scotland's SMEs with no employees cite Regulation/red tape as a major obstacle to running successful business (their leading obstacle), whilst the proportion rose to 67% of SMEs in remote rural areas, and 72% in accessible small towns. However, this share of SMEs citing this challenge in remote rural areas amounted to only eight SMEs from 44 such responses to this question across Scotland as a whole.

Since the SBS Scotland 2015, such rural: urban disaggregation of responses from Scottish SMEs has not been released. However, the availability of four years of responses should enable the Scottish Government (or another organisation with access to the data) to prepare a longitudinal report, perhaps pooling responses across the four years, to explore key issues and changes over this period. REUK completed a cross-sectional rural: urban analysis of LSBS answers relating to Investment and Finance questions for Scotland for 2015 to 2017 for the Scottish Government.

5. Highlands and Islands Enterprise (HIE) Business Panel Surveys

5.1 Introduction

Highlands and Islands Enterprise (HIE) is the economic and social development agency for the extensive and substantially rural region of northern and western Scotland. The HIE region stretches from the Outer Hebridean islands of Barra to Lewis, across much of Scotland's north and west mainland (the Highlands), to the UK's northernmost islands of Shetland that are geographically closer to Norway than to Edinburgh. HIE is the successor to one of the first regional Development Boards to be established in the UK - the Highland and Islands Development Board, established in 1965. HIE's policies and priorities are aligned

¹⁵ These can be found online here: <https://research.ncl.ac.uk/ruralenterpriseuk/outputs/>

¹⁶ Defra (2018) *Analysis of small and medium enterprises from the Longitudinal Small Business Survey* p77-80 in *Statistical Digest of Rural England*, September edition.

¹⁷ Scottish Government (2016) *Small Business Survey Scotland, 2015 Topic Report: Urban/Rural Businesses*.

¹⁸ The other two Topic Reports were focused on Home based businesses and Innovation.

with themes adopted in the Government's *Scotland's Economic Strategy* - investment, innovation, internationalisation, and inclusive growth¹⁹.

As with similar agencies across the UK, HIE relies on economic and enterprise research, evidence and intelligence to define its strategic and spatial priorities, support programmes and interventions, and to monitor its effectiveness. Some of the UK- and Scotland-wide ABSs, ASBSs and datasets described earlier have relevance to the HIE and its sub-regions, enabling it to compare or contrast HIE's business demography, structure, outputs and trends with the Scottish and/ or UK economies. Nevertheless, it needs to supplement such official annual statistics with more flexible - spatially, sectorally and temporally - evidence of challenges being faced, or responses being developed, by its businesses and communities. It also needs intelligence about the regional and local impacts of national policies and/or market interventions and trends.

To do so, HIE's research teams have managed, analysed and reported quantitative information gathered from several waves of business surveys since 2008. Since 2016 these have taken the form of three Business Panel Surveys each year, providing HIE and its partners with intelligence and insight into the economic health of the region and business-topical issues at regional, sub-regional and sector or industry levels.

5.2 Survey Design and Interviews

Since 2017, Ipsos MORI have conducted short Business Panel Surveys, three times each year, with around 1,000 businesses, on behalf of HIE. Survey samples are designed to reflect the structure of the HIE business population as reflected in the IDBR, but with additional focus upon growth sectors, whilst also excluding some types of business activity, as defined by SIC categories. Owners or senior managers who agree to be regularly surveyed, provide information about the core characteristics of their business, such as age, status, size, activity and, location, which is stored and applied to responses from subsequent surveys. New businesses are recruited, sometimes drawing upon general business databases such as those maintained by Experian. Quotas are applied to different categories to ensure that the overall sample remains broadly representative of the business profile of the area and of the designated growth sectors (energy, life sciences, food and drink, creative industries, tourism, business services and universities).

Two features of HIE Business Panel sample are particularly worthy of comment. First, social enterprises are eligible to participate. These can be important components of some rural areas and/or sectors. On the other hand, some business activities, as defined by SIC codes are ineligible. As with the earlier description of ONS's ABSs, organisations with SIC codes that relate to public administration and defence, compulsory social security, education, and human health and social work activities, are excluded from the survey. In some sub-regions of HIE these may be substantial employers and/or supporters of community services and viability, so such exclusions may reduce the regional or sub-regional representativeness of those Panel Surveys, or at least those survey questions that focus on issues such as workforce skills, training and recruitment.

Most surveys ask questions about business owners' optimism, outlook and performance. The issues addressed by HIE are similar to those covered in the ASBS, though the timescales for assessing past activity or future plans in the HIE Panel Surveys (e.g. past six months or next six months) are markedly shorter than those associated with similar ASBS questions. Most of the HIE Panel Surveys include new questions to explore current topical issues affecting the business community or region. Topics addressed in some detail have included: workforce, skills and young talent; The importance of the EU Single Market; trade with other countries; and preparations for Brexit, for example. A further difference between HIE's three Panel Surveys and surveys such as Scotland's ASBS is that one of the three Panel interviews in any single year is longer as it aims to gather more qualitative insight into topics discussed in the formal short preceding surveys.

¹⁹ Scottish Government (2015) *Scotland's Economic Strategy*, Scottish Government, Edinburgh. Available online: <https://www.gov.scot/publications/scotlands-economic-strategy/>

5.3 Analysis and Reporting

Responses from HIE enterprises are (re)aligned to information about the characteristics of businesses and owners across the region held by HIE or Ipsos MORI, and responses are weighted to reflect, as far as possible, the region's business structure and the growth sectors. As with the LSBS this allows business outlook, performance, expectations and topic-specific enquiries to be correlated to standard business characteristics. Those regularly used in HIE analysis and reports include: size of business; sub-regional locations within HIE region; growth sectors; and whether or not the business is account-managed²⁰.

Collated results are presented primarily in tabular or chart form as percentage of businesses in these different sizes, sectors or locations. Questions requiring owners to indicate levels of importance or impact, are reported with scales e.g. How important is access to EU markets to your (growth sector) business? Very important... to... Not important.

(Summary and full) reports are released online on HIE's website approximately three months after interviews have been conducted²¹. As BEIS and Scottish Government are making increased use of infographics for their summary reports, so HIE is also making an increasing use of infographic tools in the presentation of their results.

5.4 Relevance to rural economies

A rural locational variable is not incorporated into the design of the questions, selection of businesses, or reporting of results of HIE's Panel Surveys. This is likely to reflect the geographical remit for the commissioning agency in that HIE is responsible for supporting development across the Highlands and Islands region, rather than having a distinct rural remit.

Although the HIE region as a whole, and a number of its sub-regions, support one or more larger towns which would fall within the Scottish Government's urban classification (i.e. above 3,000 population), the scale and distribution of its rural places and communities is so substantial and widespread that these larger towns likely act as market or service centres for large areas of rural, often remote, islands and/or mainland areas. In this respect it could be argued that having survey evidence differentiating between rural areas and enterprises from those in urban centres is less helpful to decision makers and business support organisations in the HIE region than it would be in more urbanised areas of lowland Scotland and UK.

Nevertheless, this lack of disaggregated and regular evidence for rural and urban business from this substantial area of Scotland, limits the visibility of distinct rural challenges, impacts or opportunities to decision makers and representatives with wider spatial or functional remits than those of HIE.



²⁰ This notation is used across Scotland to indicate a business that has an agreed and regular support programme, including progress review meetings with, and even a support budget allocated to it by, Business Gateway, Scottish Enterprise, HIE or similar. Account Managed firms will tend to be larger and/or growth orientated, or important local employers.

²¹ HIE 2019 Economic reports and research <http://www.hie.co.uk/regional-information/economic-reports-and-research/default.html> and an example Business Panel Survey report for 2019: <http://www.hie.co.uk/regional-information/economic-reports-and-research/archive/hie-business-panel-survey-2019.html>

6. SRUC's Rural Business Surveys, 2017-20

6.1 Introduction

In contrast to the preceding two surveys described here, SRUC's Rural Business Surveys (RBSs) have been designed, from the outset to focus on enterprises and communities from rural areas of lowland Scotland. The surveys are funded by the Scottish Government's Strategic Research Programme and Scottish Enterprise – the Scottish Government's economic agency for lowland Scotland. It is worth noting that the latter has also commissioned or undertaken other rural-focused enterprise research and surveys in previous years, that also explored the profile and pattern of rural firms and their obstacles to growth, such as access to finance, premises and communications.

SRUC (Scotland's Rural College) undertakes a wide variety of research, knowledge exchange, teaching and consultancy activities in support of driving *“the future needs of a dynamic, innovative and competitive rural sector in Scotland and to solve the biggest global agrifood challenges.”*²² The organisation has long-term programmes of research, advice and evidence-based commentary about rural enterprises, economies and communities.

Some of this evidence and insight into Scotland's rural economies, which extends beyond land-based industries and activities, is presented in the biennial *Rural Scotland in Focus* reports. For example, *Rural Scotland in Focus 2016* provided an extensive overview of the characteristics of Scotland's rural economies²³. This drew upon material from the UK LSBS 2015 results for Scotland, provided by Newcastle University's REUK, and the Scottish Government's Small Business Survey 2015 Urban: Rural Topic Paper, described earlier in this briefing, as well as other research. This report also explored what more we need to know about Scotland's rural enterprises.

SRUC's RBSs have been conducted annually since autumn 2017, and the 2019-20 RBS is currently being prepared with interviews currently scheduled to take place in late 2019/early 2020. The focus of the RBSs' is the wider rural business base to address some of the gaps in evidence identified for activities and sectors beyond farming, forestry and rural estates.

6.2 Survey Design and Interviews

Similar to the ASBS/LSBS, the RBSs are large scale, telephone based interviews, which take place once a year. Each survey aims to interview at least 1,200 enterprises in four largely rural regions of 'lowland' Scotland – Aberdeenshire, Tayside, Dumfries and Galloway, and the Scottish Borders. These areas were originally selected as contrasting agricultural areas likely to be hard-hit as a result of modifications to Common Agricultural Policy (CAP) payments in recent rounds of CAP reform. In 2017, 1,500 businesses were interviewed, in 2018 1,203 businesses were interviewed, and 1,500 will be interviewed in RBS 2019-20.



The sample of non-land-based businesses to be interviewed in each RBS is drawn from a commercial database of over 20,000 businesses that operate from addresses in pre-defined postcodes. Urban areas within the four regions were not excluded per se, recognising that some firms operating within land-based supply and purchase chains, while located in small market towns or urban fringes are still important to nearby rural economies.

Information sought from enterprises selected for interview includes similar core characteristics to those described for

²² More information about SRUC is available online here: www.sruc.ac.uk

²³ SRUC Rural Policy Centre (2016) *Rural Scotland in Focus 2016*, Section 2: *Scotland's rural economies – looking beyond the land-based sector*, SRUC, Edinburgh (pp. 113-148). Available online: https://www.sruc.ac.uk/info/120428/rural_scotland_in_focus/1735/2016_rural_scotland_in_focus_report

the Scottish Government/ BEIS and HIE business surveys described in this paper, for example age, turnover, SIC code and employee size. This allows comparative analysis of responses to the survey's open and closed questions to be undertaken across businesses with different characteristics. Enterprises were allocated by postcode to the appropriate Scottish Government's rural: urban classification, including for this research a composite 'remote' (for remote rural, and remote small towns) and 'accessible' (for accessible rural, and accessible small towns) classification. The database is stratified by geographic region, rural-urban classification and business size - with a target survey quota set for each stratum.

Similar, to the sample selection process for HIE's Business Panels, public sector businesses and major financial and energy businesses, for example, were excluded. A key topic explored in the RBSs is the extent and nature of linkages between non-land based rural businesses (the subjects of the survey) and farming, forestry and estate businesses. This focus has rarely been researched or quantified, though it is often referred to by representatives of farming, forestry and estate businesses and rural decision makers. The need for evidence about the scale and breadth of these linkages has increased with the prospect of further harmful impacts upon farm payments and thus on supply chain linkages and wider rural economies arising from the UK vote for Brexit in 2016. Therefore, an element of sampling bias has been introduced through an additional selection layer to slightly over-sample businesses with SIC codes that suggest they operate within such supply and purchase chains, as contrasted with non-land-based firms in the wider economy. The 2017/18 survey sampled 1,000 businesses assumed to be from the agricultural supply chain (and 500 that were not)²⁴ while the 2018-19 survey deliberately sampled 600 businesses from the supply chain and 600 that were not.

Business owners/managers/directors are questioned about their business ambitions; turnover and employees; operating environment and outlook; investment plans; business strengths and challenges; links to and the extent of reliance upon the land-based sector, and perceptions on Brexit including its potential challenges and opportunities. Some of these issues are very similar to those featuring in the ASBS/LSBS and HIE Business Panel Surveys. Some modifications have been made to the RBSs over the three survey years, including a reduction in the number of open-ended questions, whilst offering more multiple-choice format questions – principally to facilitate easier or more effective analysis.

6.3 Analysis and Reporting

Responses from RBSs' enterprises about their activities, expectations, plans and challenges are correlated with information about business and owners' characteristics in order to explore differences in responses between firms of different sizes, ages, growth aspirations, male/female owners, etc. This allows comparisons with similar questions asked in the other ASBS/LSBS and HIE Panel Surveys which take a similar approach. Survey results are presented in Rural Reports: *The Impact of Change on Rural Businesses 2017-2020* that appear as soon as possible after the survey analysis work has been completed²⁵.

Whilst HIE and ASBS locational attributes are usually sub-regional or urban:rural locations, the RBS 2018-19 follows up questions on businesses' locational profile by reporting owners' reasons for their choice of location. Moreover, whilst the ASBS/LSBS and HIE surveys records numbers of, and changes in, employees of surveyed businesses, RBS 2018-19 also enquires about the employment of family workers, and the origin of other workers.

RBS results and commentary are released on SRUC's website as full reports, executive summaries or emerging findings, posters and infographics. In the full reports, quantitative results are presented primarily in tabular or chart form. Word clouds are also used to portray the variety of answers offered to open questions, for example in terms of the consequences of cash flow issues in the land-based sectors, for non-land based enterprises.

²⁴ For more information, see SRUC Rural Report 2017/18 *The impact of change on Rural Businesses 2017-2020* Data and Methods p16-18 https://www.sruc.ac.uk/downloads/file/4088/the_rural_report_201718

²⁵ The 2017-18 and 2018-19 RBS reports can be found online here: <https://www.sruc.ac.uk/ruralbusinesssurvey>

6.4 Relevance to rural economies

SRUC's surveys are alone amongst the three surveys reviewed in this paper, that is designed and reported as a Rural Business Survey, although the survey also includes firms in small towns and in urban fringe locations. Policy makers, representatives and researchers interested in rural results from other surveys and panels, including HIE's Business Panels, must incorporate and retrospectively fit rural locational tabs into survey results. Whilst an RBS might hold less interest to policy makers, representatives and researchers whose remits are non-rural enterprises, SRUC's choice of topic, selection criteria and quotas, ensure that RBSs evidence should also be of interest and accessible to such decision makers, representatives and researchers.

7. Conclusion

Taken together, the three surveys and panels described in this Briefing offer a substantial spatial coverage of Scotland's business economies, from the northern and western isles to the border with England, from cities in north and eastern Scotland to very remote rural areas and fragile communities.

Nevertheless, the design, timing and foci of these surveys' samples currently do not allow users to access, for example, spatially-nested or aligned evidence for the whole of rural Scotland for some core issues of business expectation, achievement or plans. The survey covering the largest spatial territory for example - Scotland's Small Business Survey - is based on the smallest sample of re-surveyed businesses, and a markedly smaller sample of rural businesses than those interviewed in the four lowland Scottish regions through the SRUC work.

Yet, as all gather similar information about core structural characteristics of Scotland's SMEs – size, age, sector, tenure or legal status - which can be aligned with frequently gathered and broadly consistent evidence about firms' recent performance and future expectations, these surveys should lend themselves, with some shared modifications, to generating forms of spatial and/or sectoral benchmarking. This could assist economic or business support agencies to supplement knowledge of their own areas, industries or issues, with comparable information drawn from other rural locations, sectors, business characteristics or activities.

This Briefing represents the starting point of a rural enterprise evidence project involving the three institutions leading on the pieces of work described here. The project aims to:

- Raise the individual and collective profiles of the three surveys;
- Improve awareness of, and access to, the evidence of Scotland's rural enterprises that they provide;
- Encourage discussion and shared exploration about how they may be more closely aligned and linked to other sources; and
- Further improve research, analysis, evidence and insight into the profile, activities, challenges and opportunities of enterprises in Scotland's rural areas, as well as the current and potential contributions they make to Scotland's economies and communities.

The project includes a Workshop for those leading such business surveys and analyses, as well as representatives from Scotland's wider economic and rural communities, the content and key findings from which are reported in a second SRUC Policy Briefing.²⁶

For more information on the work of SRUC's Rural Policy Centre, please contact the team on:
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²⁶ Atterton, J., Jones, S. and Turner, R. (2019) *'Rural Enterprise Evidence in Scotland': Report of Workshop discussion*, SRUC Rural Policy Centre November 2019 PB 2019/02. https://www.sruc.ac.uk/downloads/download/1567/rural_enterprise_evidence_in_scotland_report_of_workshop_discussion_-_briefing_2