

SCOTTISH TECHNOLOGY
INDUSTRY SURVEY

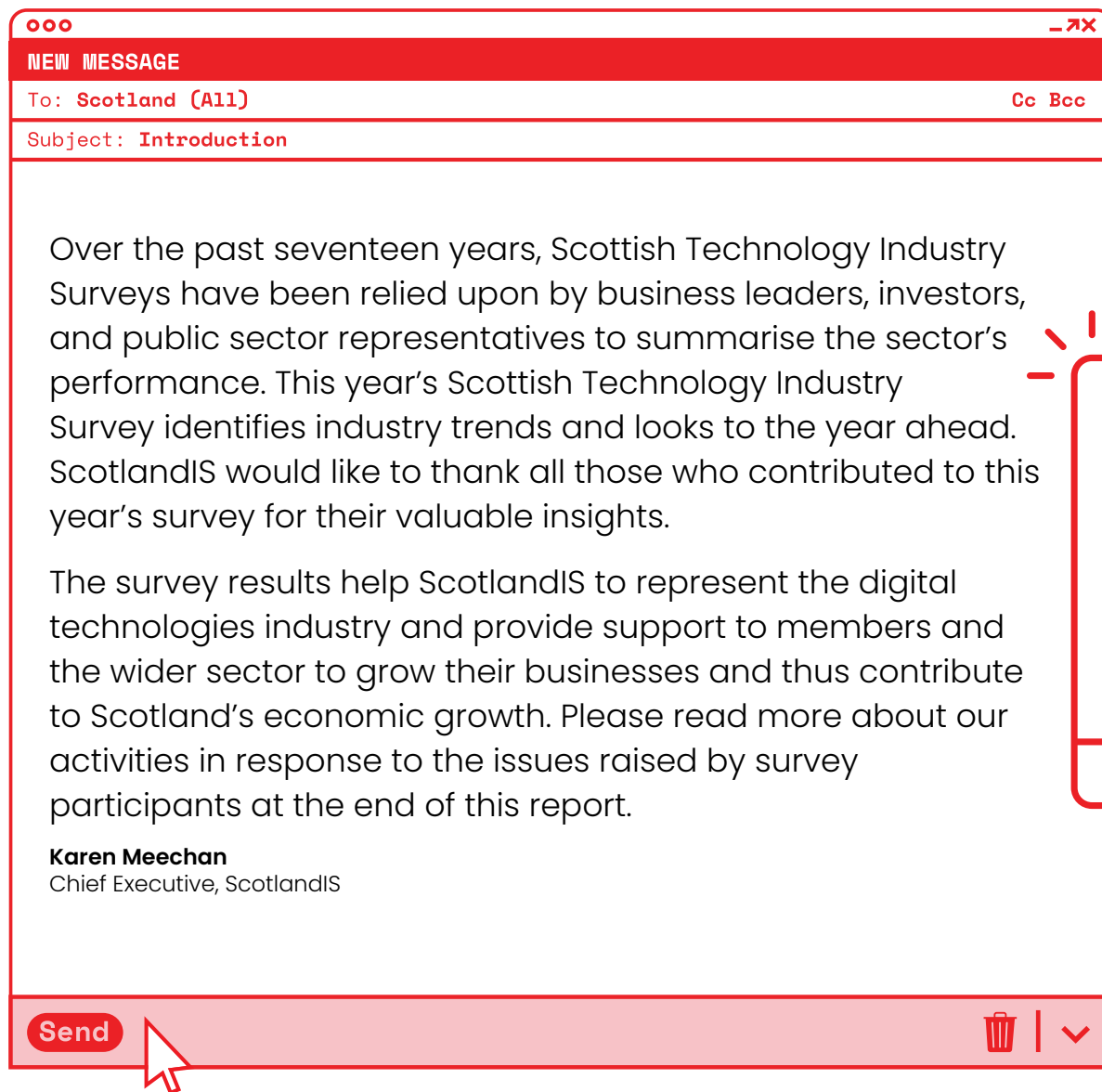
SCOTLANDIS



20
24

scotlandis.com

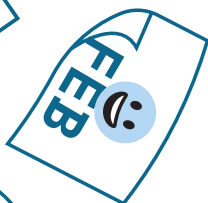
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S C O T T I S H
T E C H N O L O G Y
I N D U S T R Y
S U R V E Y / 2 0 2 4



Top Trends



78%

OF RESPONDENTS ARE
OPTIMISTIC
ABOUT THE
NEXT 12 MONTHS

A positive outlook for growth

Business confidence has consistently increased over the years, which indicates a positive trajectory. 78% of companies expressed optimism in 2024, indicating an upward trend compared to 2023. A perceived strong market, robust sales growth, and strategic business development plans are likely to fuel this confidence. The data suggests that businesses are resilient and forward-looking, anticipating growth despite external challenges, which is likely influenced by successful sales, perceived market strength, and strategic business planning.



Growth on the international stage

58% of companies will look to export in 2024, which demonstrates that international trade remains a strategic commitment. New market opportunities, diversification of customer bases, and efforts to minimise risks associated with regional economic fluctuations could be driving this trend.

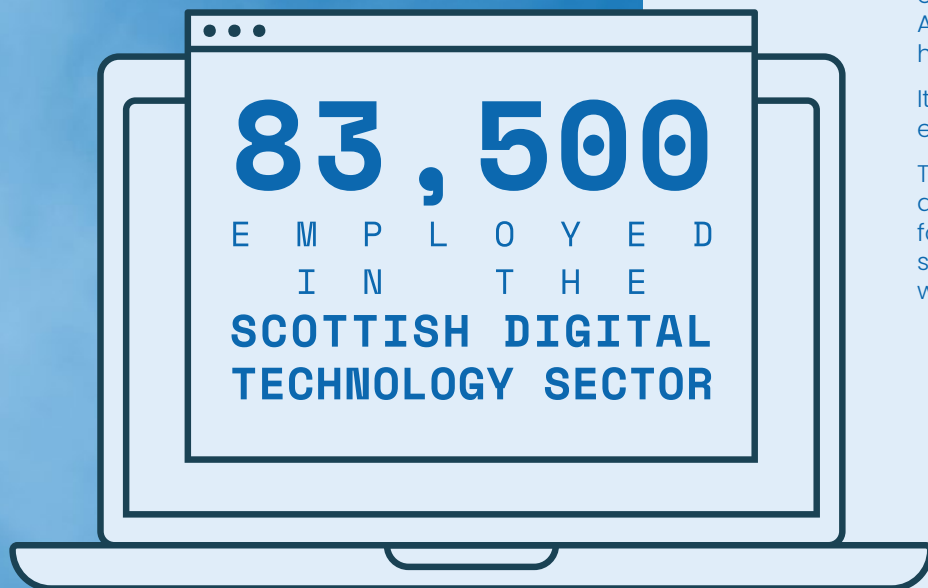
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**SALES & MARKETING
IS THE MOST
IN DEMAND SKILL**

It's always skills that matter

A broader shift toward the search for mid-level and senior-level talent is evident in the high demand for technology-related skills, as illustrated by JavaScript (8%) and data analytics (24%). Increasing the focus on experienced professionals emphasises the need for seasoned talent in driving technological innovation and managing complex projects.

Industry Overview



Scotland's digital technologies sector

There were around 10,395 digital technologies businesses registered in Scotland in 2021, which represents 5.8% of the Scottish economy. There were 83,500 people employed in the sector, representing 4.3% of all private sector jobs in Scotland.

The Scottish economy was bolstered by a thriving tech ecosystem with over 1,500 companies contributing £5.9 billion in Gross Value Added (GVA). A significant contributor to Scotland's economy, the tech sector has a 40% higher GVA per head than the economy.

It is predicted that digital technologies will grow at 1.5 times the rate of the economy in Scotland until 2029.

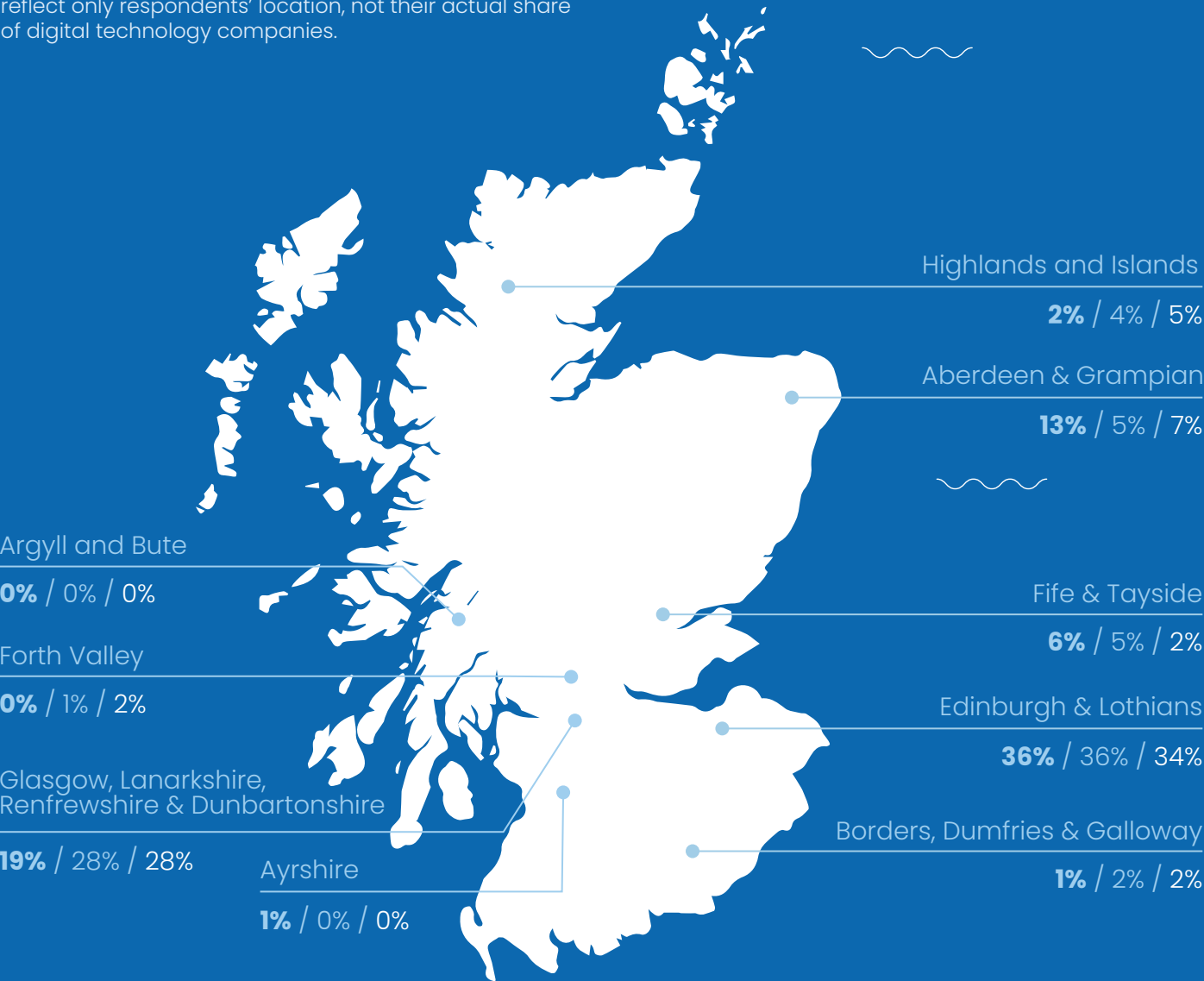
The Office of National Statistics (ONS) indicates that the largest subsector of digital technology is computer programming and consultancy, accounting for 85% of all businesses (employing 62% of tech workers). The second largest subsector is telecommunications, with 4% of the company base (24% of workforce).

COMPUTER PROGRAMMING
AND CONSULTANCY
MAKES UP 85% OF ALL
DIGITAL
TECHNOLOGY
BUSINESSES



Headquarters location

Over the past three years, Edinburgh & Lothians continue to hold the highest percentage among respondents (36%). The next most common places are Glasgow, Lanarkshire, Renfrewshire & Dunbartonshire (19%) and Aberdeen & Grampian (13%). However, these figures reflect only respondents' location, not their actual share of digital technology companies.



2024 / 2023 / 2022

2024 / 2023 / 2022

UK outwith Scotland

13% / 8% / 10%

EU outwith UK

3% / 4% / 2%

US headquartered

5% / 6% / 4%

Other

1% / 1% / 4%

Offices outwith Scotland

The majority of offices are located within Scotland, an increase from 47% in 2023, showing only a subtle change from the previous year. In 2024, there is a decline in the number of offices located in the rest of the UK, dropping from 39% to 32%, but North America and Europe maintain strong positions at 22% and 23%, demonstrating their stability.



2024 / 2023



Staff Location

The top three staff locations are Scotland (87%), the rest of the UK (50%), with Europe third at (29%). As compared to last year (2023), there is a decrease in staff residing within Scotland (92% to 87%), with a slight increase in staff residing in Europe (26% to 29%). It is possible that these changes indicate a shift in staff distribution, which can affect the dynamics of the workforce and strategic thinking.

Within Scotland Only **87%** / 92%

Rest of UK **50%** / 60%

Europe **29%** / 26%

Middle East **9%** / 4%

Asia **17%** / 14%

North America **21%** / 20%

Central America **11%** / 6%

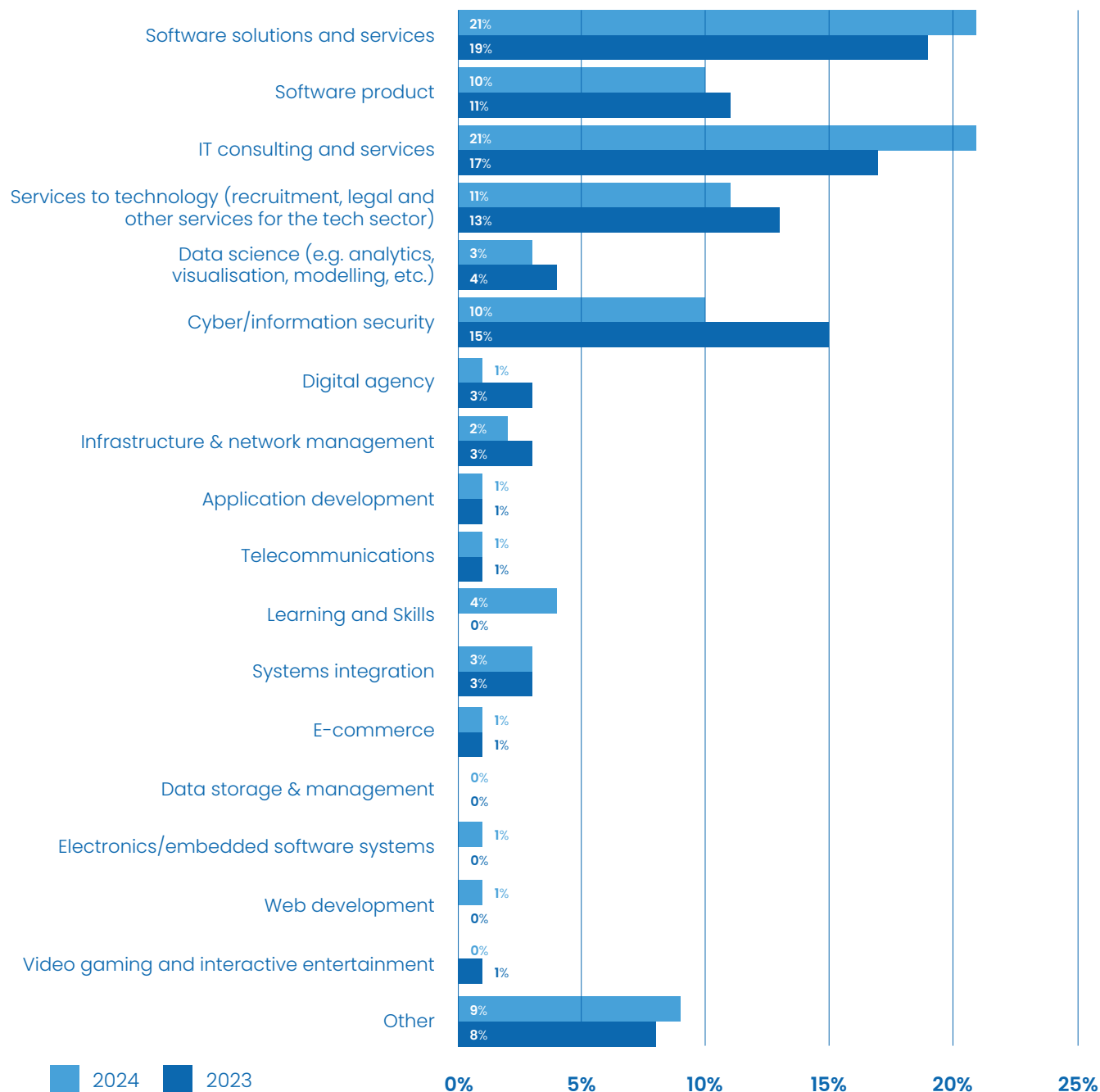
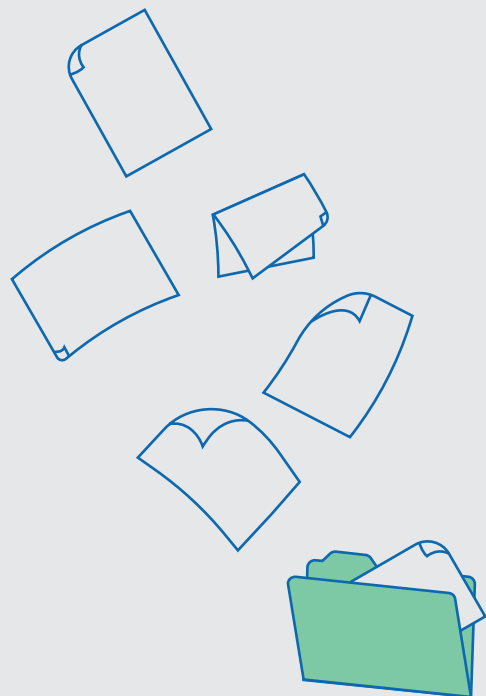
Africa **7%** / 5%

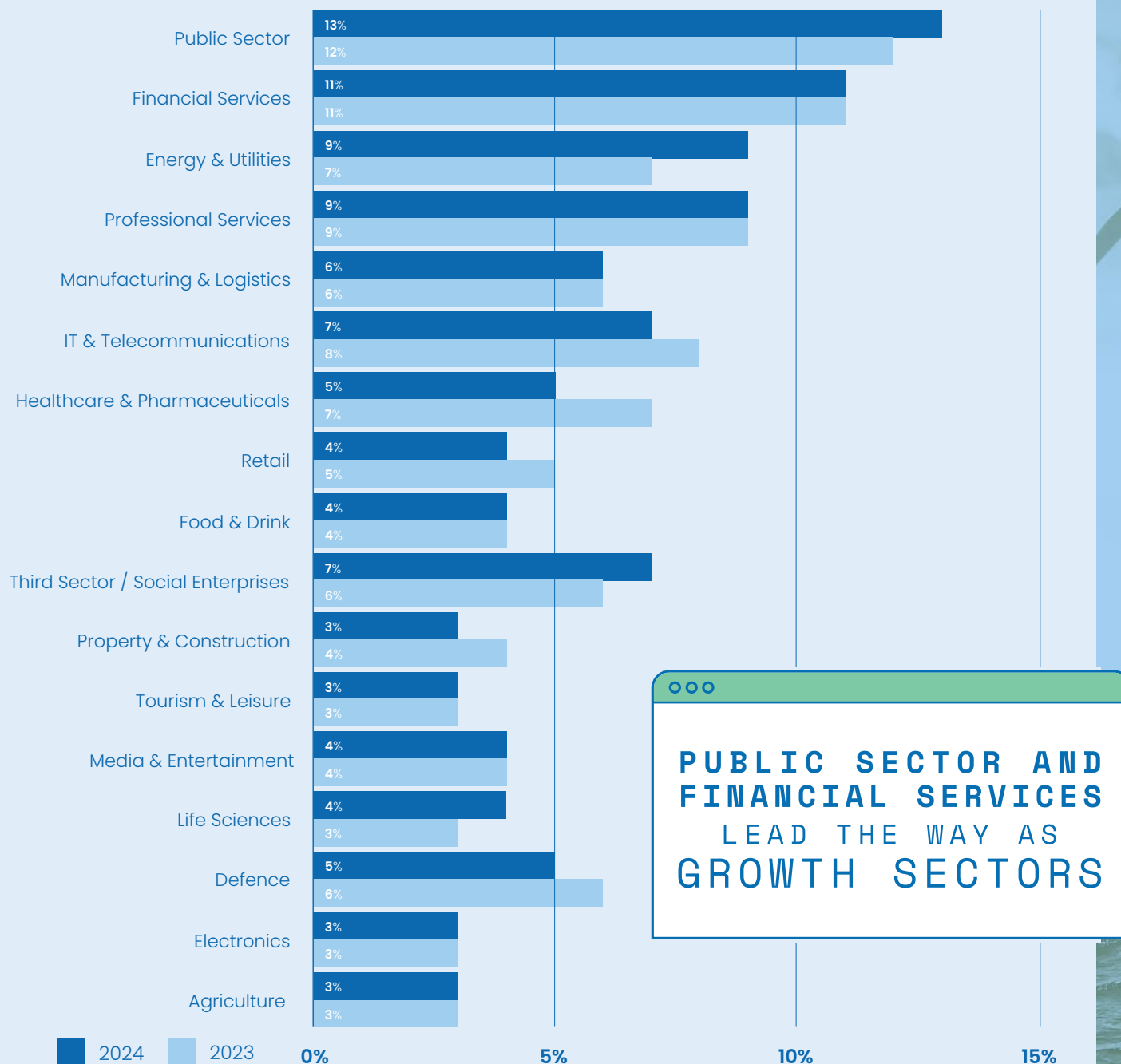
Australia **8%** / 10%

2024 / 2023

Main activity of business

According to respondents in 2024, the top five business areas covered are software solutions and services, IT consulting and services, software products, technology services, and cyber/information security. A number of changes have occurred compared with the previous year (2023), including an increase in software solutions and services (19% to 21%) and IT consulting and services (17% to 21%).





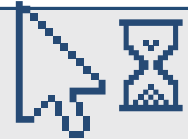
**PUBLIC SECTOR AND
FINANCIAL SERVICES
LEAD THE WAY AS
GROWTH SECTORS**




Sectors being supplied

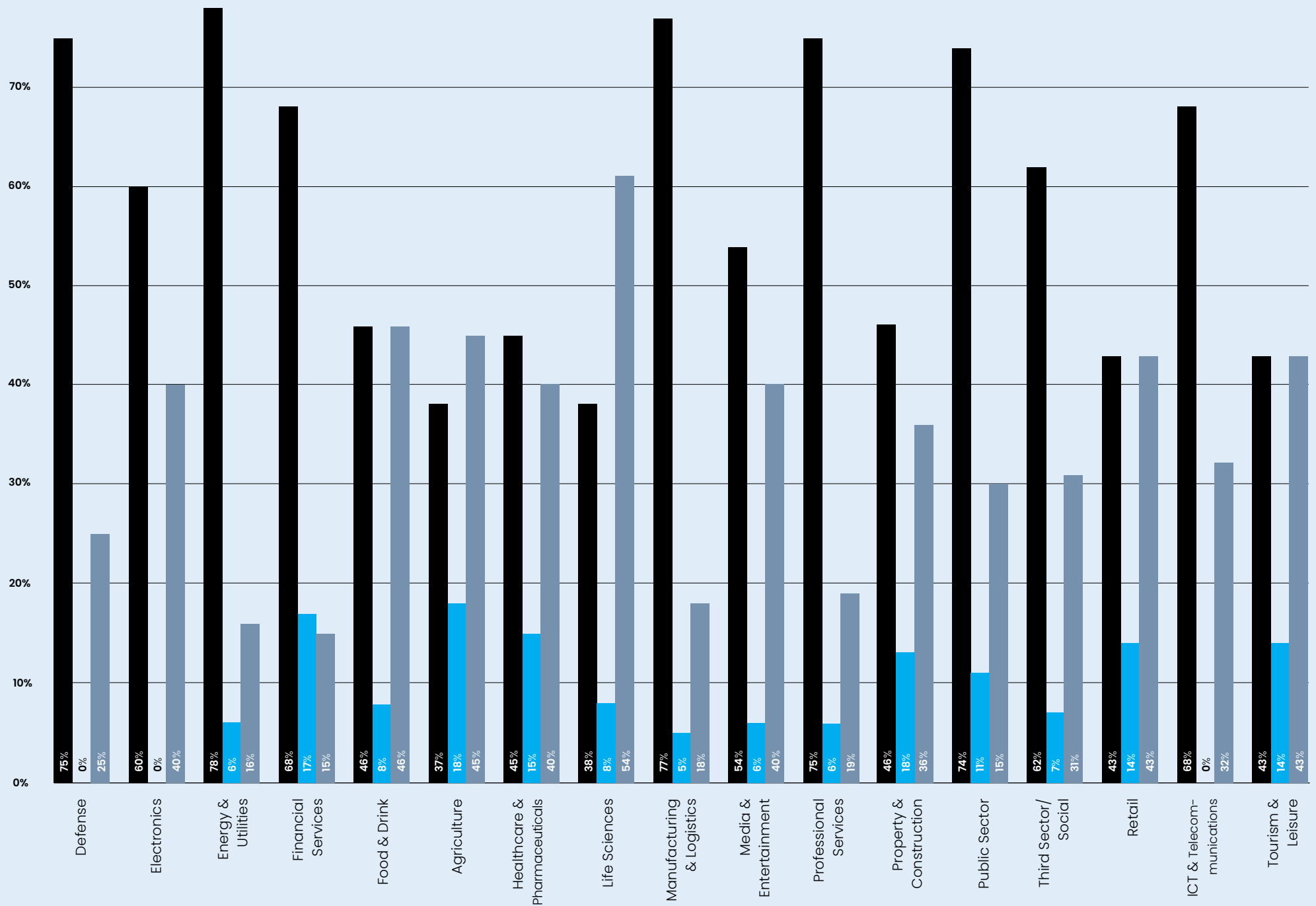
As of 2024, the Public Sector (13%), Financial Services (11%), and Energy & Utilities (9%) will be the top three sectors supplied. The Public Sector sees a modest increase (12% to 13%) compared to 2023, reflecting a continued focus on government-related projects. The Financial Services sector continues to show stability (11% in both years), suggesting a continued focus on this sector. An increased presence in the Energy & Utilities industry is noted, with growth from 7% in 2023 to 9% in 2024. As a result of these trends, a shifting landscape is being highlighted, with a focus towards sectors such as Energy & Utilities.

Expected demand in 2024

According to respondents who supply the Energy & Utilities sector, robust growth is expected (78%), fuelled by an increasing demand for sustainable energy solutions. Manufacturing & Logistics (77%) is the next most anticipated growth area, likely benefiting from a recovering global economy and increased consumer demand. Geopolitical changes and advances in defence technology are expected to lead to an expansion of defence suppliers (75%).



-  An increase in business
-  A decrease in business
-  No change

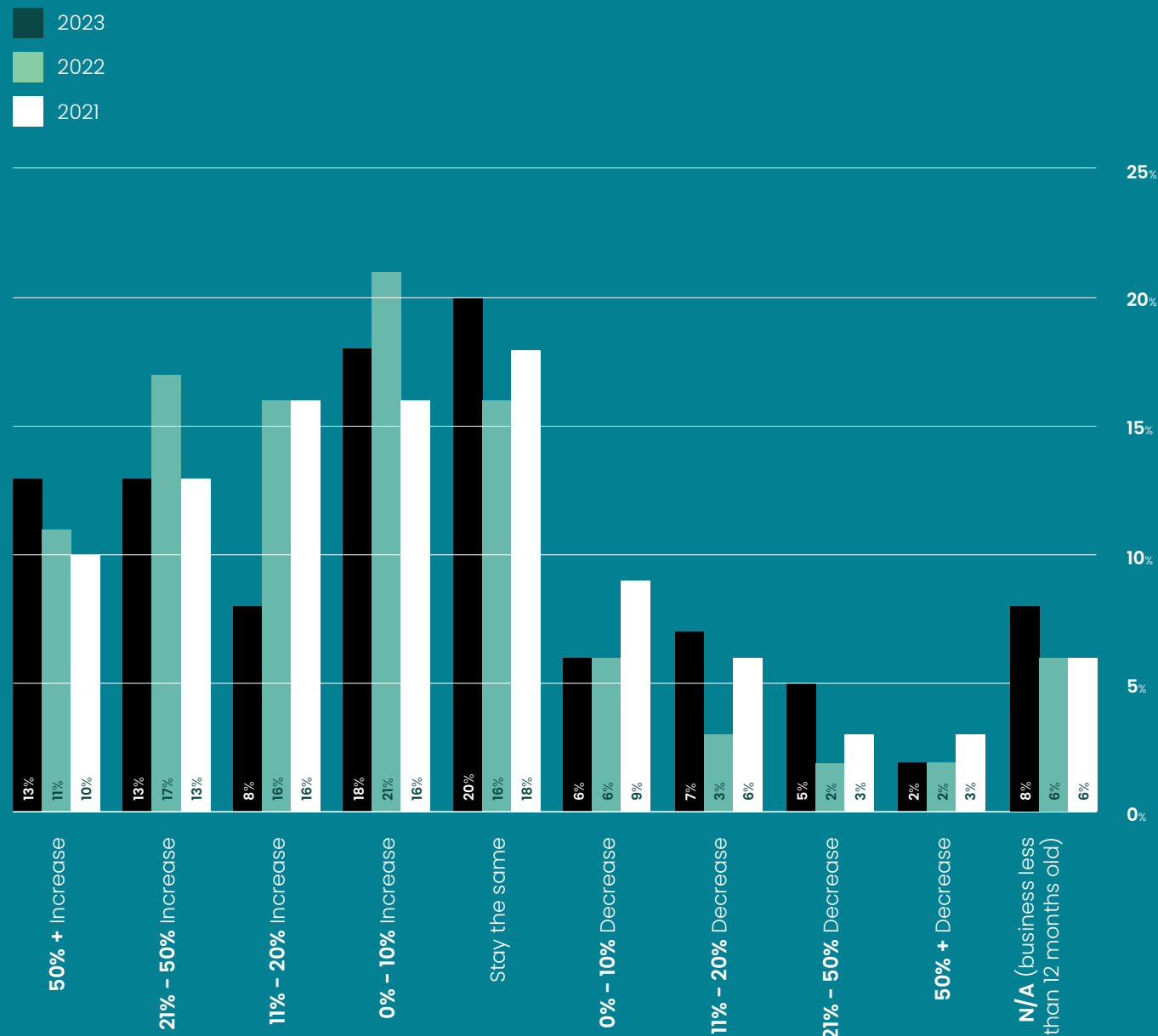


Review of 2023

Sales levels

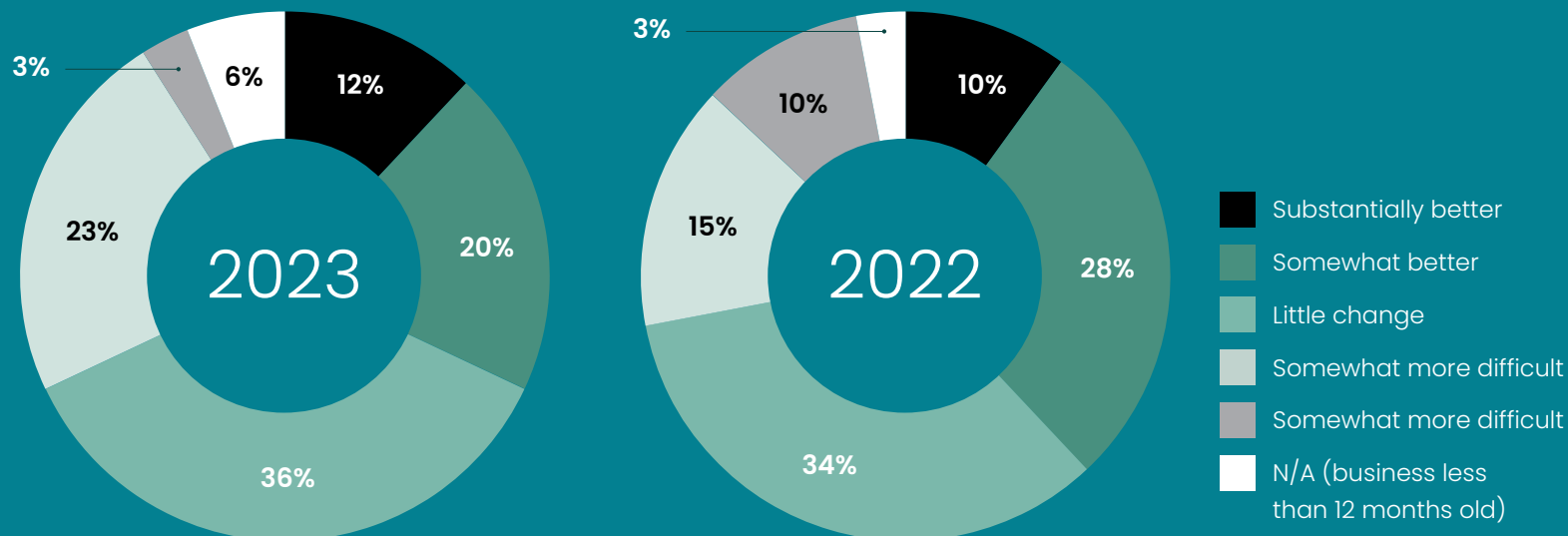
72% of respondents increased or maintained their sales levels in 2023, and whilst 52% saw an increase, this was still an overall 13% downturn on last year. In comparison to last year's 13%, there was an increase of 7% among respondents who reported a decrease in sales levels.

Broader economic conditions, influenced by factors like geopolitical events, trade tensions, and global health crises, continue to show their impact, with respondents reporting a mixed year for technology investment.



Cashflow

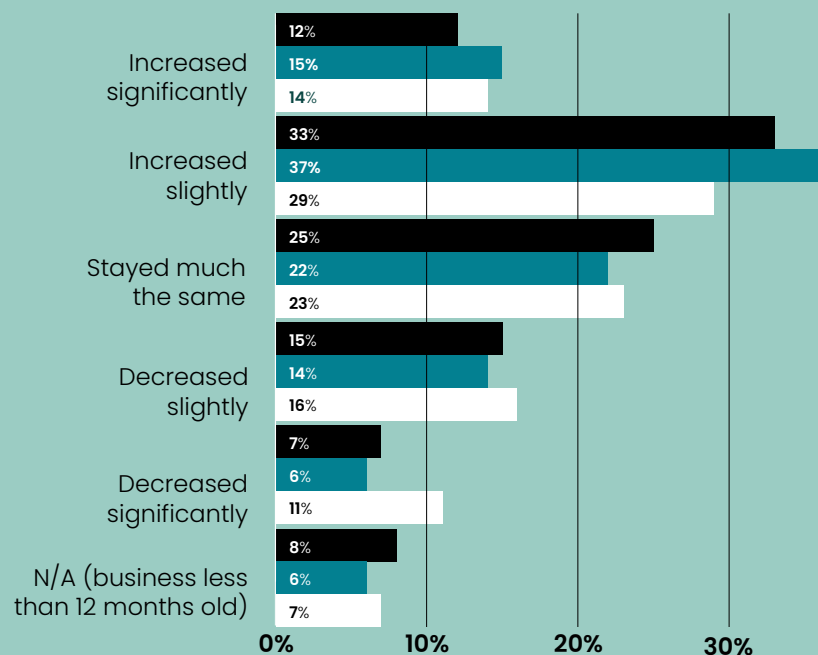
There are no drastic changes in cash flow conditions, as the largest majority of respondents report "little change" or "somewhat better". Whilst it should be recognised that some businesses face more challenging conditions, the data indicates that most are maintaining or improving their cash flow (68%).



Profit margin performance in 2023 compared to 2022

In 2023, the majority (70%) of businesses have maintained or slightly improved profit margins.

There is a slight decrease in the proportion of businesses reporting increased profit margins (45% versus 52% in 2022 and 43% in 2021), while the number of businesses reporting decreased profit margins has increased (22% in 2023 versus 20% in 2022). In spite of these changes, the majority (58%) of respondents still report "Stayed much the same" or "Increased slightly", indicating that profit margin conditions are overall stable.



PROFIT MARGINS
ROSE FOR
45%
OF RESPONDENTS



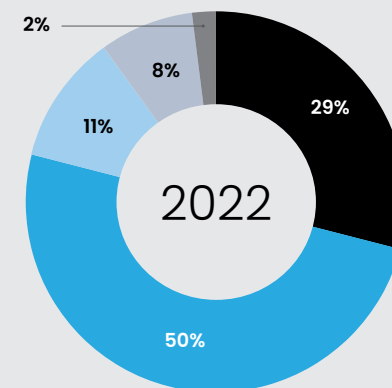
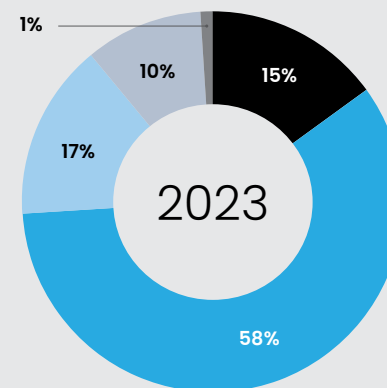
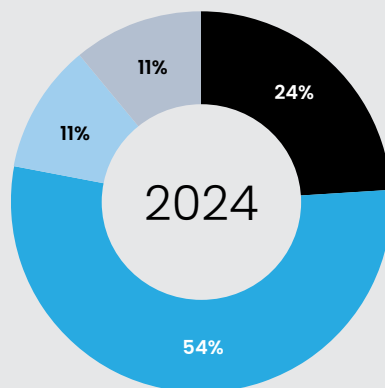
Outlook for 2024

With 78% of respondents expressing positive sentiments in 2024, the level of optimism within the sector has increased notably from 73% in 2023. As a result of brand development and strong pipelines, the sector has an optimistic outlook reflecting a collective belief in market strength and growth potential.

Respondents with more pessimistic outlooks remained static (11%), citing challenges in recruitment, economic concerns, buyer behaviour changes, and funding constraints as reasons for this.



THE SECTOR REMAINS
OPTIMISTIC
ABOUT THE YEAR AHEAD



Very optimistic Optimistic No change Pessimistic Very pessimistic

Expected change in sales over the next 12 months

There is a marked increase in optimism for substantial sales growth in 2024, with 16% of companies anticipating a "50%+ Increase," a significant increase from the modest 2% reported in 2023. This indicates a notable positive shift in comparison to the previous year. Furthermore, the evenly distributed expectations for sales growth across various ranges, such as "21%-50% Increase," "11-20% Increase," and "0-10% Increase," indicates a widespread sense of confidence. Sales expectations to "Stay the same" have been reduced and expectations of a decrease have been reduced also, signalling an overall more confident outlook for the sector's sales prospects over the coming year.

99%

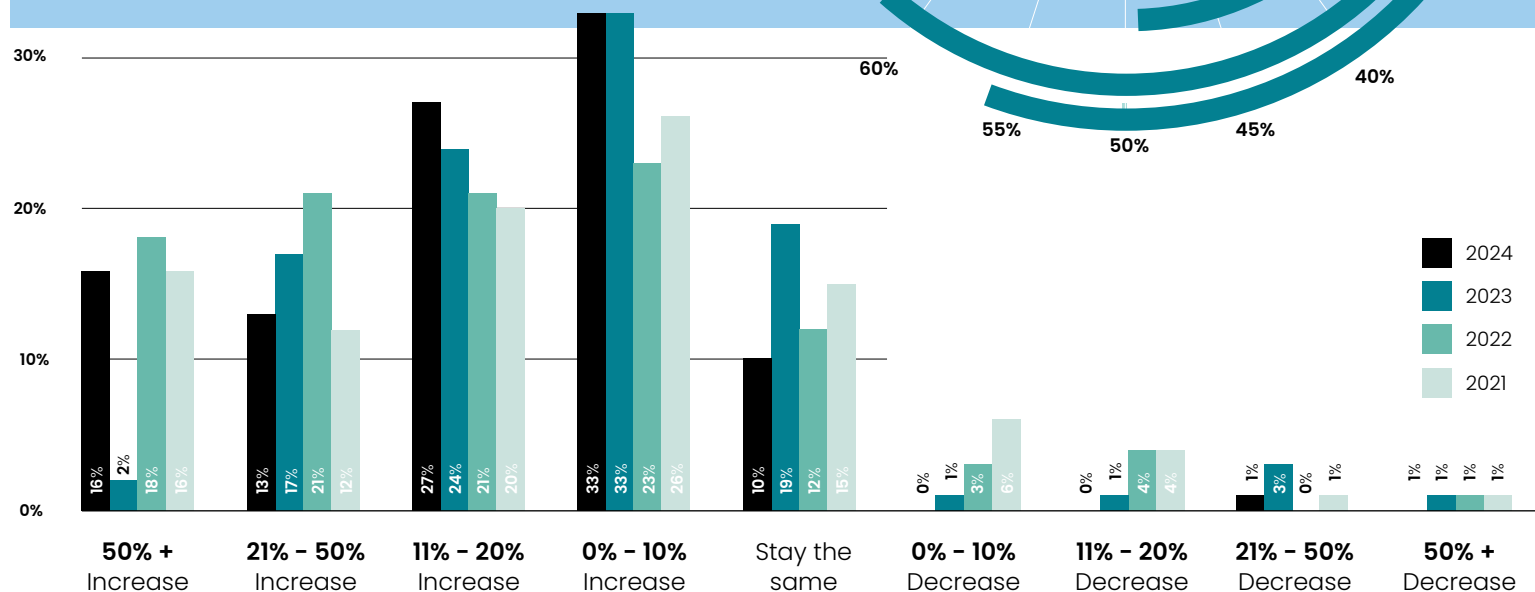
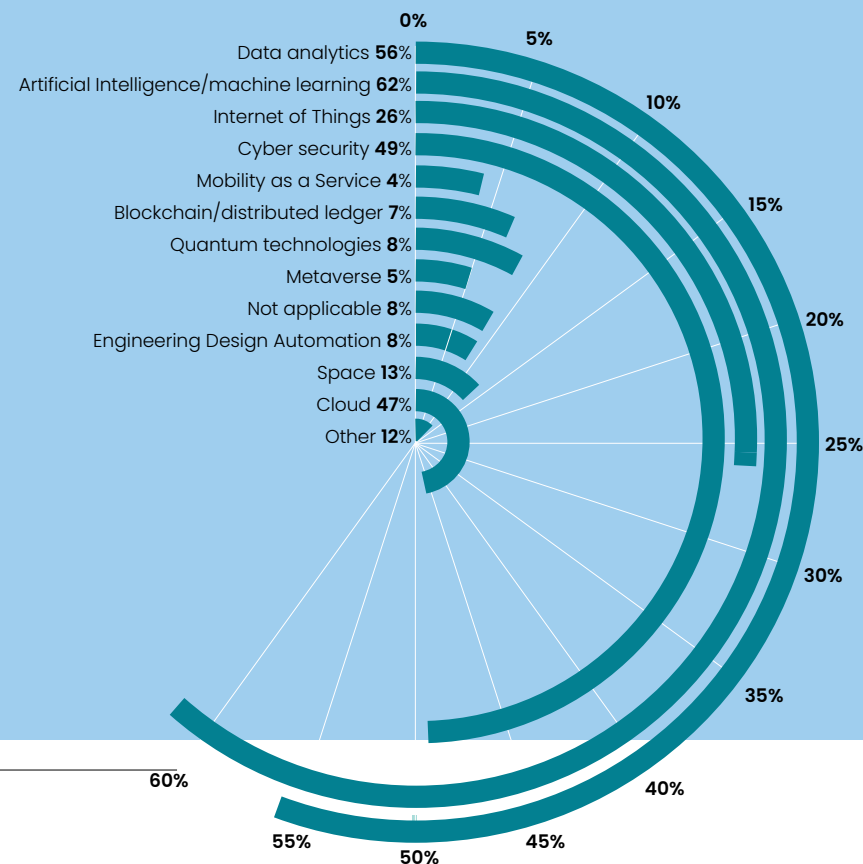
OF COMPANIES
EXPECT SALES TO
INCREASE OR
STAY THE SAME
OVER THE NEXT YEAR

New opportunities

Artificial Intelligence/machine learning (62%), Data analytics (56%), and Cybersecurity (49%) are the top three areas for new opportunities in 2024.

Artificial Intelligence/machine learning will see a significant increase in focus compared to 2023, growing from 43% to 62%. The interest in data analytics also rises, going from 45% to 56% in 2024.

A number of emerging areas are showing increased attention, including Quantum technologies (8%) and Metaverse (5%). However, Mobility as a Service experiences a decline from 10% in 2022 to 4% in 2024.

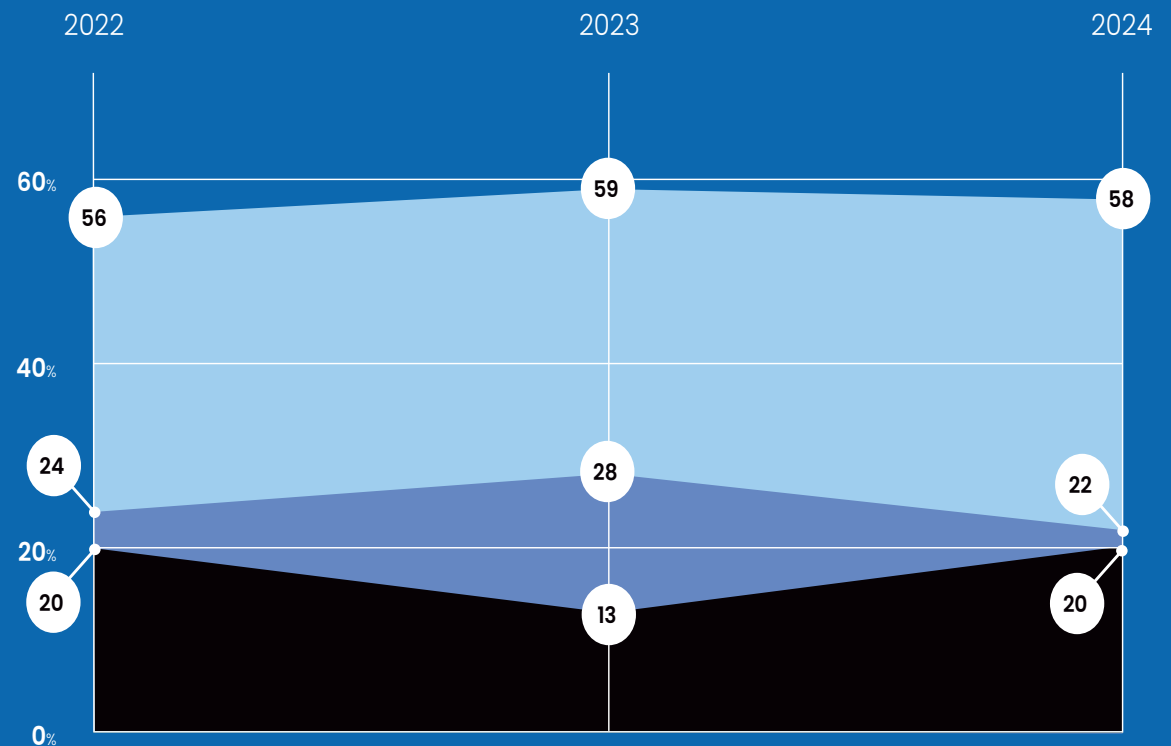


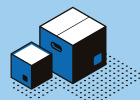
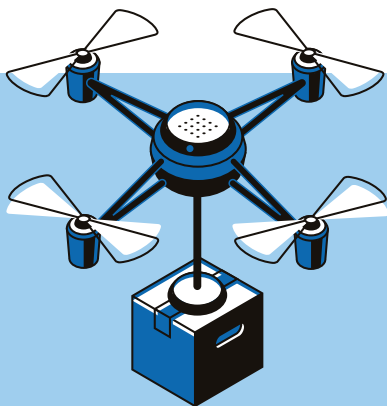
International Opportunities

Export levels

Five in ten companies report that they are currently exporting in 2024, similar to 59% in 2023 and a slight increase from 2022. The percentage of companies planning to export has decreased slightly from 28% in 2023 to 22% in 2024, but a significant portion has remained committed to exploring new international markets.

- Exporting
- Planning to
- No plans





Export markets

There was a strong focus on regional and transatlantic markets in 2023 for respondents, with 78% of exports coming from the Rest of the UK, 69% from Europe, and 59% from North America. In 2024, however, there is a shift in priorities with 75% of exports coming from the Rest of the UK, 64% coming from Europe, and 16% coming from the Middle East. North America (45%), Asia (13%), and Middle and South America (3%) are all perceived to be less attractive in 2024 than in 2023. With a continued emphasis on regional markets and an increased interest in the Middle East as a key export destination, this shift suggests a nuanced re-evaluation of export strategies.

Top markets in 2023 / Most attractive in 2024

North America

59% / 45%

Rest of the UK

78% / 75%

Europe

69% / 64%

Africa

17% / 5%

Middle & South America

13% / 3%

Asia

28% / 13%

Middle East

11% / 16%

Australia & New Zealand

17% / 17%

Employment & Skills

Digital technologies employment in Scotland

As of 2022 (the most recent ONS data available), 80,785 people were employed in digital technologies companies. In addition to the increased funding going into UK tech, companies also need trained technical and business staff.

In 2023 there was a decline in the number of UK tech job vacancies available compared to the peak in 2022, but it still remained higher than pre-pandemic levels.

While the number might have fluctuated throughout the year, the overall trend suggests a strong tech job market in 2023, although with slower growth compared to the previous year.

This slowdown in hiring means there are fewer jobs overall, and competition for those jobs is on the rise. While the average advertised salary has continued to increase, it's becoming harder to track these numbers accurately as many job postings don't include salary information.

Similar to other UK regions, Scotland has seen a decrease in advertised vacancies (-7.3% in January 2024), contributing to the overall tightening job market. However, the situation varies across the country.

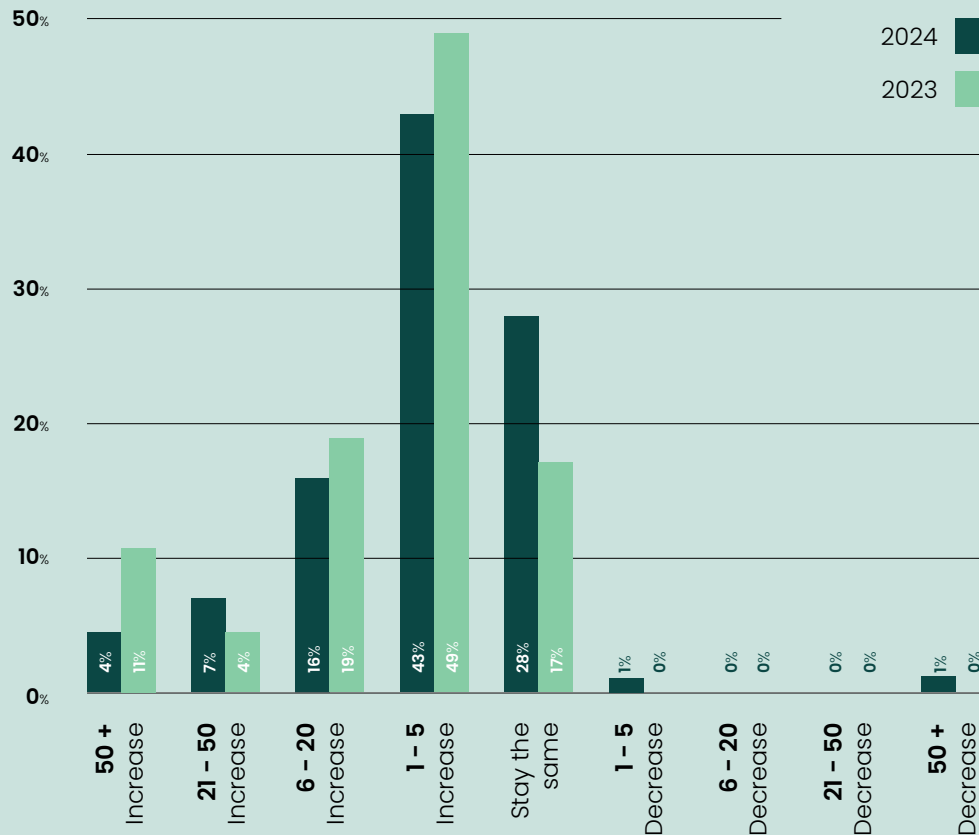
The most in-demand tech jobs in the UK are still software developers. These positions make up 9% of all tech jobs with prospective developers being offered an average salary of £64,318, a 12% increase on 2020's figures. A Java developer is likely to earn an average of £80,076, and an IT systems architect is likely to earn an average salary of £93,004, based on advertised salaries for these positions. Each year, 13,000 new positions in digital technologies are created, partly because of retirements and other changes in the industry, but also because demand for these skills is growing.



AS OF 2022
80,785
PEOPLE
WERE EMPLOYED IN
DIGITAL TECHNOLOGIES
COMPANIES



70% OF COMPANIES
PLAN TO INCREASE
THEIR HEADCOUNT



Change in employee numbers over the next 12 months

Almost all companies (98%) plan to maintain or increase their headcounts. A significant 43% of companies anticipate an increase in employee numbers between 1 and 5, in line with the trend observed last year.

28% plan to maintain their current workforce, and there is little expectation of a reduction in employee numbers, with only 1% expected for each category of decrease in 1-5 employees and 50+ employees.

In addition, the data suggests a subtle adjustment in growth expectations as compared to previous years, with a slightly higher percentage (7%) expecting an increase in the 21-50 range.

Location of talent

With only a slight decline from the previous year, the overall pattern shows a consistent retention of talent within Scotland and neighbouring regions over the past three years, despite some slight fluctuations in the percentages for Rest of the UK, Europe, and Rest of the World.

2024 / 2023 / 2022

Scotland

62% / 63% / 58%

Rest of the UK

21% / 22% / 19%

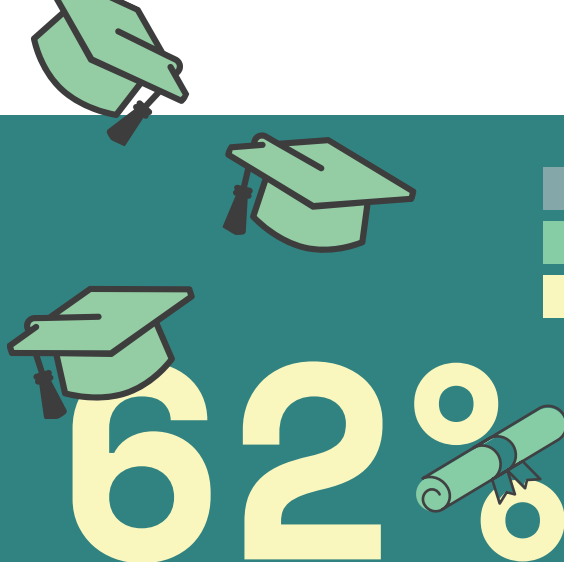
N/A **4%** / 4% / 5%

Europe

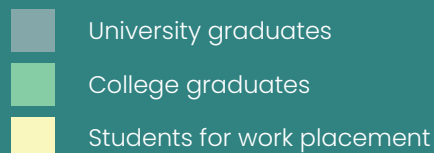
4% / 4% / 7%

Rest of the World

9% / 7% / 11%



62%
OF RESPONDENTS
PLAN TO HIRE
RECENT GRADUATES
IN THE NEXT 12 MONTHS

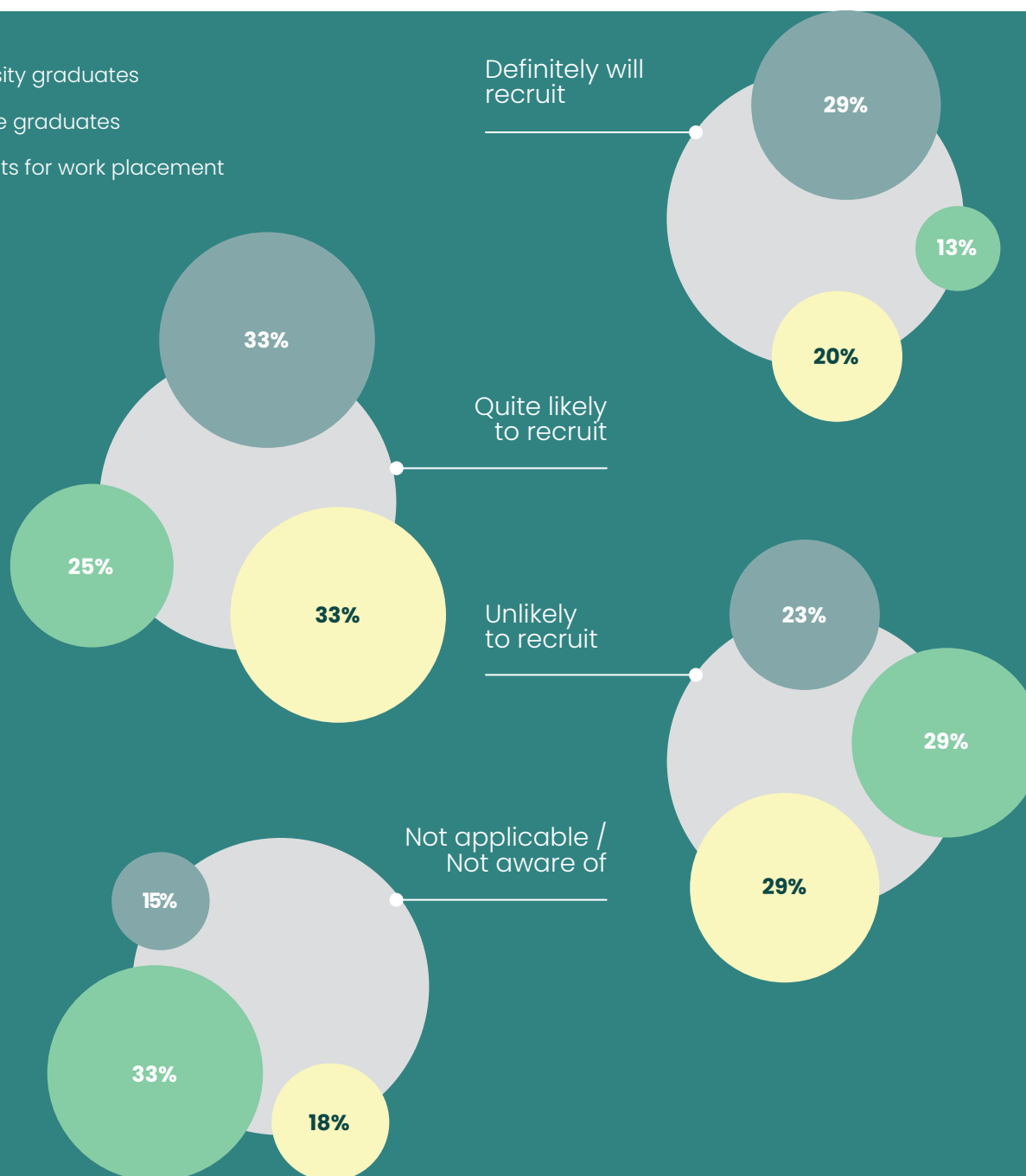


Recruitment from colleges and universities

A notable shift in expectations is observed in respondents' recruitment intentions for college graduates, university graduates, and students for work placements in 2024.

The number of companies planning to "definitely hire" university graduates has declined from 34% in 2023 to 29% in 2024, while the number of companies "quite likely" to hire university graduates has decreased from 47% to 33%. Other responses to the survey revealed the need for mid-level talent is consistent with this finding.

In contrast, the outlook for college graduates and students for work placements remains relatively stable, with consistent percentages in both the "Definitely will recruit" and "Quite likely" categories.



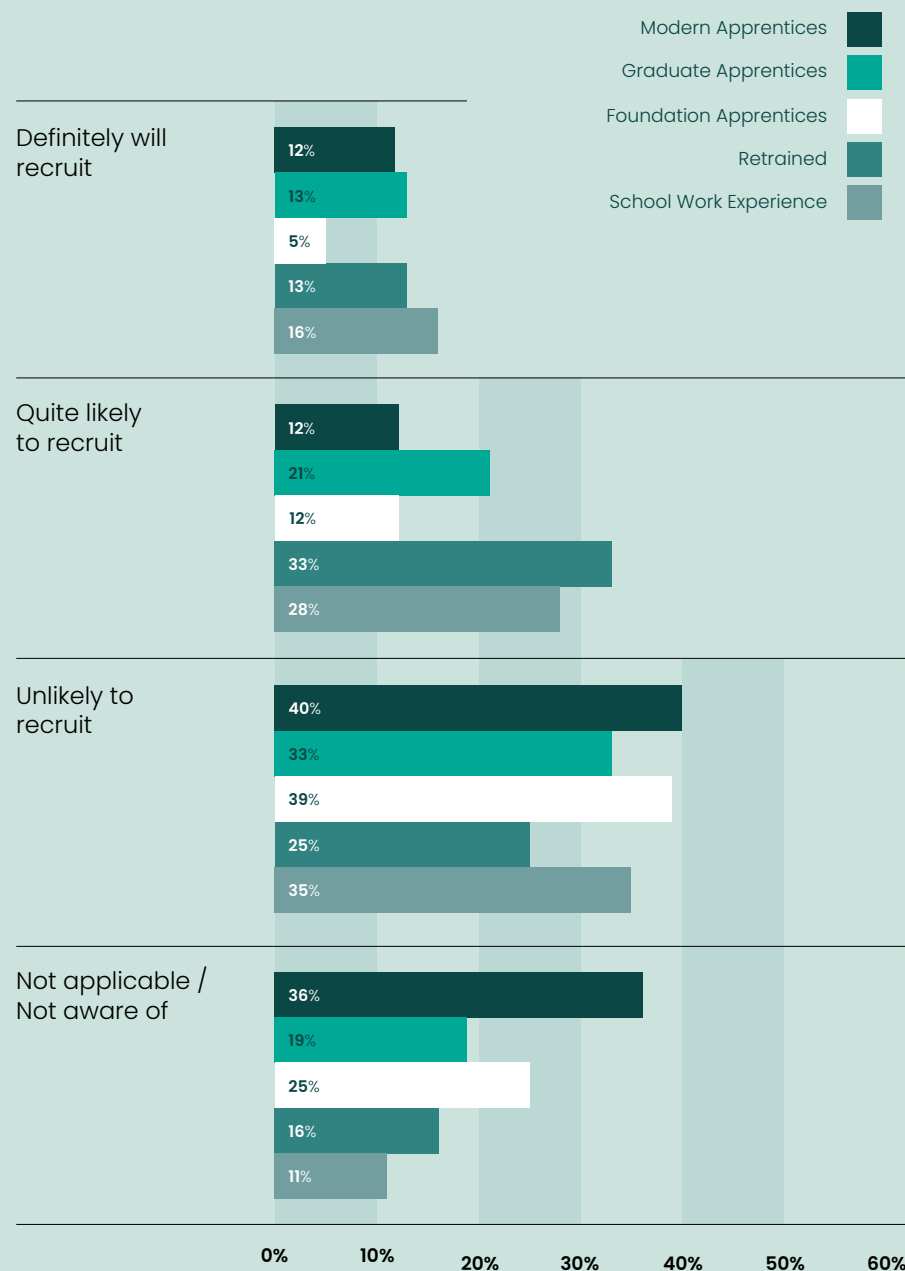
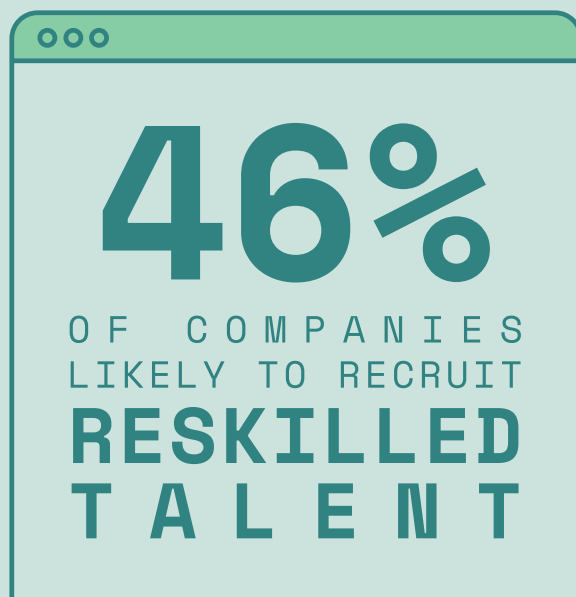
Recruitment of apprentices

Companies expressed increased certainty about recruiting modern apprentices, with 12% of them saying they “Definitely will”, compared to 6% in 2023.

In contrast, the “Quite likely” category for modern apprenticeships declines from 22% in 2023 to 12% in 2024, which suggests a complex outlook.

Graduate apprenticeships are showing a positive shift in recruitment intentions (34% in 2024 compared to 31% in 2023), while foundation apprenticeships remain steady (17%).

Retrained individuals’ recruitment outlook shows a subtle shift, with the “Definitely will recruit” category increasing (13%), and the “Quite likely” category decreasing (33%).



Expanding your talent pool

Our survey participants have been monitored since 2020 to see what steps they have taken to expand their talent pools and what they are offering to attract more candidates.

Foremost among these is the emphasis on offering flexible work patterns, recognised by a consistently high percentage of respondents at 83% in 2024 and 86% in 2023. This underscores the widespread acknowledgment of the positive impact of flexibility in attracting a diverse and dynamic talent pool.

A valuable strategy is also offering part-time work, although perceived effectiveness has decreased from 57% in 2023 to 51% in 2024. As a result, part-time work remains a popular option, albeit with a slight shift in sentiment.

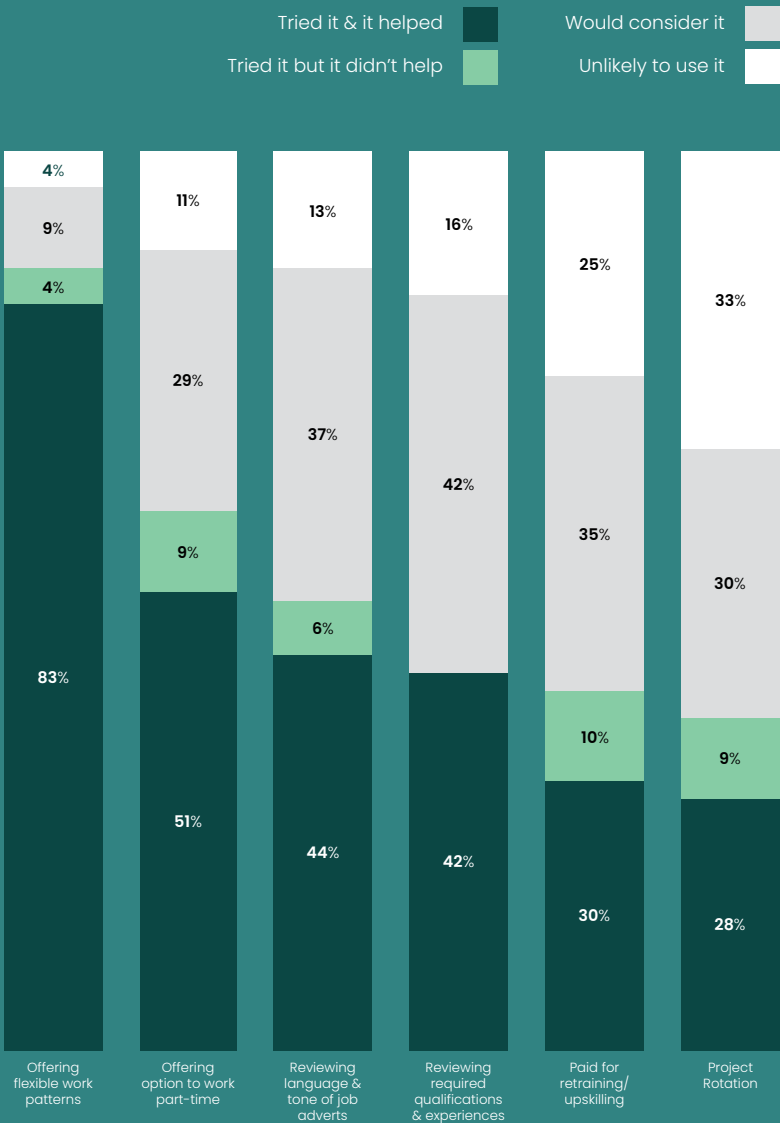
Language and tone are also key elements of job advertisements, with 44% of respondents acknowledging the importance of reviewing these elements in 2024.

Furthermore, re-evaluating traditional hiring criteria is evident from the acknowledgement that reviewing qualifications and experience is helpful. As an indicator of a growing awareness of inclusive hiring practices, 42% said they planned to adopt this strategy in 2024.

30% of respondents view paid retraining and upskilling opportunities as beneficial. This demonstrates organisations are prioritising their employees' growth and adaptability.

Additionally, 28% of respondents viewed project rotation as a helpful strategy in 2024 indicating the importance of providing employees with a variety of experiences.

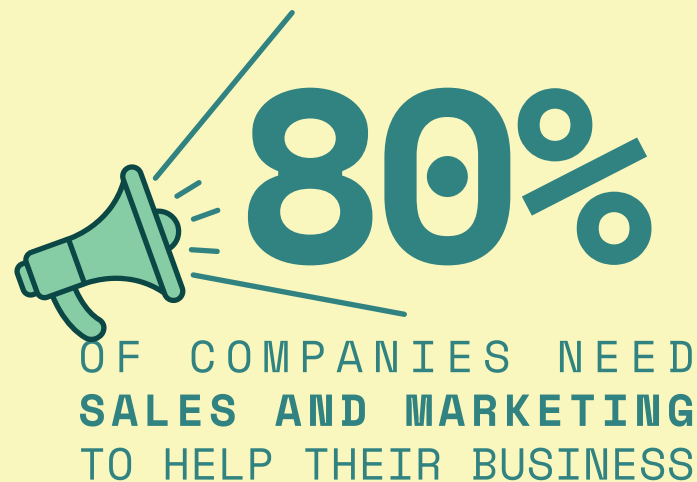
Through prioritising inclusivity and flexibility, these versatile strategies demonstrate the sector's pledge to establishing a diverse workforce.



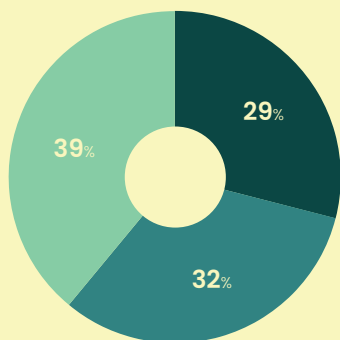
Most in demand skill sets

According to respondents, the most in-demand skillset for 2024 will remain Sales & Marketing (80%), with 39% reporting a high requirement for these skills.

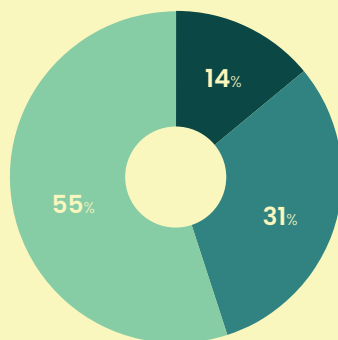
A majority of companies are seeking data skills (69% 2024, 63% in 2023) as well as AI/ML skills (63%) as well as AI/ML skills (63%). Similar to last year, a large proportion of companies are looking for software and web developers (61%).



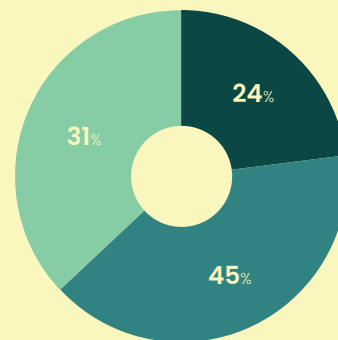
Software & Web Development



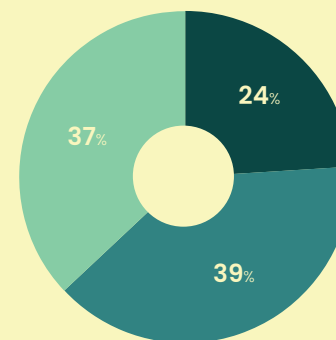
Infrastructure & Support Management



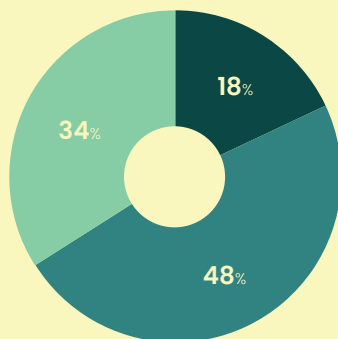
Data



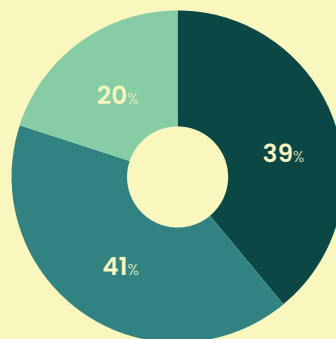
Artificial Intelligence/
Machine Learning



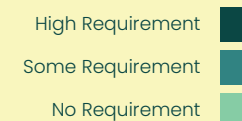
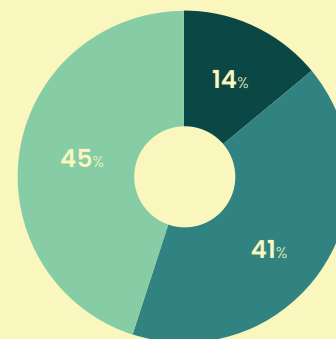
Cyber Security



Sales & Marketing



Leadership

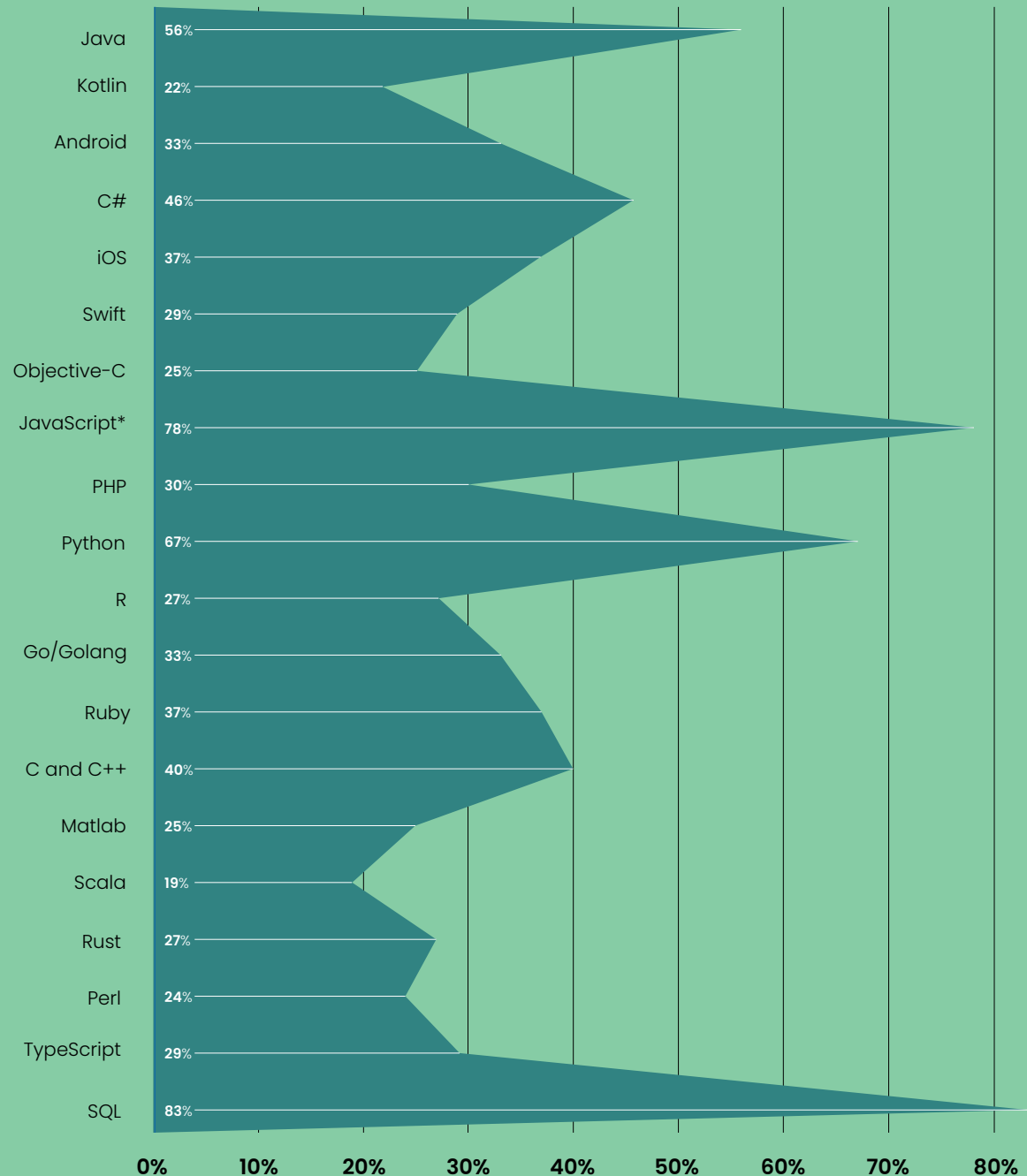


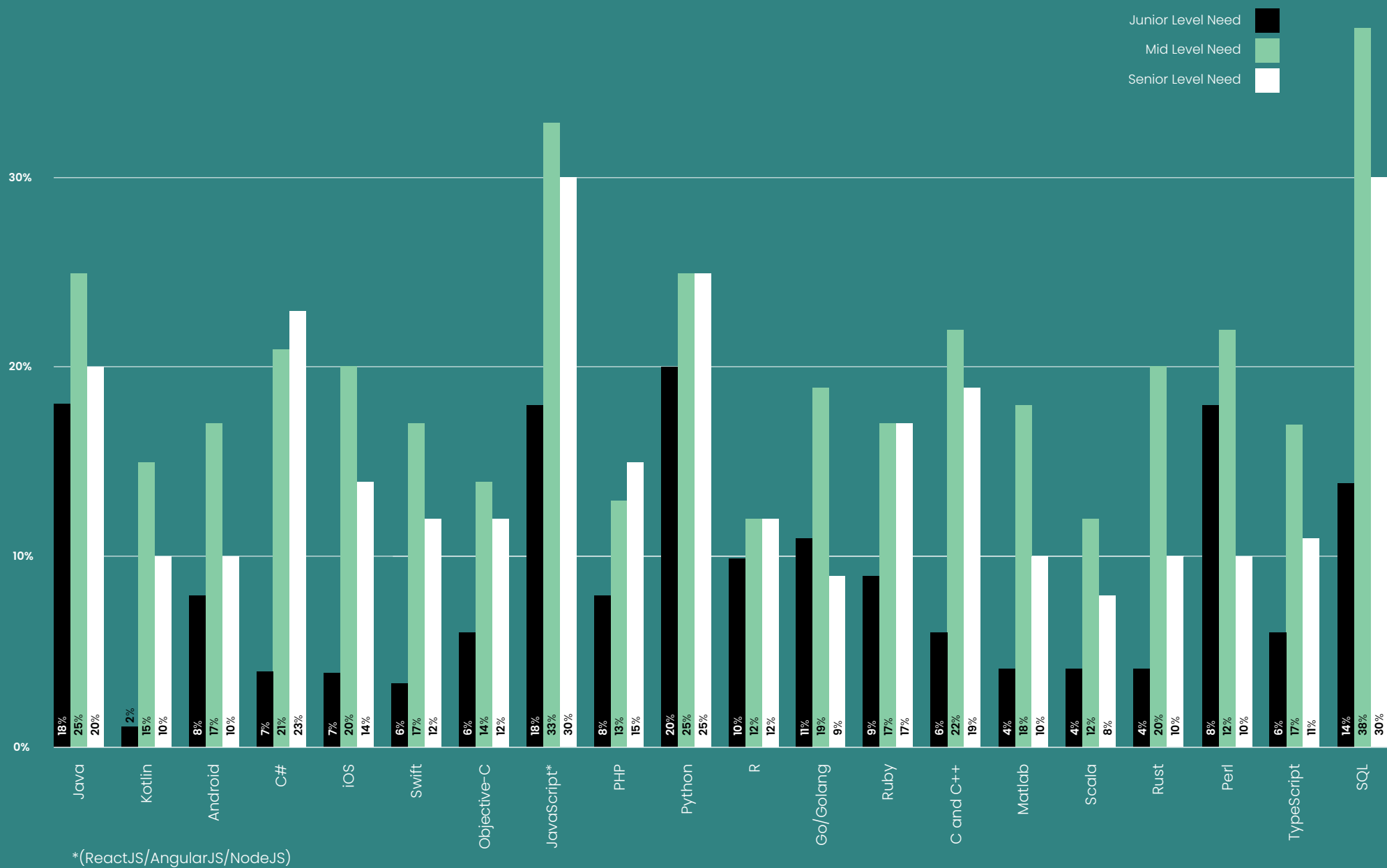
Technical skills

In general, SQL is the most in-demand language overall (83%), followed by JavaScript (78%). Java (56%) and Python (67%) are also in high demand across all levels, reflecting the versatility of their applications.

The highest overall demand is at mid-level technical skill, evident from the significant percentages associated with various languages, such as JavaScript (33%), SQL (38%), and Java (25%).

The demand for senior-level skills follows closely, with JavaScript (30%), SQL (30%), and Java (20%) having notable percentages. Even though junior-level skills are still in demand, they are relatively low in comparison to senior and mid-level skills.





Benchmark 1:

Smaller Companies (up to 35 employees)



Reflections on 2023

Despite varied financial outcomes observed in sales and profit margins for businesses in 2023 compared to 2022, there remains a strong sense of optimism for the year ahead, with 79% of businesses expressing positivity. Notably, there was an increase in the percentage of companies reporting a 50%+ increase in sales, suggesting growth opportunities. Additionally, while there was a decrease in significant profit margin increases, a higher proportion indicated slight increases, indicating overall stability.

79%
HAVE AN
OPTIMISTIC
OUTLOOK
FOR THE NEXT
12 MONTHS

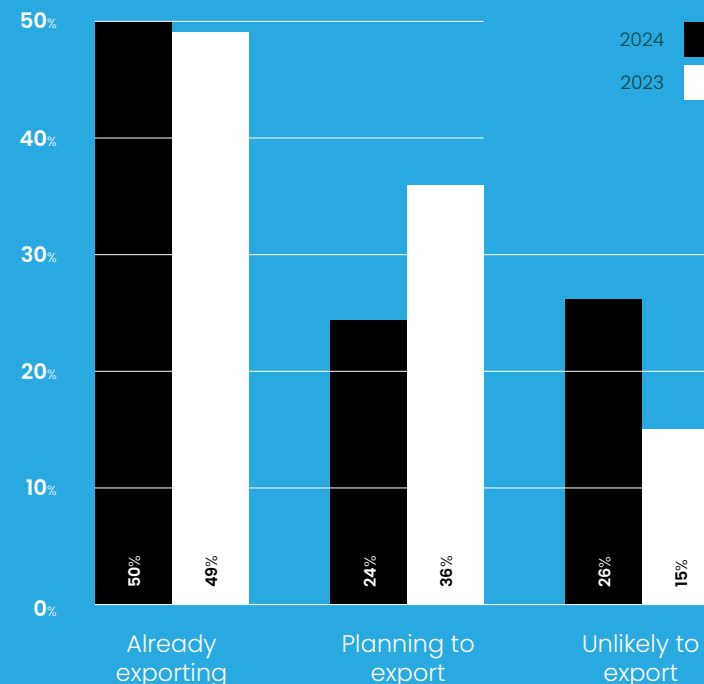
The graphic shows the number 79% with two smiley face emojis. Below it, the text is in a bold, sans-serif font.

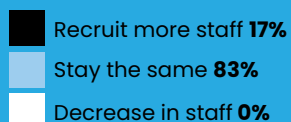
International sales

In terms of international sales and small businesses, the data shows a stable trend, with 50% of businesses already exporting in 2024, 49% in 2023, and 48% in 2022.

However, there is an apparent shift in future export plans, resulting in a decrease from 36% in 2023 to 24% in 2024, suggesting a potential re-evaluation of international strategies.

In contrast, from 15% in 2023 to 26% in 2024, the number of businesses reluctant to export has increased. This indicates small businesses may be experiencing emerging challenges or uncertainties affecting their ability to participate in international sales.





People and skills

The data reveals a mixed outlook among small companies for hiring in the next 12 months, with around 17% expecting an increase in employee numbers. Nearly 80% recognise the need for additional skills, notably in software development, data analytics, and cybersecurity. Across various technical skills, there's a balanced demand for junior, mid-level, and senior expertise, representing approximately 30% each. This underscores small companies' dynamic hiring plans and the diverse skill sets they seek to support their growth objectives.

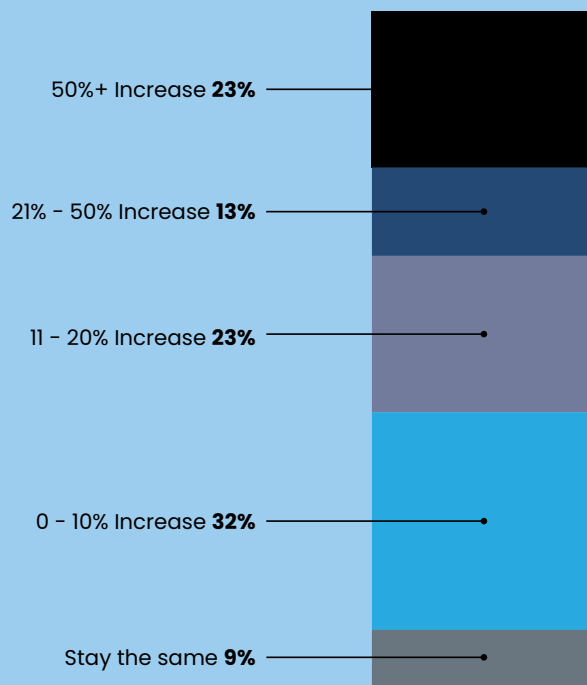
Sales outlook for 2024

With 23% expecting a 50 percent or more increase in sales in 2024, small businesses paint a positive picture of anticipated growth.

Among moderate increases, 13% expect an increase of 21%-50%, and 23% expect an increase of 11-20%.

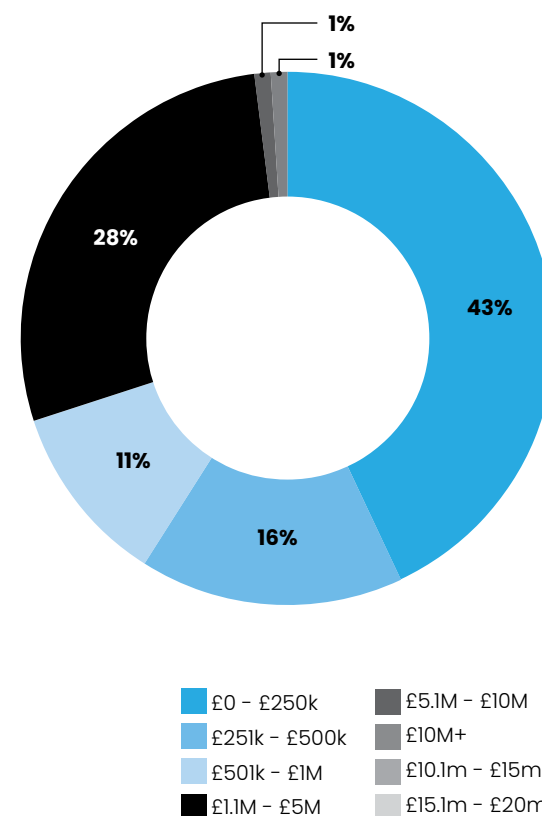
Interestingly, a larger proportion of small businesses (32%) anticipate smaller but positive growth, signalling a more optimistic view of incremental sales growth.

Additionally, no companies foresee a sales decline, reflecting a generally stable and positive sales climate for small businesses.



Financial environment

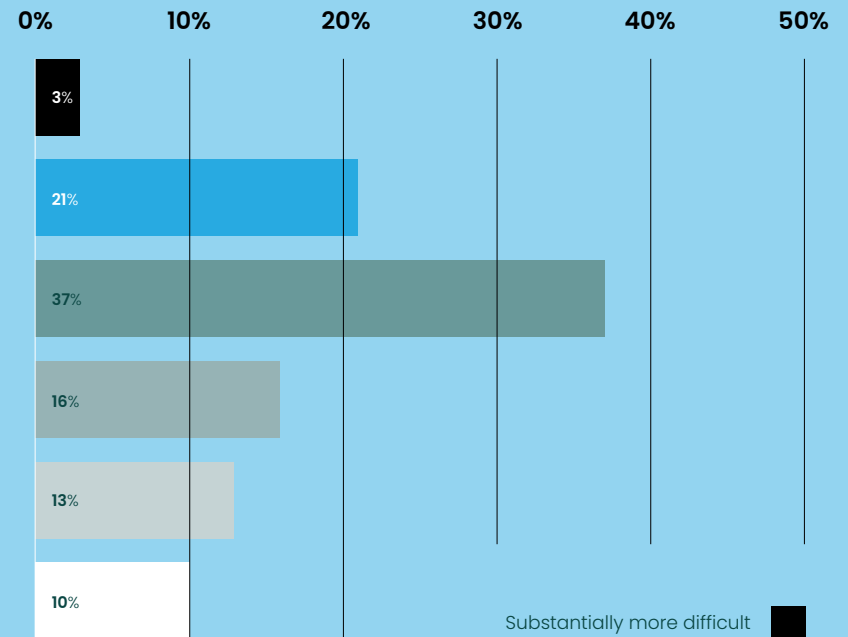
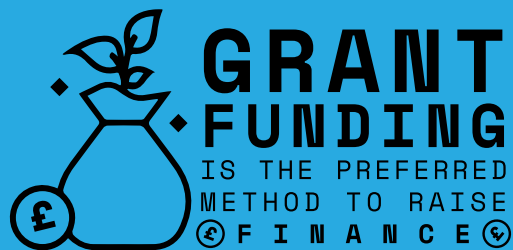
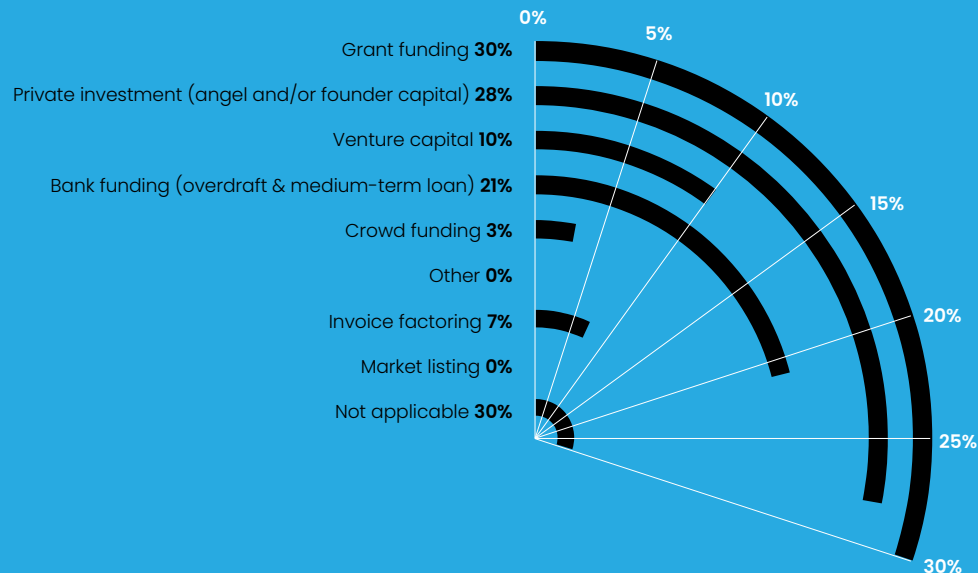
According to respondents, revenue distribution remained stable compared to last year, with only slight fluctuations across each category. A significant rise in the £251k - £500k range (16% in 2024 compared to 7% in 2023) and stability in the £1.1M - £5M range (28% in 2024 compared to 31% in 2023) reflects a resilient financial landscape for businesses in these revenue ranges.



Funding needs

Grant funding and private investment are also essential components of businesses' growth plans, according to the data. Grant funding accounts for 30% of total growth funding sought by small businesses in 2024, with 28% looking at private investment to aid growth.

There is a significant shift from the previous years, with a decline in venture capital (10% in 2024 versus 18%) and an increase in bank funding, including overdrafts and medium-term loans (21% in 2024 versus 16% in 2023).



Substantially more difficult
Somewhat more difficult
Little change
Somewhat better
Substantially better
N/A (business less than 12 months old)



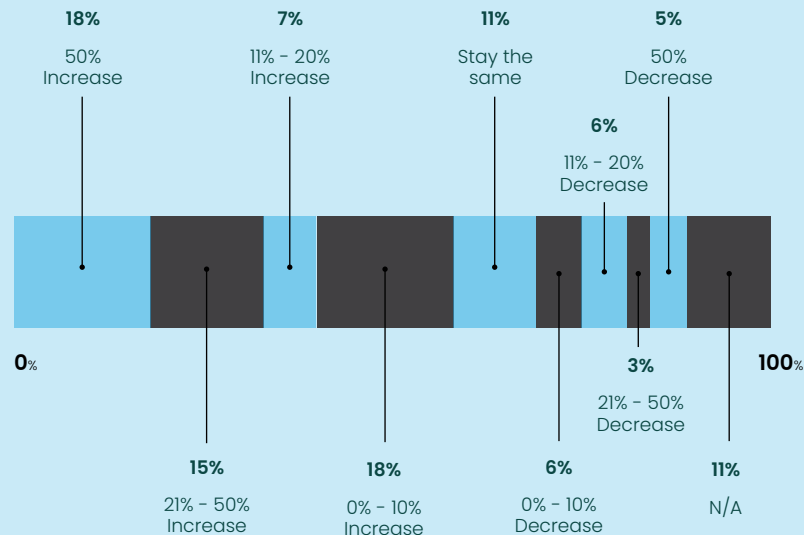
Cashflow compared to last year

In 2024, 29% of smaller businesses reported better or substantially better cashflow than in 2023. The number of smaller businesses facing more challenging cashflow situations has decreased (5% less than last year), indicating a positive trend in cash flow.

2023 sales levels compared with 2022

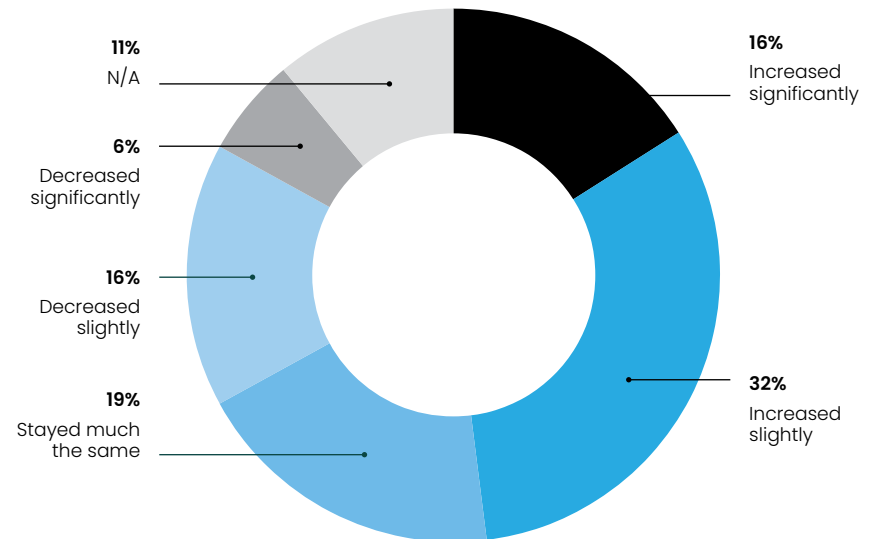
There is a mixed pattern in sales levels for businesses in 2023 compared to 2022. While there is an increase in the percentage reporting a 50%+ increase (18% in 2023 compared to 15% in 2022), a decline is observed in the categories of 21%-50% increase and 0-10% decrease.

58
REPORTED
AN INCREASE
IN SALES



Profit margins

Profit margins have shifted from 2022 to 2023. The percentage of companies reporting a significant increase has decreased (16% in 2023 compared with 19%), with a higher proportion indicating a slight increase (32%). In 2023, the percentage of companies reporting a decrease in profit margins, both slightly and significantly, has increased, which implies that businesses have been experiencing varied financial outcomes.



Benchmark 2:

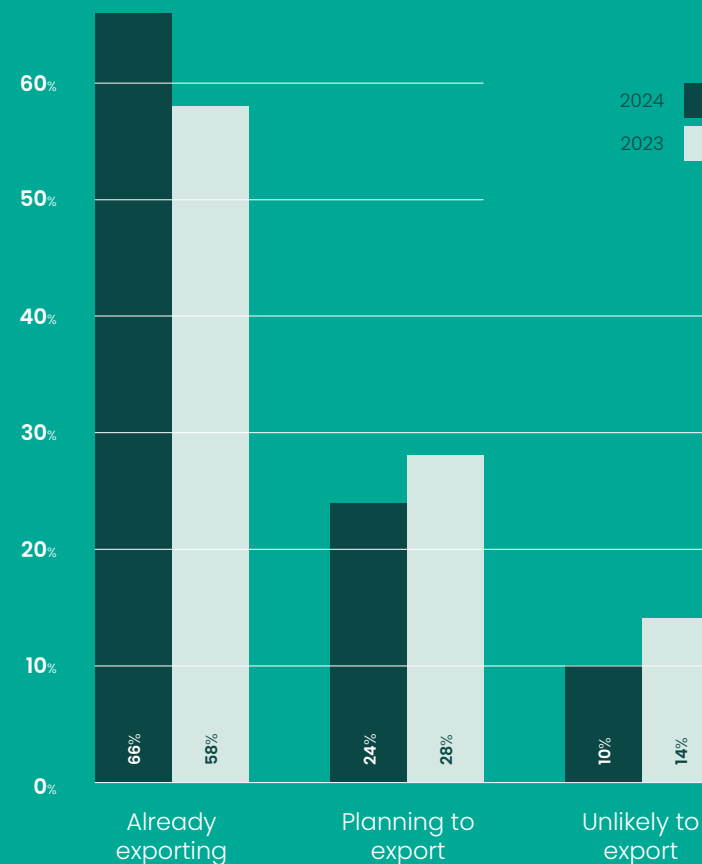
Medium-sized Companies (36 – 500 employees)

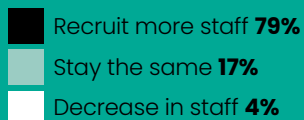
Reflections on 2023

Despite fluctuations in sales and profit margins in 2023 compared to the previous year, there is an optimistic outlook for the year ahead, with 84% of businesses expressing positivity. Notably, stability was observed in sales, with a higher percentage of businesses (31% in 2023) reporting no change compared to the previous year, and fewer experiencing significant sales increases of 50% or more (10% in 2023 compared to 11% in 2022). Additionally, while there was a rise in businesses reporting moderate sales decreases of 21%-50% (10% in 2023 versus 3% in 2022), this could indicate proactive adjustments in response to market conditions. Overall, amidst these shifts, a substantial proportion of businesses (38%) reported stable profit margins, showcasing resilience and adaptability in the face of economic changes.

International sales

According to respondents, 66% of medium-sized businesses are already engaged in export activities in 2024 compared to 58% in 2023. With 24% planning to export in 2024, there is also a steady interest in international markets. In 2024, businesses unlikely to export have decreased from 14% to 10%.



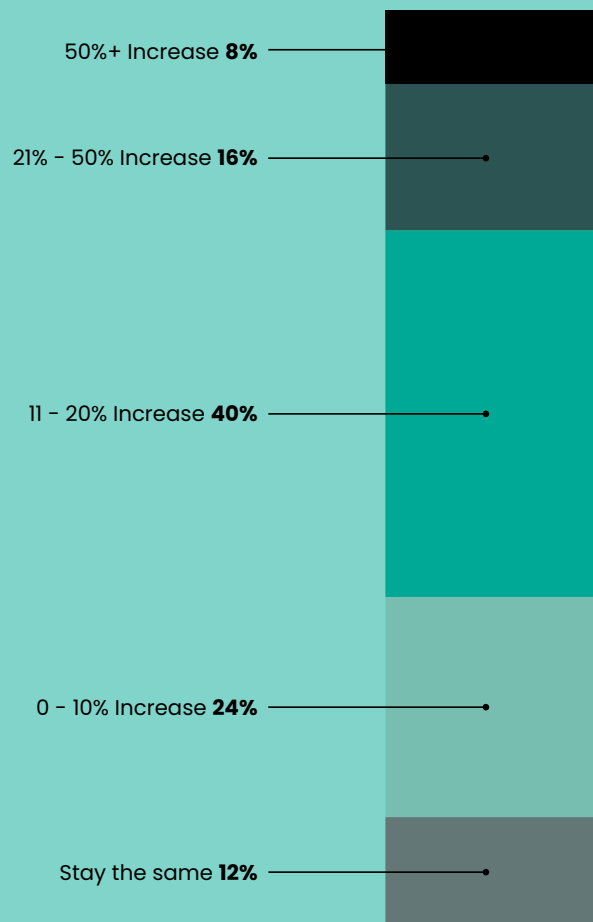


People and skills

In 2024, medium-sized businesses are anticipating shifts in their workforce, with approximately 20% expecting an increase of 21-50 employees, and about 10% predicting a surge of over 50 employees, while another 17% plan to maintain current levels. Recruitment strategies vary, with approximately 30% definitely willing to recruit, focusing notably on graduate apprentices and university graduates, and another 20% quite likely to recruit across different categories. Predictions suggest that the majority of new talent, around 40%, will come from Scotland, followed by the rest of the UK, Europe, and the rest of the world. The primary areas where businesses feel the need for additional skills are software and web development, infrastructure support and management, and data analytics. Specific technical skills in high demand include Java, Kotlin, Android, C#, and JavaScript at various levels, with a particular emphasis on senior positions.

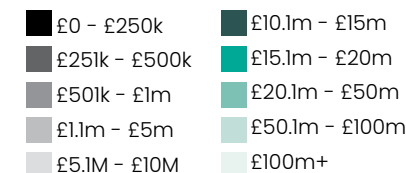
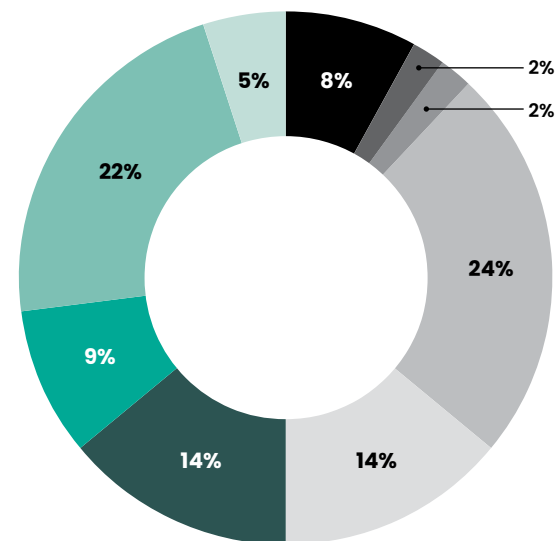
Sales outlook for 2024

According to 88% of respondents, the upcoming year will be a time of growth and improved sales performance, while 12% expect business to stay the same. In comparison to last year, 11% of respondents expected a growth rate of 0-10%, but 17% hoped for a growth rate of 11-20%, reflecting an enhanced level of market confidence.



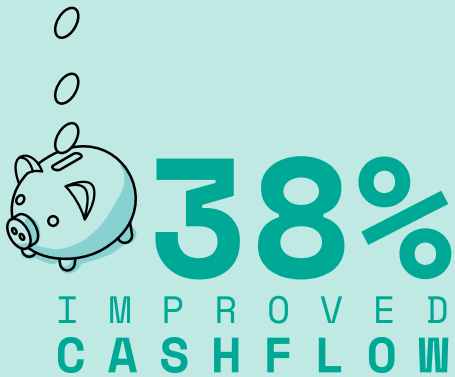
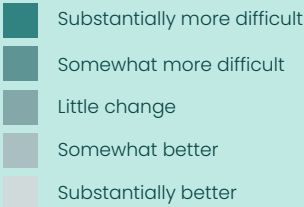
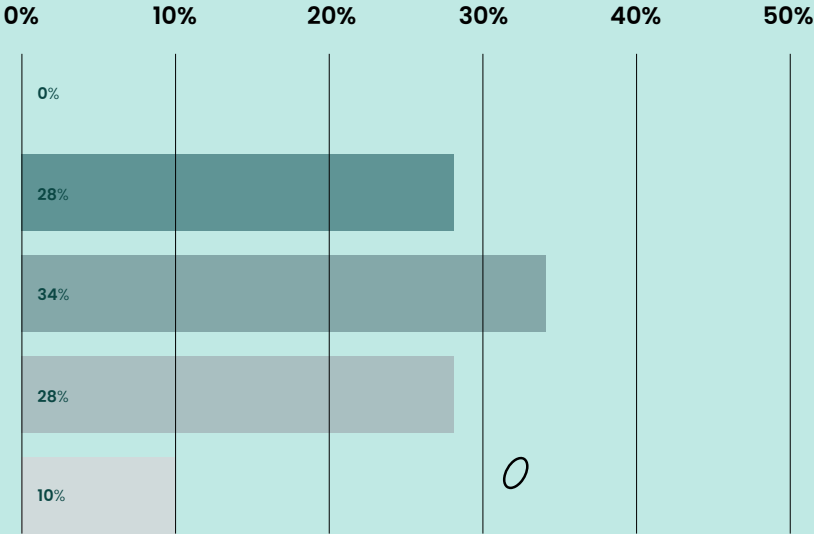
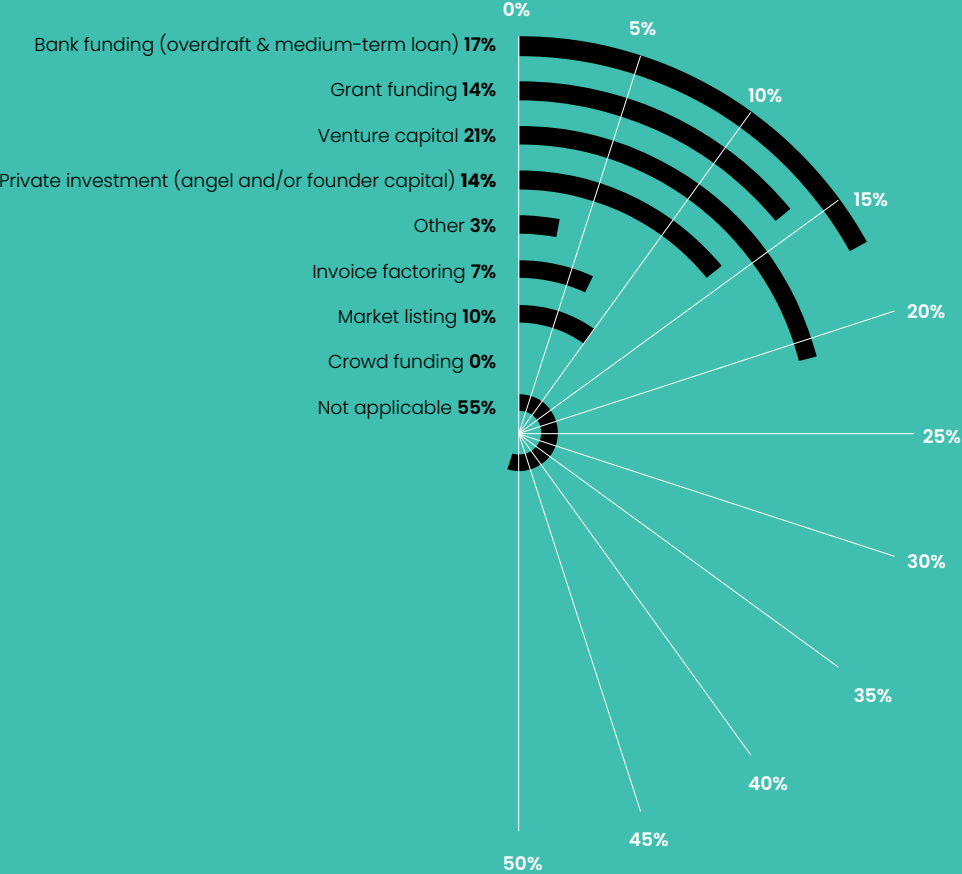
Financial environment

In terms of revenue levels, medium-sized company respondents are diverse. A significant portion in 2024 falls within the £1.1M - £5M range (24%), with a noticeable presence in the £20.1M - £50M range (22%).



Funding needs

Bank funding (17%), venture capital funding (21%), and grant funding (14%) are the top three funding needs for mid-sized businesses in 2024. Venture capital has seen a significant increase in demand (10% increase) compared to 2023, while bank funding and grant funding have remained relatively stable.



Cashflow compared to last year

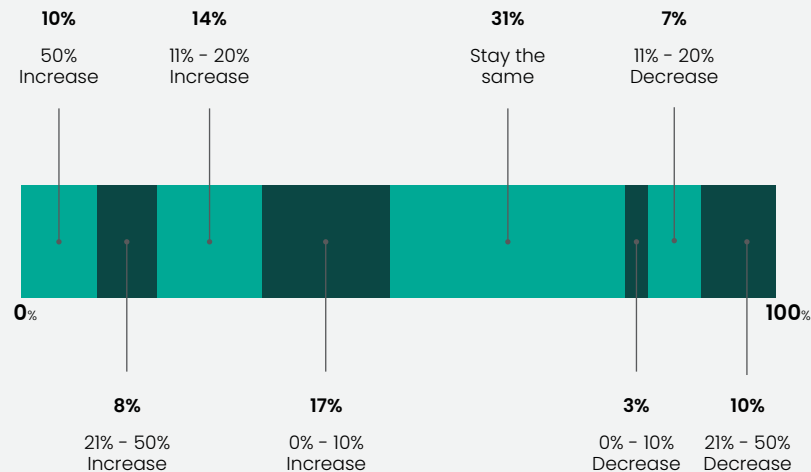
It appears that cash flow for businesses has improved in 2024 compared to 2023, with a higher percentage reporting that it is somewhat better (28% in 2024 compared to 19%).

Meanwhile, the percentage of companies facing somewhat more difficult cash flow has also seen an upward trend (28% in 2024 compared with 22% in 2023).

2023 sales levels compared with 2022

According to 2023 sales data, a higher percentage of businesses reported staying the same (31% in 2023 compared to 11% in 2022) and a lower percentage reported a 50%+ increase (10% in 2023 compared to 11% in 2022). There was also an increase in the number of businesses reporting 21%-50% decreases (10% in 2023 versus 3% in 2022).

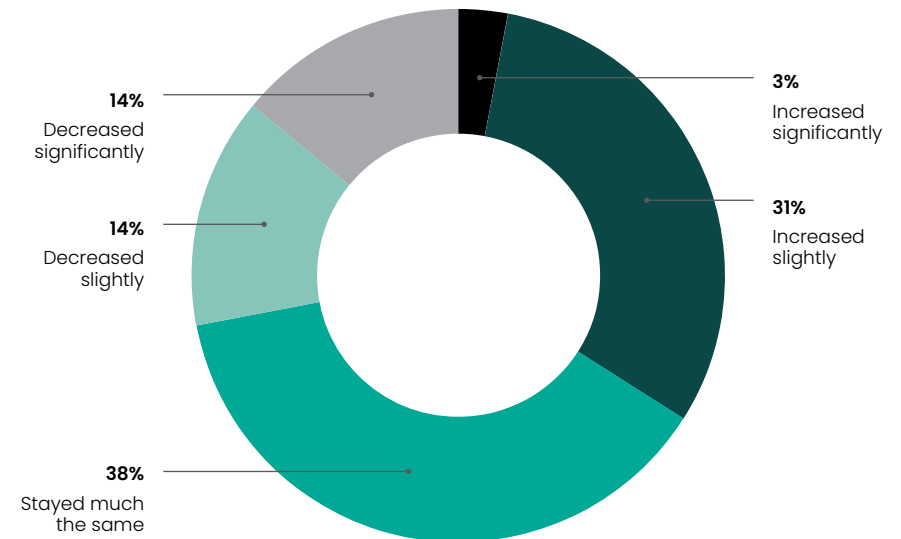
49
ARE REPORTING A
GROWTH
IN SALES



Profit margins

In the past year, profit margins have experienced notable changes, with a decrease in businesses reporting significant increase (3% in 2023 compared to 14% in 2022) and an increase in businesses reporting a slight decrease (14% in 2023 compared to 11% in 2022). In 2023, a substantial proportion reported that profit margins remained relatively the same (38%).

34%
OF BUSINESSES
INCREASED
PROFIT
MARGINS



Benchmark 3:

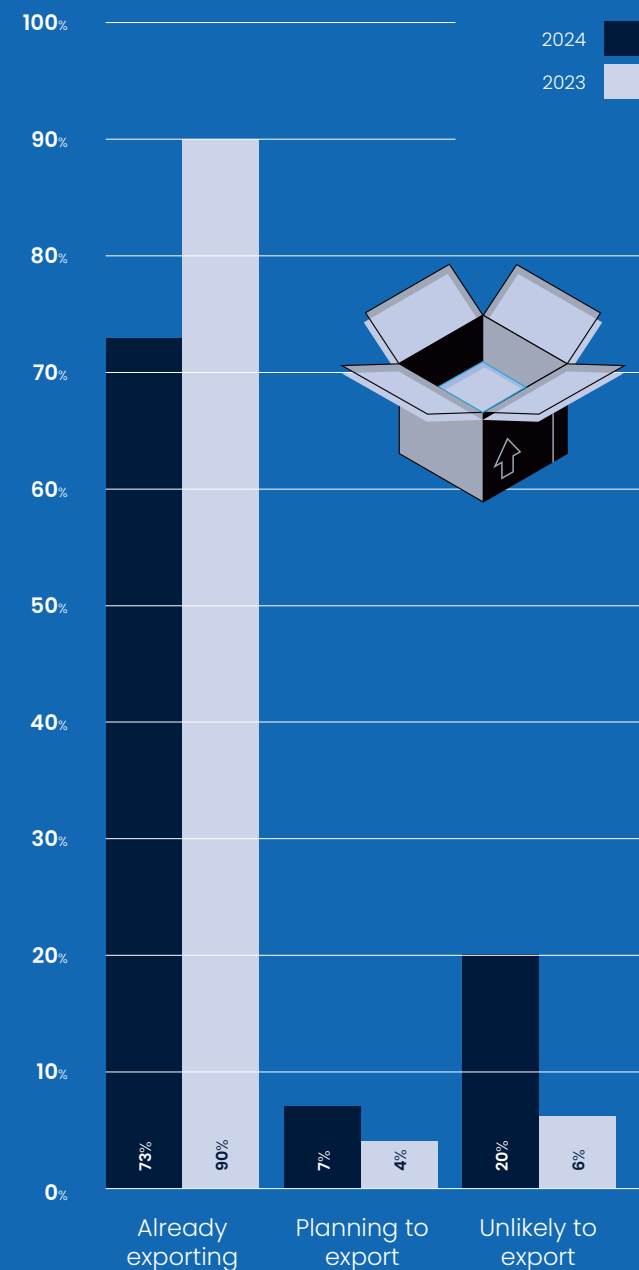
Larger Companies (500+ employees)

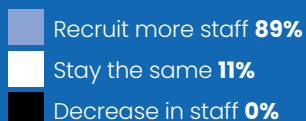
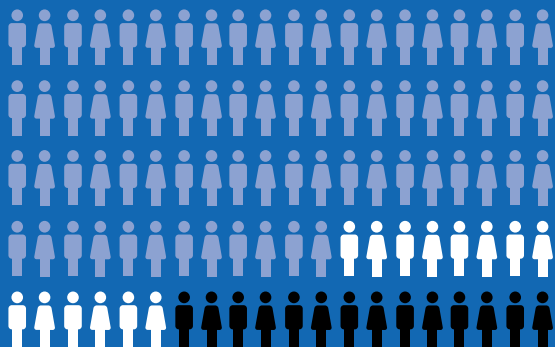
Reflections on 2023

In 2023, large companies exhibited resilience and adaptability, as reflected in their optimistic outlook for the future (60%). With 40% expressing optimism and an additional 20% feeling very optimistic about the year ahead, it's clear that despite the challenges faced, there's a strong belief in the potential for growth and success. This positive sentiment is further bolstered by the performance indicators of 2023, where a significant portion of companies managed to either maintain or increase their sales levels (82%). Notably, 34% reported no change, and 48% experienced an increase in sales. Additionally, profit margins showed promising signs, with 67% of companies either maintaining or experiencing growth. Specifically, 40% reported a slight increase, and 20% saw a significant increase in profit margins. These positive trends suggest that large companies are not only resilient but also primed for continued success as they navigate the challenges and opportunities of the coming year.

International sales

In 2024, large companies' exporting patterns changed in comparison to 2023, with an overall decrease in those already exporting (73% in 2024 versus 90% in 2023) and an increase in those unlikely to export (20% in 2024 versus 6% in 2023). In 2024, the percentage of companies planning to export has also increased slightly from 4% to 7%.





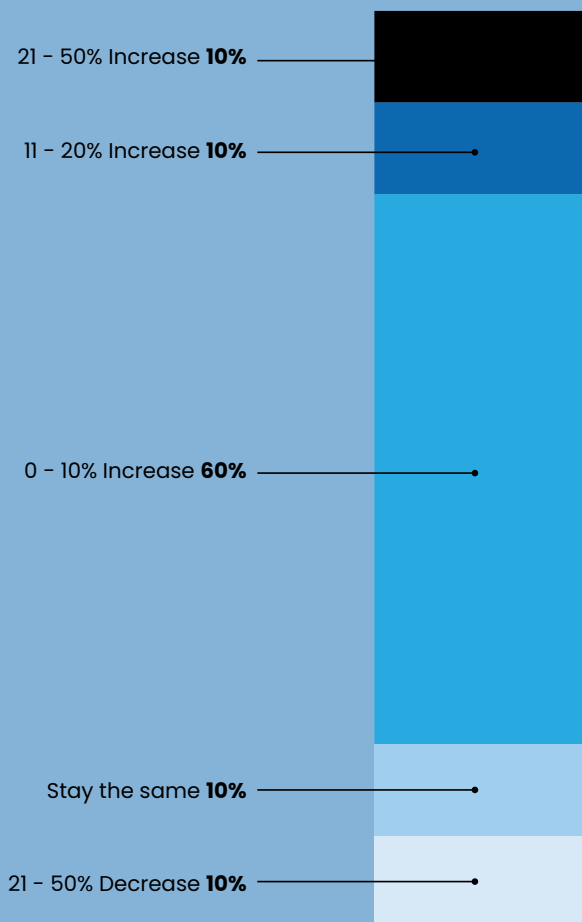
People and skills

89% of large companies plan to increase their headcount over the coming year. Notably, there's a demand for skills across various domains, including software and web development, infrastructure support and management, data analytics, artificial intelligence/machine learning, leadership, and cybersecurity. To meet these needs, companies anticipate sourcing talent from various channels, including university graduates (with 60% likely to recruit), college graduates, students for placement/internship programs, graduate apprentices (with 50% likely to recruit), and individuals undergoing retraining. This diversity in recruitment strategies reflects a proactive approach to securing the skills necessary for business growth and innovation in 2024.

Sales outlook for 2024

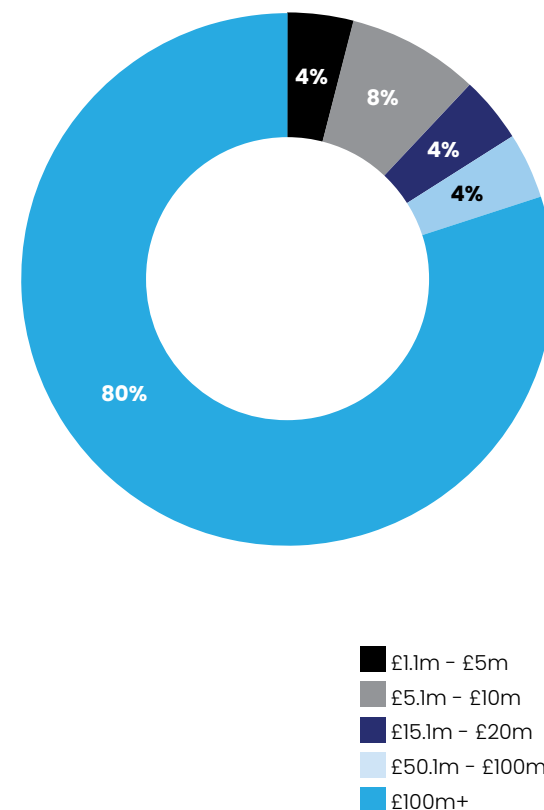
90% of larger companies expect to increase or maintain sales in 2024.

There is no indication of a significant decrease, reflecting an overall optimistic outlook for sales growth in the coming year, with 60% anticipating a 0-10% increase, while 10% anticipate a 21%-50% increase.



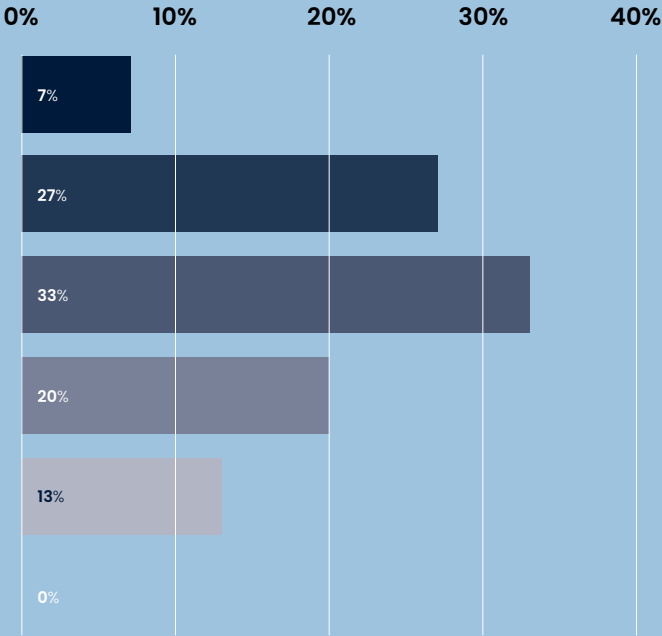
Financial environment

The turnover data gathered from respondents indicates that large companies, particularly those with £100m and above, dominate the landscape, comprising 80% of respondents in 2024. Compared to last year, we have seen a 12% increase in the number of companies with a turnover of £1.1-10M.



Cashflow compared to last year

There was an increase in substantial cashflow challenges for 7% of large companies in 2024, and 14% more than 2023 reported somewhat greater challenges. In spite of this, there is a positive trend, as 33% reported little change and a combined 33% said cashflow improved, either somewhat or substantially.



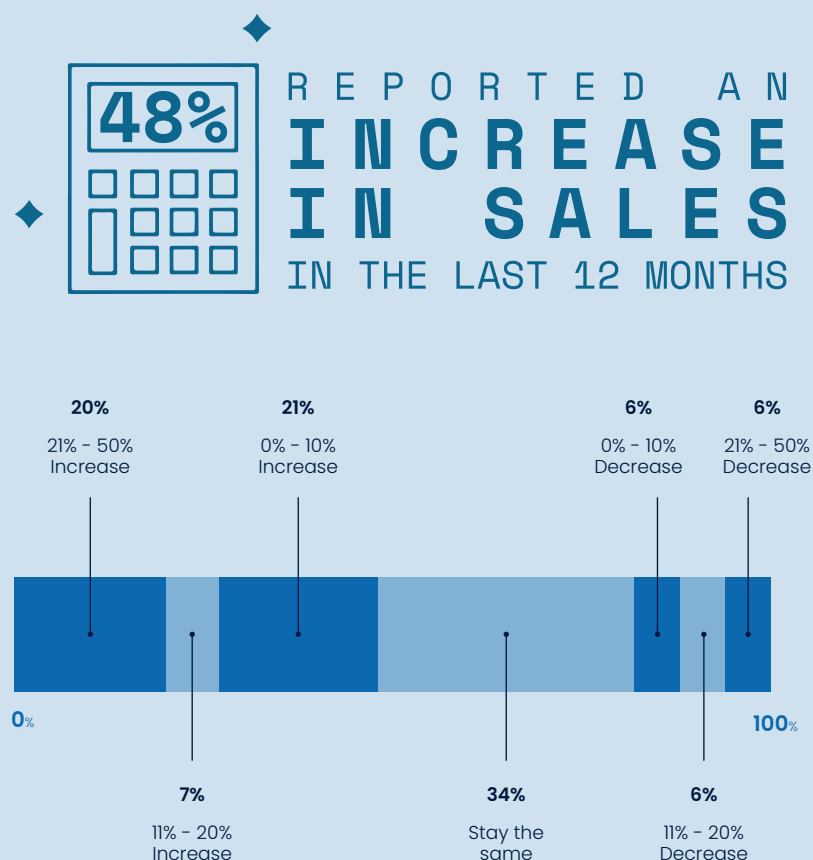
- Substantially more difficult
- Somewhat more difficult
- Little change
- Somewhat better
- Substantially better
- N/A (business less than 12 months old)

2023 sales levels compared with 2022

Compared to 2022, sales levels in 2023 increased between 21% and 50% (20% in 2023 versus 16% in 2022) while decreasing between 11-20% (7% in 2023 versus 19%).

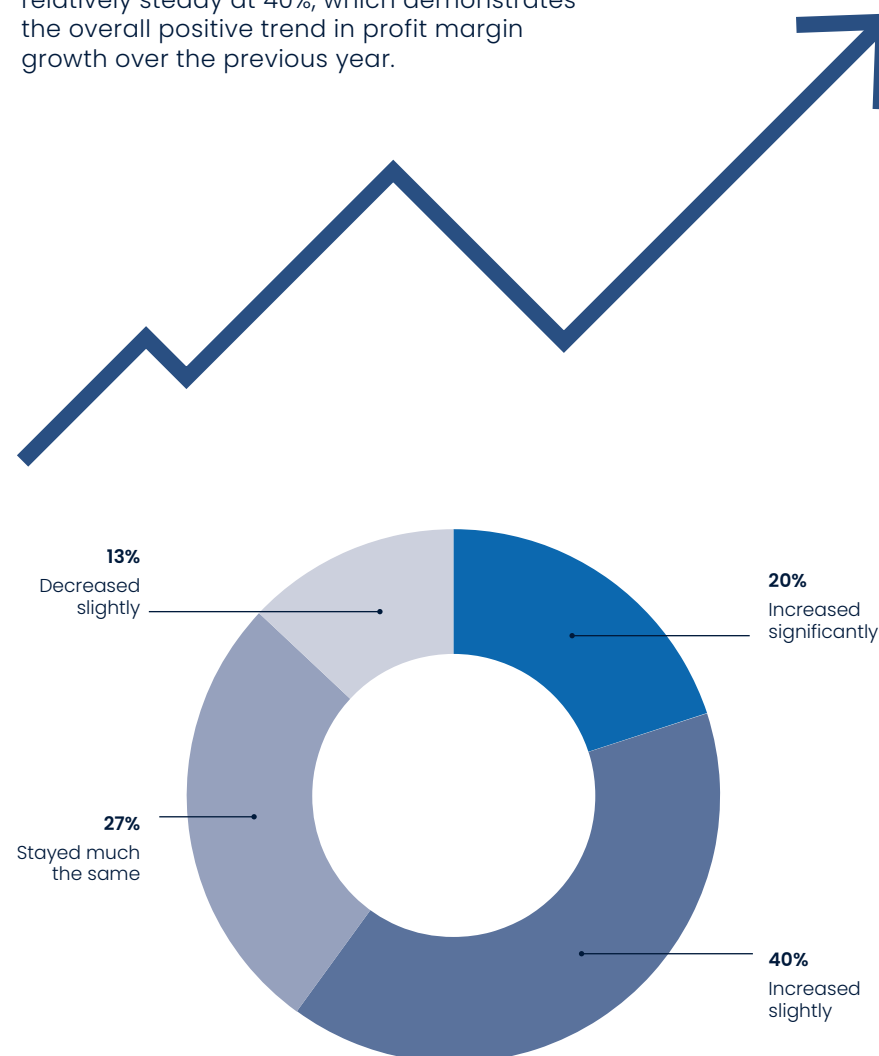
There was a significant increase in companies maintaining their sales levels without showing significant growth or decline in the "stay the same" bracket from 16% in 2022 to 34% in 2023.

It seems that different sales performances have been observed across different brackets, indicating a shift in the market dynamics during the respective time periods.



Profit margins

The percentage of businesses reporting a significant increase in profit margins soared from 6% in 2022 to 20% in 2023, a remarkable increase. In addition, the proportion experiencing a slight increase remained relatively steady at 40%, which demonstrates the overall positive trend in profit margin growth over the previous year.





ScotlandIS commentary

Underpinning the perception of market strength and robust value propositions among companies, the survey data highlights a prevailing sense of confidence among companies. In addition to citing successful past performances, a healthy sales pipeline, and positive expectations for business development, many businesses express confidence in their growth prospects.

There is a strong focus on sales growth among companies, with many reporting successful sales in the past year, securing substantial contracts, and anticipating sustained or increased customer demand in the future. There is a positive outlook across multiple sectors, aligned with proactive strategies for overcoming challenges and capitalising on opportunities for growth.

The survey reflects a clear trend towards growth and sales, with a significant percentage of companies anticipating expansion. In a sign of positive sales trends, a significant proportion of respondents expect a 50%+ increase or substantial progress. Although some sectors face challenges, the overall trajectory is positive, signalling a general shift toward growth-oriented strategies.

With consistent percentages of companies engaging in international trade, the data indicates a collective push towards expanding global footprints. Despite the popularity of established markets like Europe and North America, new opportunities, such as those in Asia and the Middle East, are gaining traction.

In line with growth projections, many companies anticipate that rather than making significant reductions, the focus is on hiring, showcasing a commitment to developing and maintaining dynamic teams.

The survey indicates a focus on financial stability, with a balanced approach to funding needs. Bank funding, grants, and private investment are identified as important considerations, demonstrating financial diversification.

Despite challenges, the survey data highlights businesses' resilience, adaptability, and strategic positioning. Companies have adapted to changes in business strategies due to external factors such as the geopolitical terrain and economic uncertainty. In spite of the challenges, the business landscape remains optimistic, growth-oriented, and adaptable to evolving market conditions.

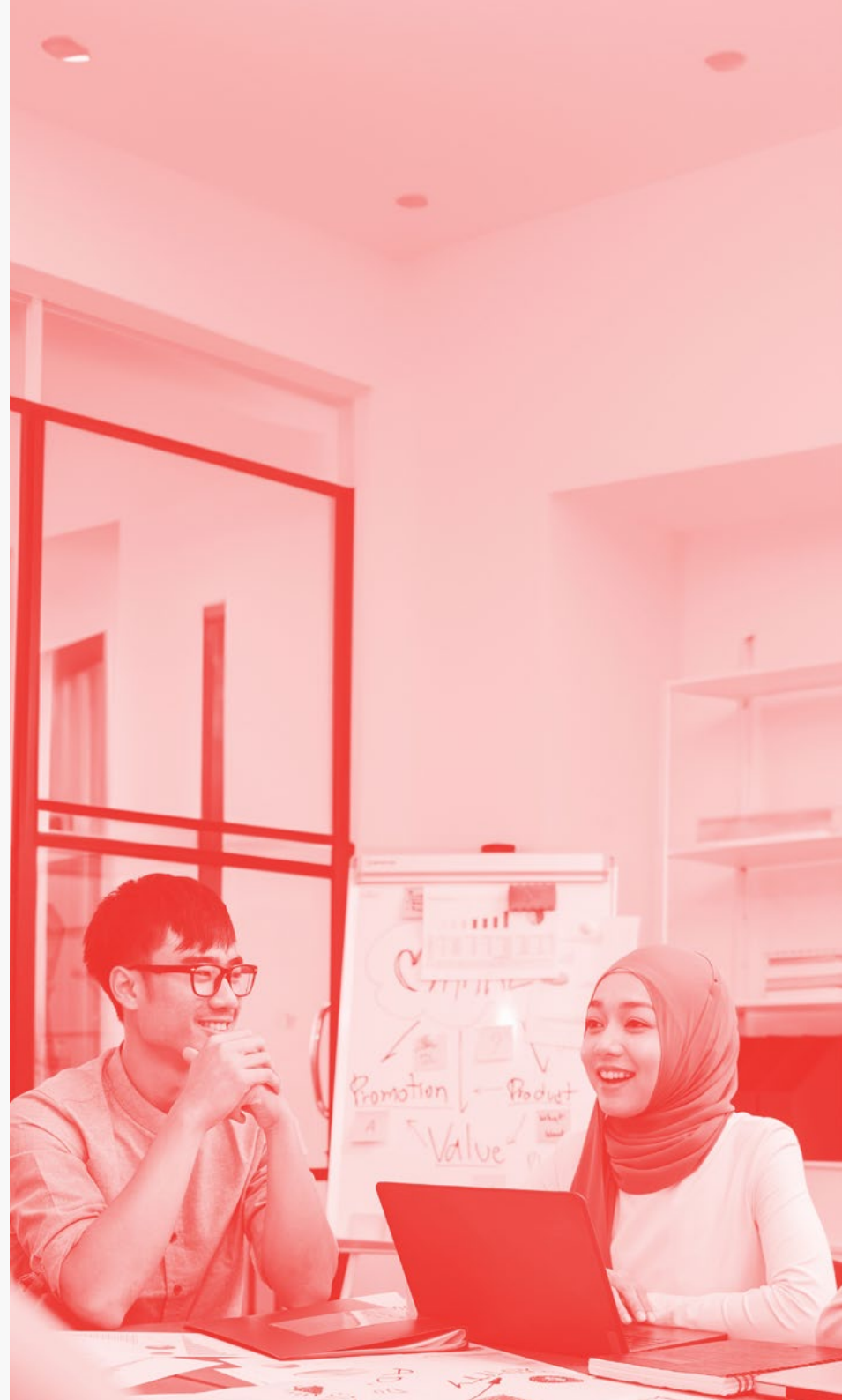
Collaboration and innovation to tackle the skills gap

We know there is a critical shortage of skilled software and IT people in Scotland. Securing the talent of the future is high on our agenda. We are focused on connecting skilled people with business to realise potential.

Seen as forward-thinking and enabling, ScotlandIS advocates and encourages grass roots interest in computer science, increasing diversity and higher participation throughout the education system.

In partnership with DYW Glasgow, Skills Development Scotland and with the support of industry we launched our Digital Critical Friend pilot programme in Glasgow, the West and South of Scotland. This is part of a new initiative to meet the rapidly growing and changing skills requirements of the digital industry. With the aim to help provide industry mentors for computer science teachers, this pilot will allow us to let teachers know where the new technologies are, encourage young people into computing and tech subjects and expose the next generation of talent to the opportunities within the Scottish digital/technology sector.

The Scottish Cluster Ecosystem Alliance (SCEA) was created by ScotlandIS to ensure collaboration across the cluster ecosystem in Scotland. As the only Silver Accredited Cluster Management Organisation in the UK, We aim to bring together cluster managers and sector coordinators from across Scotland to share insights, plans and ambitions in order to explore ways of connecting sectors and communities for collaborating, partnering and building relationships. Our goal is to set best practice through knowledge sharing around creating and managing clusters.



About ScotlandIS

- ScotlandIS is the membership and cluster management organisation for Scotland's digital technologies industry.
- ScotlandIS represents Scotland's digital technologies industries, including software, telecommunications, IT and digital media businesses.
- ScotlandIS members vary from global companies and internationally recognised exporters to very small start-ups and cover a wide range of skills and markets.
- ScotlandIS is at the heart of Scotland's digital economy, shaping, changing and driving it forward. We work with members and partners to support the wider digital transformation of business and society.
- ScotlandIS provides members with connections up, down and across the industry, relevant market intelligence and we act as a single voice to policy makers.
- Ensuring a continuing supply of current and future skills is a major area of focus and we facilitate a range of special interest groups and clusters including cyber, IT managed services, software engineering and Mobility as a Service.
- ScotlandIS works closely with the UK Government and its agencies, Scottish Government, Highlands and Islands Enterprise, Scottish Enterprise and Skills Development Scotland to underline the importance of our industry to the Scottish economy.



Methodology

The Scottish Technology Industry Survey 2024 was conducted between 7 Dec 2023 and 1 Feb 2024 through an online survey platform. The survey received 184 responses in total, of which 133 have been selected for analysis after discounting duplicates and unusable responses. The respondents include both ScotlandIS members and non-members.

For the overviews on Scotland's digital technologies sector and on digital technologies employment the following standard industrial classification (SIC) and standard occupational classification (SOC) codes have been used to define digital technologies businesses and jobs:

Digital technologies sector definition by main area of business

SIC Code	Description
18203	Reproduction of computer media
2611	Manufacture of electronic components
2612	Manufacture of loaded electronic boards
262	Manufacture of computers and peripheral equipment
263	Manufacture of communication equipment
264	Manufacture of consumer electronics
268	Manufacture of magnetic and optical media
2731	Manufacture of fibre optic cables
5821	Publishing of computer games
5829	Other software publishing
611	Wired telecommunications activities
612	Wireless telecommunications activities
613	Satellite telecommunications activities
619	Other telecommunications activities
6201	Computer programming activities
6202	Computer consultancy activities
6203	Computer facilities management activities
6209	Other information technology and computer service activities
6311	Data processing, hosting and related activities
6312	Web portals
6399	Other information service activities not elsewhere classified
9511	Repair of computers and peripheral equipment
9512	Repair of communication equipment

Digital technologies sector definition by occupation

SOC Code	Description
1136	Information Technology and Telecommunications Directors
2133	IT Specialist Managers
2134	IT Project and Programme Managers
2135	IT Business Analysts, Architects and Systems Designers
2136	Programmers and Software Development Professionals
2137	Web Design and Development Professionals
2139	Information Technology and Telecommunications Professionals not elsewhere classified
3131	IT Operations Technicians
3132	IT User Support Technicians
5242	Telecommunications Engineers
5245	IT Engineers



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