

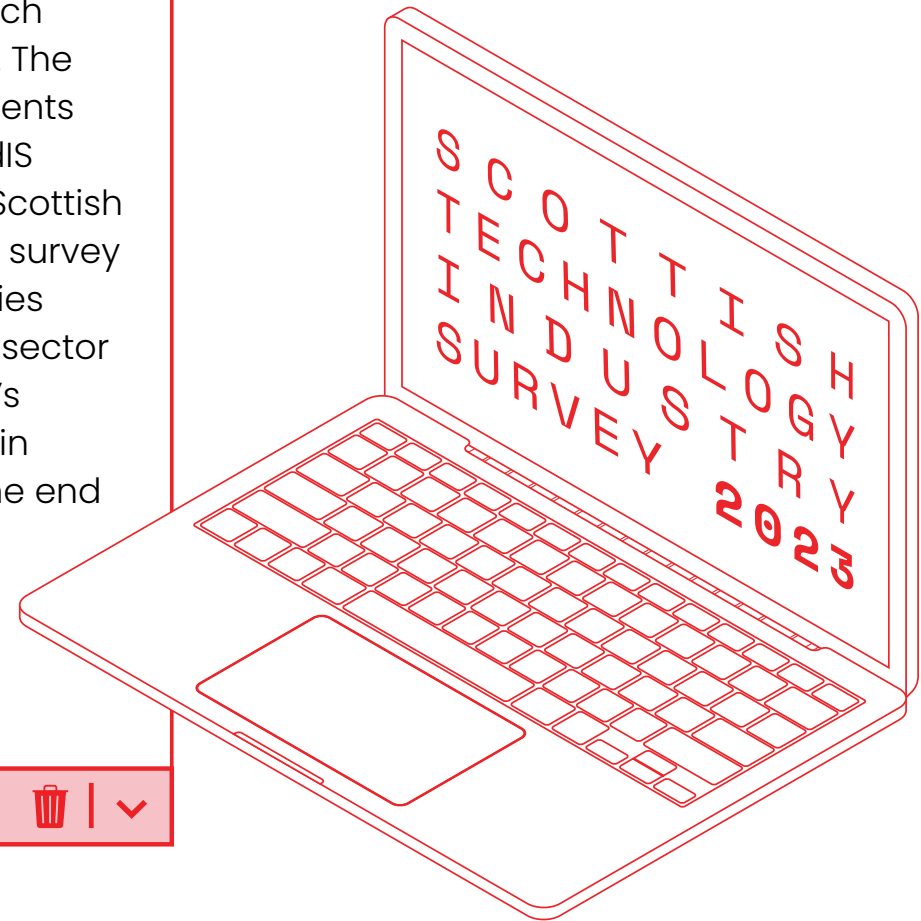
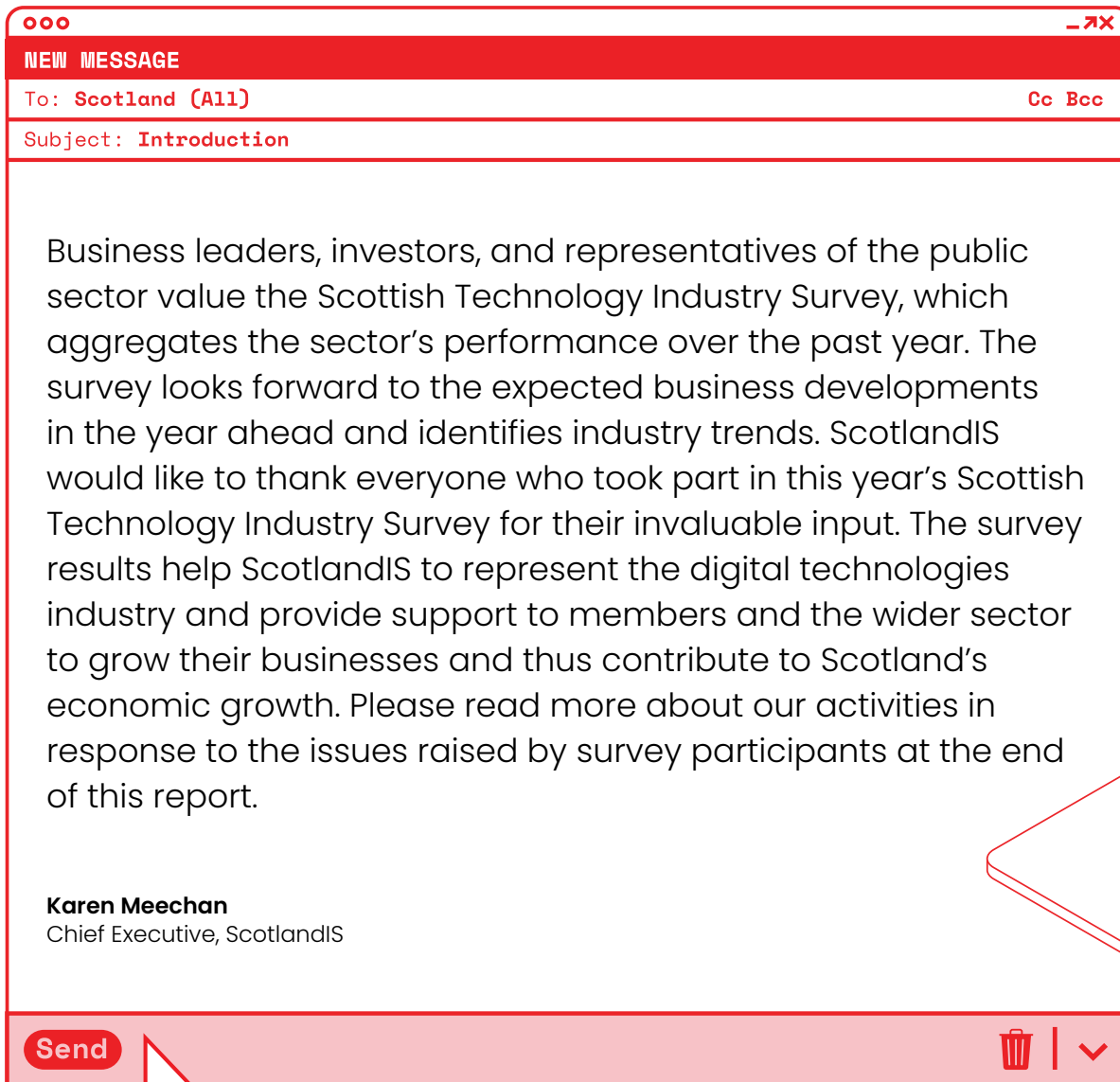
The background is a solid red color with white line-art icons. At the top left is a robotic arm. In the center is a magnifying glass. At the top right is a wind turbine. At the bottom is a bridge with three arches over wavy lines representing water.

SCOTLANDIS

# Scottish Technology Industry Survey 2023

SCOTLANDIS.COM





# Top Trends



62%

OF RESPONDENTS ARE  
**OPTIMISTIC**  
ABOUT THE  
NEXT 12 MONTHS

## Continued growth

Scotland's technology sector continues to grow, with many companies reporting increased sales and profit margins. Sixty-four percent of companies reported a boost in sales, while 52 percent reported an increase in profits.

Despite the slowdown in the economy, the sector remains optimistic about its future, with 62% of businesses having a positive outlook for 2023 and 67% expecting to increase their sales.

During and immediately after covid, growth accelerated rapidly, but is now slowing as demand has settled into a more steady, less erratic pattern. There is, however, an increasing need for skilled personnel, as well as an increase in the number of companies exporting.

A growing number of companies are looking to export their products overseas, with 59% doing so already and an additional 28% planning to do so soon.



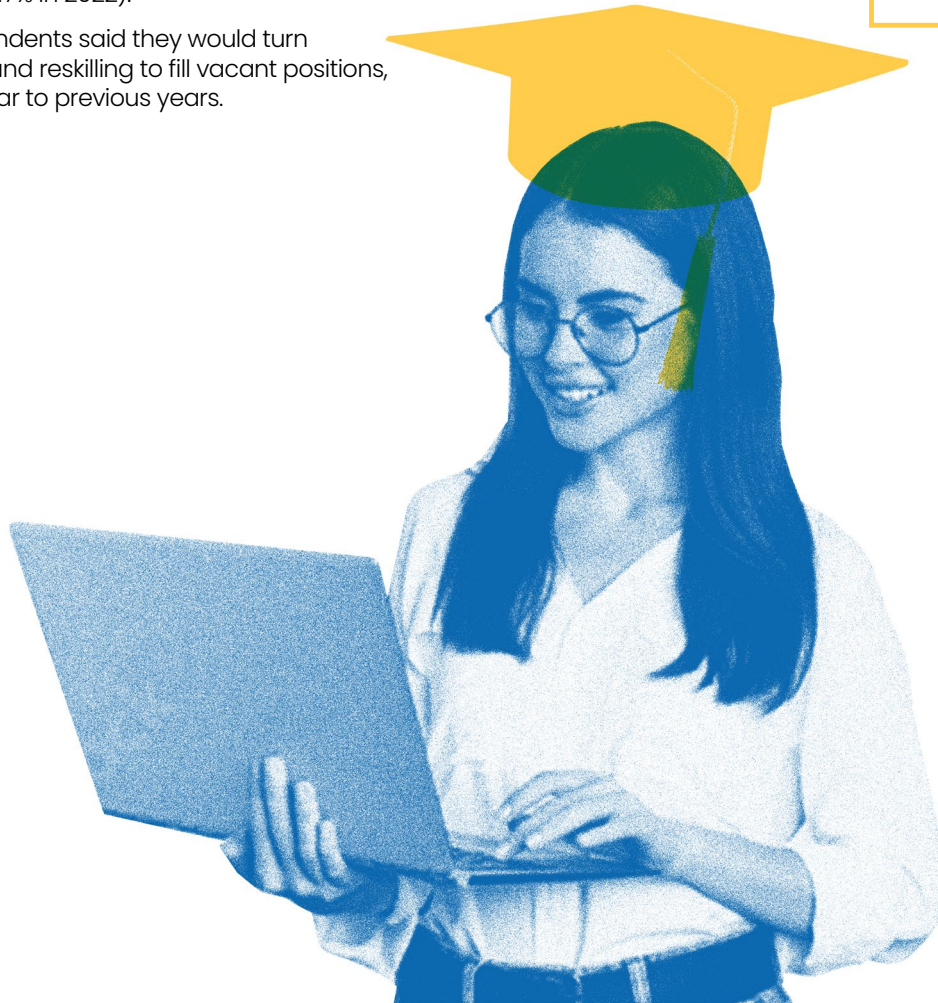
## Ever growing need for new staff

Eighty-three percent of respondents anticipate an increase in employment numbers in the coming year. Furthermore, none of the respondents indicated that they would look to reduce headcount in the coming year.

81% of respondents reported they are definitely or quite likely to recruit university graduates in the next 12 months, up from 76% last year. The number of companies that are definitely or quite likely to hire college graduates has increased significantly, up from 52% last year to 65% this year.

Apprenticeships for graduates remain the most popular type of apprentice, with 41% of respondents saying they are likely to hire one (down from 47% in 2022).

48% of respondents said they would turn to upskilling and reskilling to fill vacant positions, which is similar to previous years.

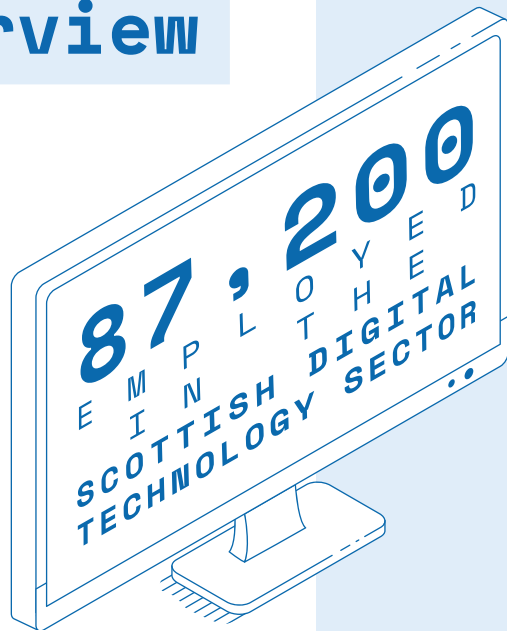


**SALES & MARKETING  
IS THE MOST  
IN DEMAND SKILL**

## Skills Demand

As in previous years, sales and marketing skills have been the most in demand skill sets, with 78% of respondents indicating they either have a high requirement or at least some requirement in this area. The results of our survey revealed that there was a slight decline in demand for leadership skills this year, compared to last year's respondents (67%, down from 70%). There were three leading answers given by companies when asked about the greatest opportunities for their businesses over the next 12 months, which were cyber security, data analytics and artificial intelligence. In terms of opportunity areas, cyber security is noted to have had the largest increase, rising to 46% in the last year from 31% in the previous year. According to respondents, software development skills continue to be in high demand, with SQL, Python, and JavaScript (ReactJS/AngularJS/NodeJS) ranking first and second in terms of rankings of specific technical skills that companies have the greatest need for.

# Industry Overview



## Scotland's digital technologies sector

The digital technology sector in Scotland continues to play a crucial role in the economy of Scotland, with a contribution of around £6bn to our economy.

Besides accounting for 4% of Scotland's total economic output, it has also grown by an astounding 107.5% between 2012 and 2022 compared with an increase of 12.8% for Scotland overall between 2012 and 2022.

Additionally, the digital technology sector is more productive than the Scottish average.

This has been demonstrated by the sector's ability to respond to Covid-19 by already returning to pre-pandemic levels of 4.7% GVA growth, and their total workforce has increased by 3.6% to 87,200 between 2019-21, while the Scottish economy has been declining by 2.2% in the period.

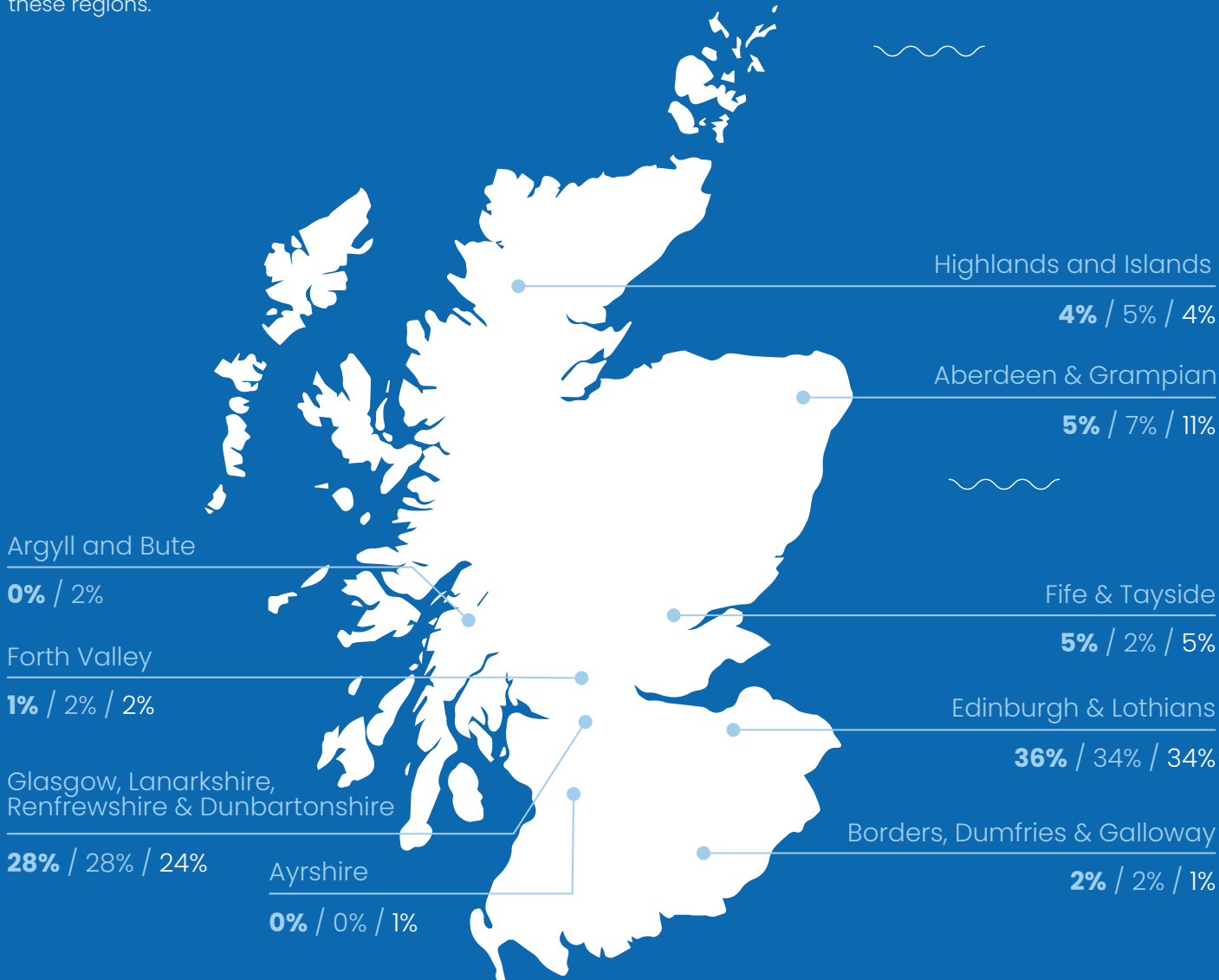
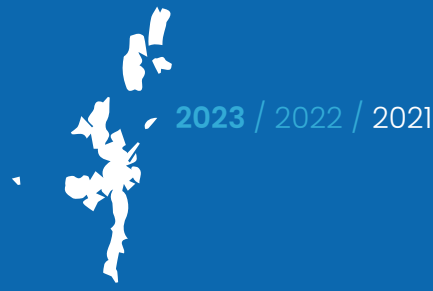
In spite of this, if skills shortages are not addressed urgently, future economic growth will be limited.

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



# Headquarters location

Among respondents, Edinburgh & Lothians account for 36%, followed by Greater Glasgow (28%), Aberdeen & Grampian (5%), and Fife & Tayside (5%). Only the location of respondents to this survey is reflected in these figures, not the actual share of digital technology companies in these regions.



2023 / 2022 / 2021

## UK outwith Scotland

8% / 10% / 8%

## EU outwith UK

4% / 2% / 3%

## US headquartered

6% / 4% / 4%

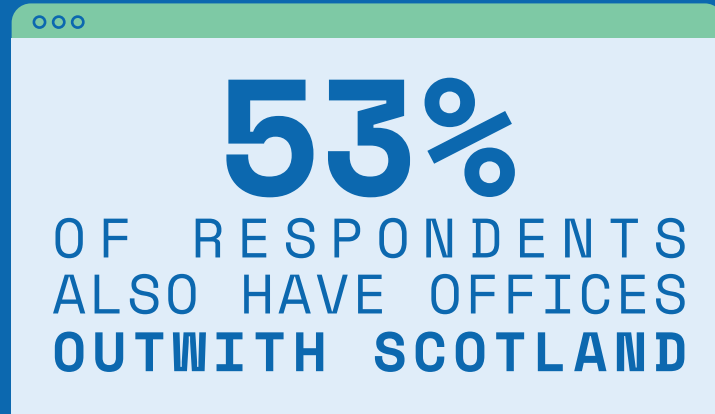
## Other

1% / 4% / 4%

# Offices outwith Scotland

47% of companies are located only in Scotland, and just over a third of organisations (39%) have a base within the rest of the UK.

There is an increasing presence across the globe, with North America reporting a 4% increase, Australia & New Zealand reporting a 4% increase, and Europe and Asia both showing 2% increases.



2023 / 2022





# Staff Location

Staff primarily reside in Scotland (92% of respondents), followed by the Rest of the UK with 60%, and Europe with 26%.

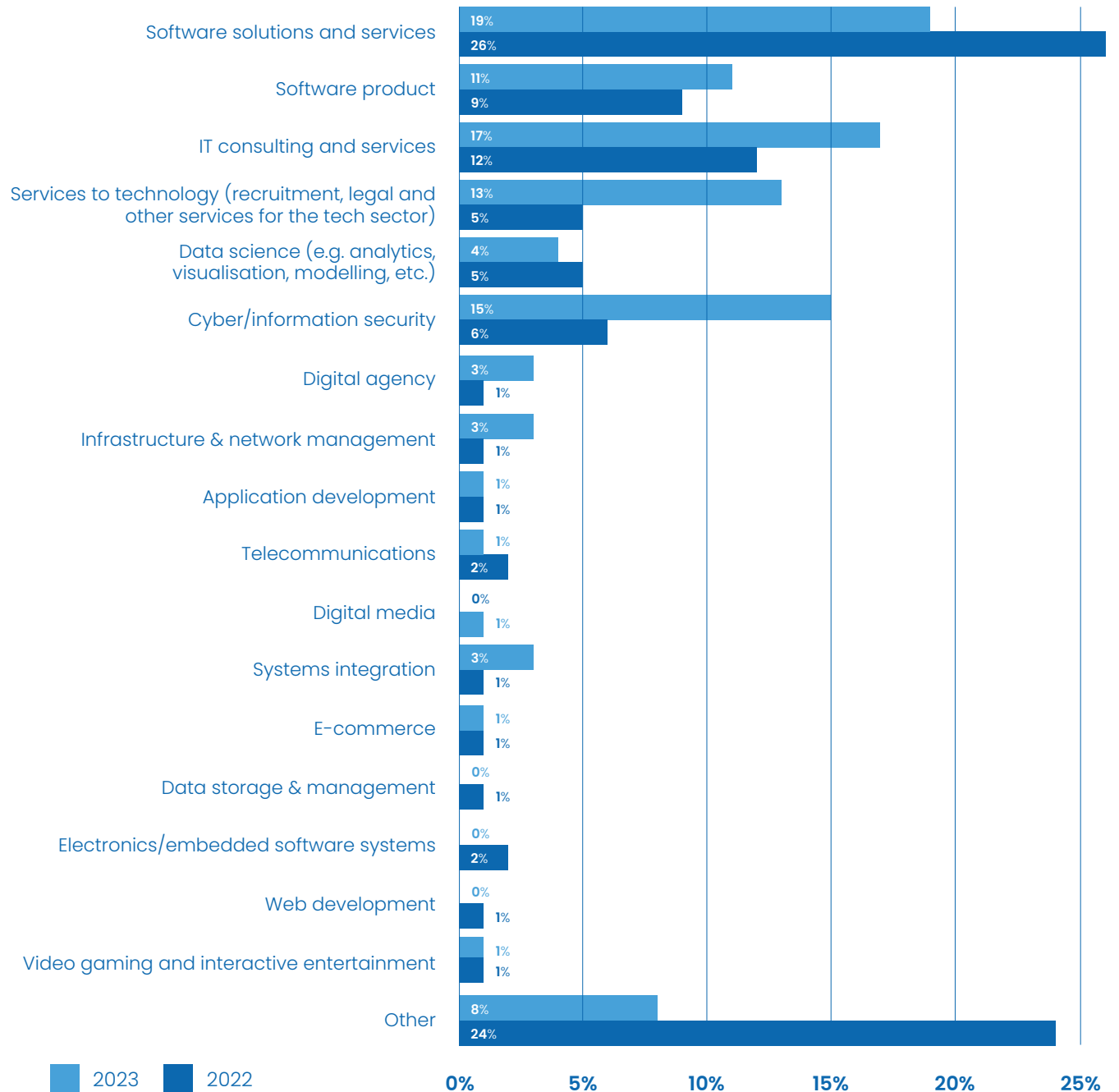
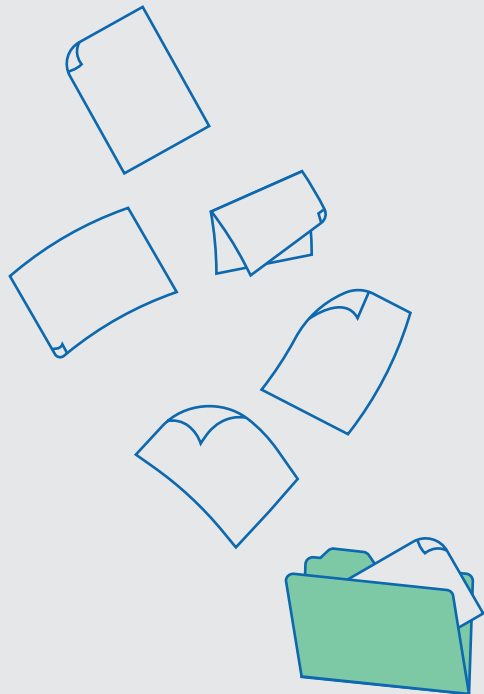
With the shift to remote working, we have seen an increase in the number of staff working outside of Scotland.

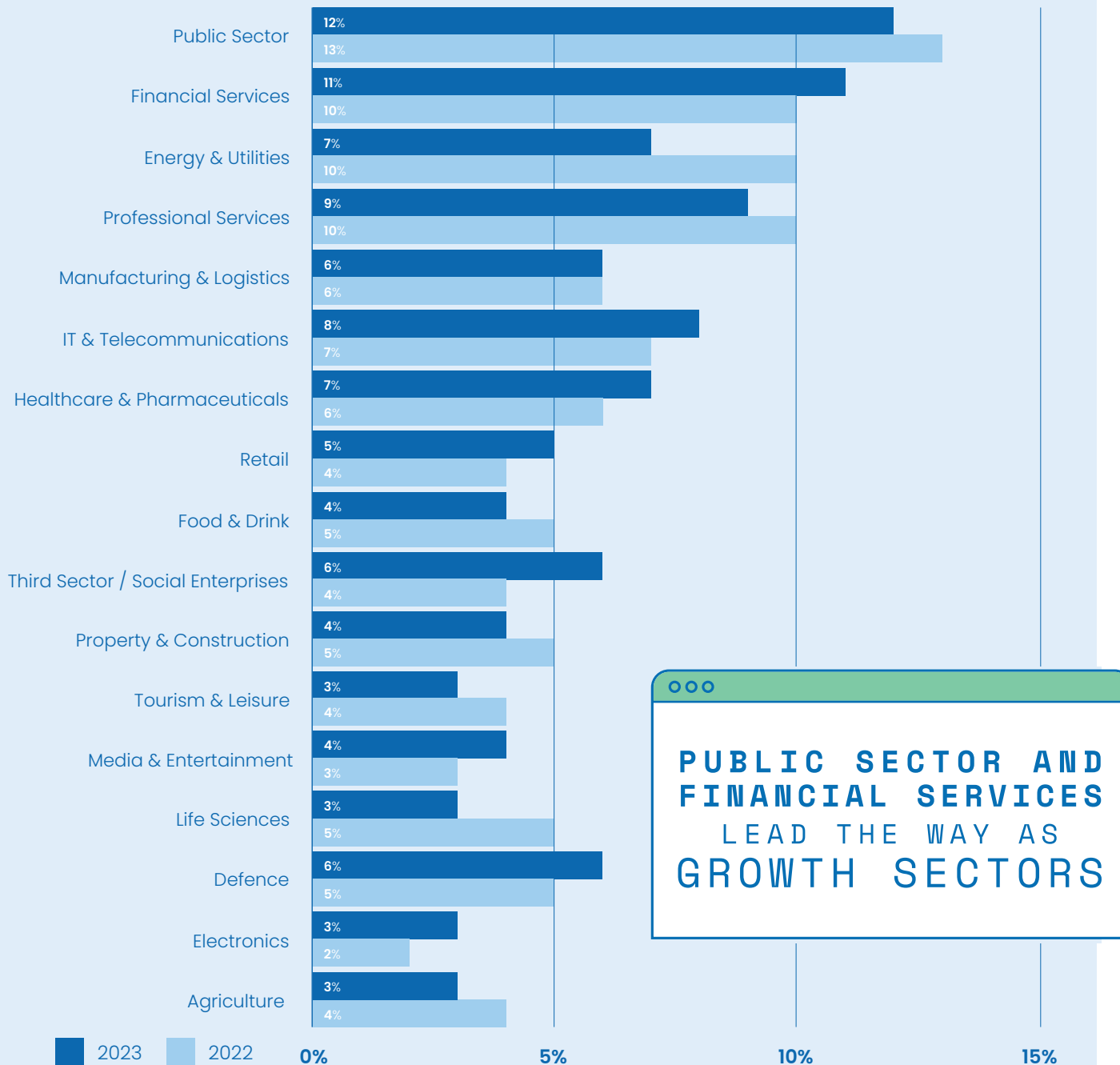
- Within Scotland Only **92%** / 92%
- Rest of UK **60%** / 45%
- Europe **26%** / 24%
- Middle East **4%**
- Asia **14%** / 13%
- North America **20%** / 19%
- Central America **6%** / 5%
- Africa **5%**
- Australia **10%** / 8%
- Other 5%

2023 / 2022

# Main activity of business

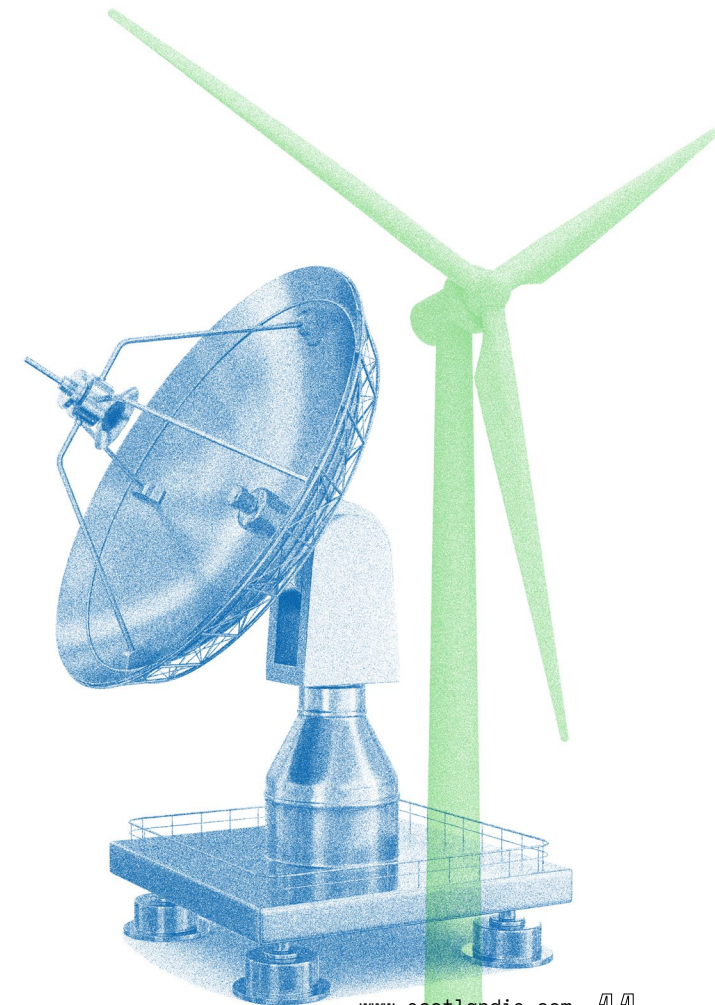
According to the survey, software solutions and services account for 19% of respondents' activities, down from 26% last year. Nevertheless, we have seen a noticeable increase in the number of people coming from the Cyber/Information Security sector (9% rise to 15% in 2022). There has also been an increase of 5% in the IT Consulting and Services sector, taking this year's growth to 17%, compared with this time last year.





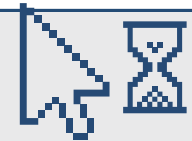
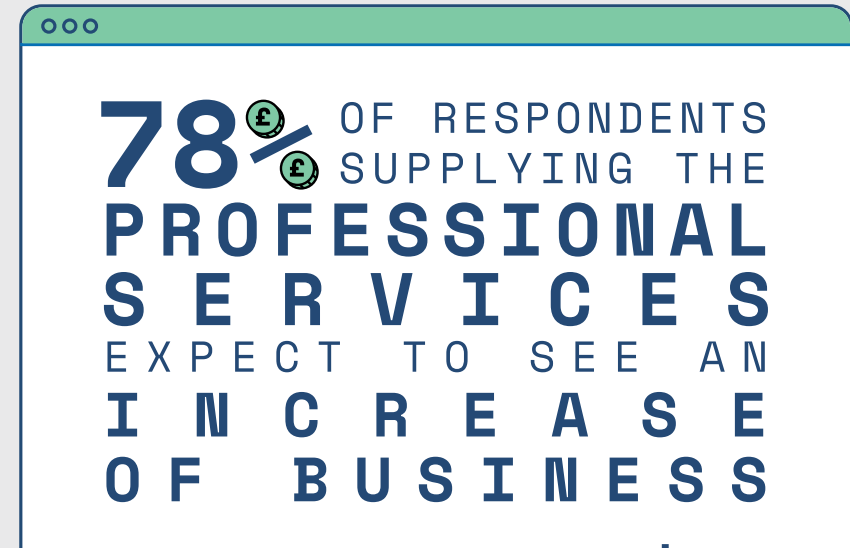
## Sectors being supplied

There is a wide range of sectors that the industry supplies - the top four changed slightly this year - the public sector remained broadly the same at 12 percent, financial services increased to 11 percent, professional services reached 9%, and IT & Telecommunications supplanted Energy and Utilities. Small gains were also made with Healthcare & Pharmaceuticals (7%), Third Sector/Social Enterprises (6%) and Defence (6%).

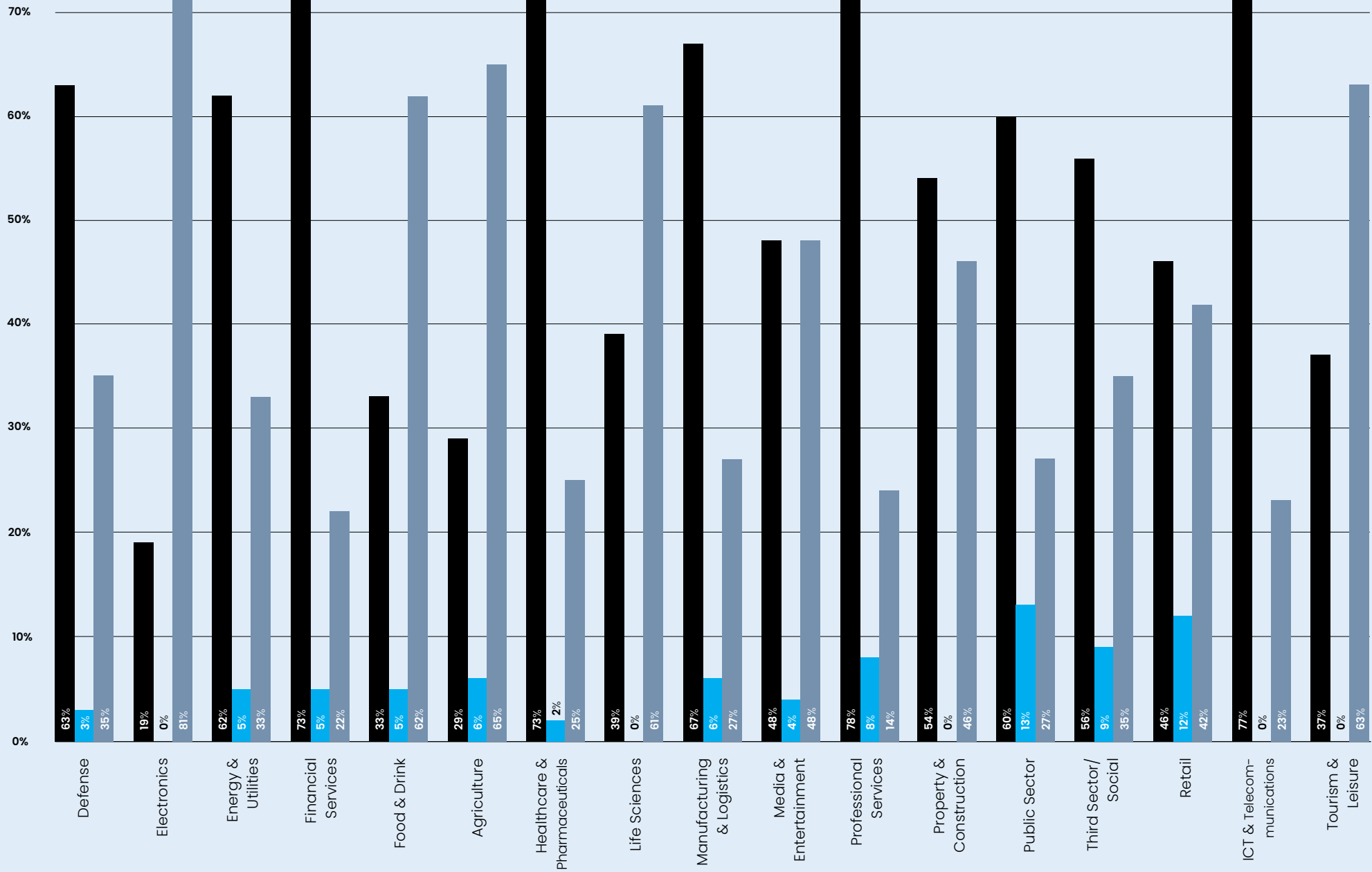


## Expected demand in 2023

Among respondents supplying the professional services sector, 78% anticipate an increase in business within the next 12 months, an increase of 5% from the year before. It was seen that 73% of those surveyed predicted business would increase in both the financial services sector as well as the healthcare sector. It is expected that 13% of public sector providers and 12% of retail providers will experience a decline in demand over the next 12 months.



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

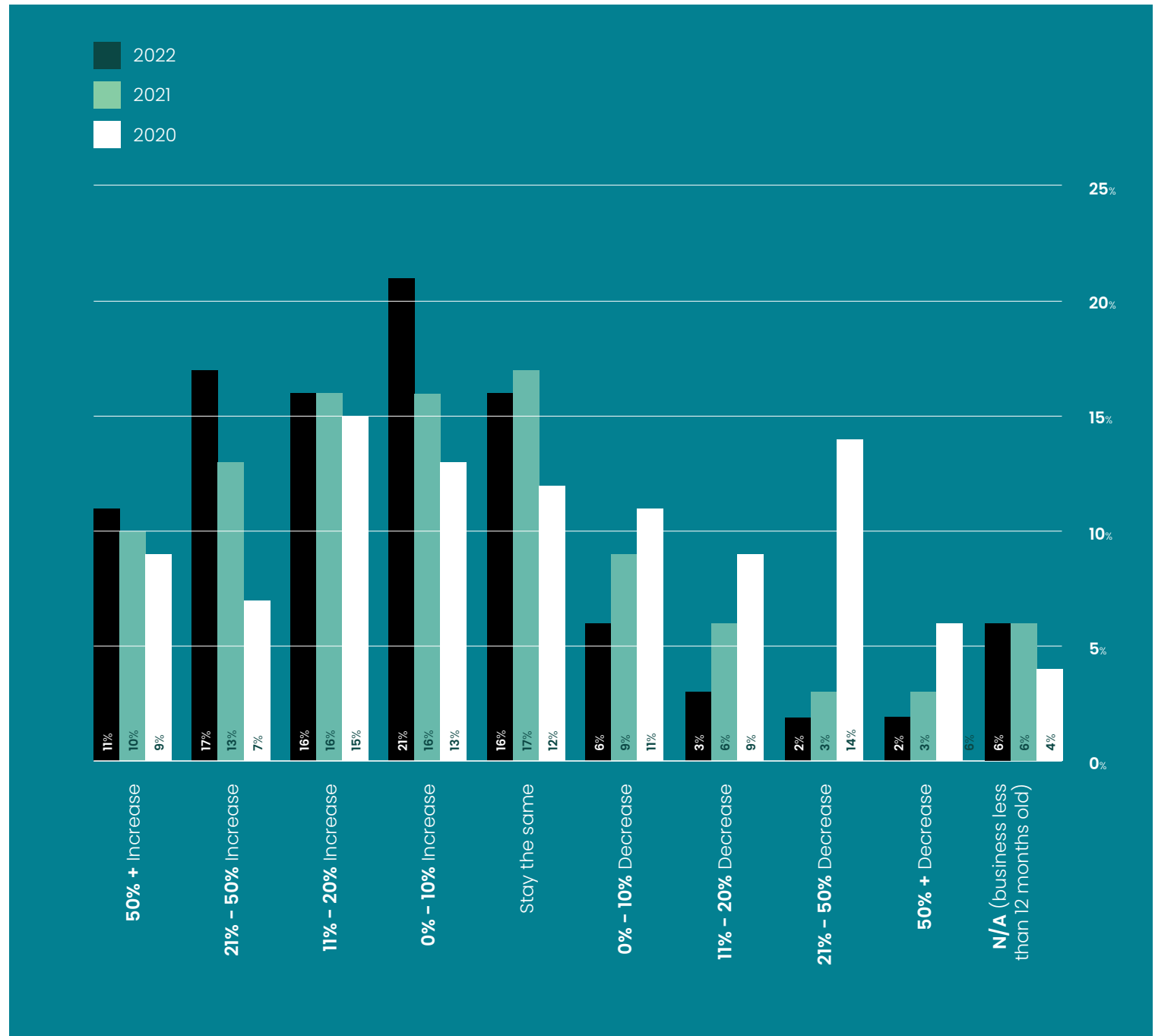


# Review of 2022

## Sales levels

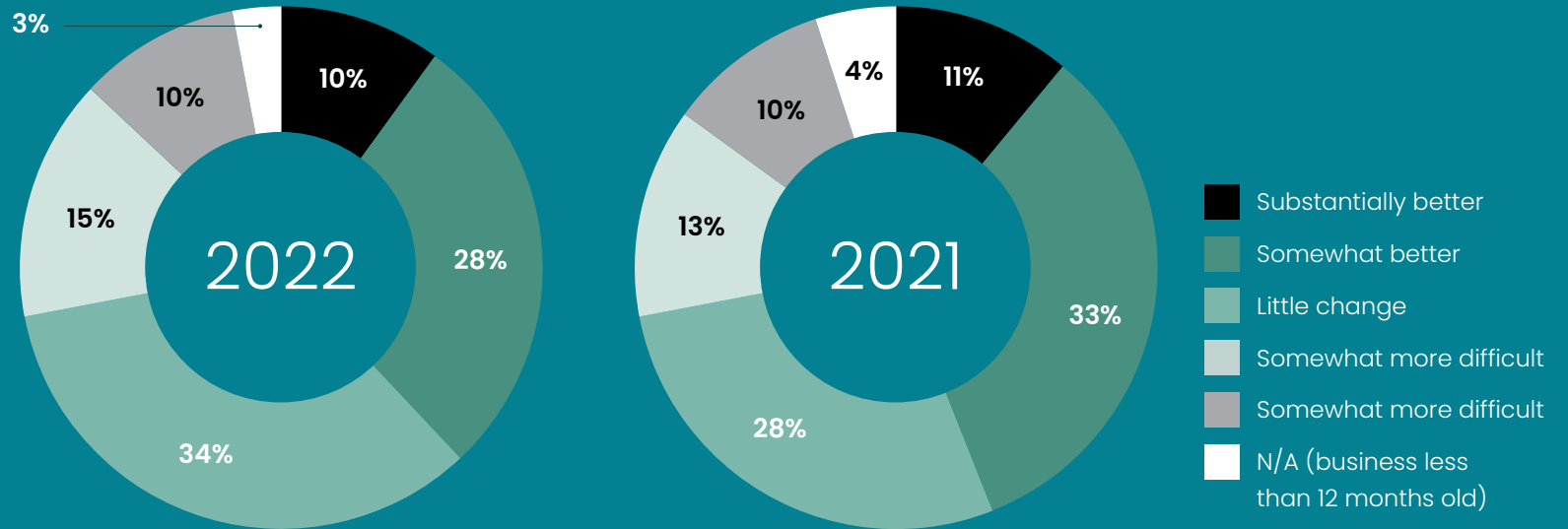
81% of respondents reported growing sales or maintaining sales from previous years. According to 65% of companies, sales increased in 2022, down slightly from 72% in 2021. Various global factors have impacted many sectors our respondents supply to this year, making it a tumultuous one for many.

The number of businesses with decreasing sales has reduced to only 13% from 2021 (21%), a broadly similar figure to pre pandemic results (14% in 2019).



## Cashflow

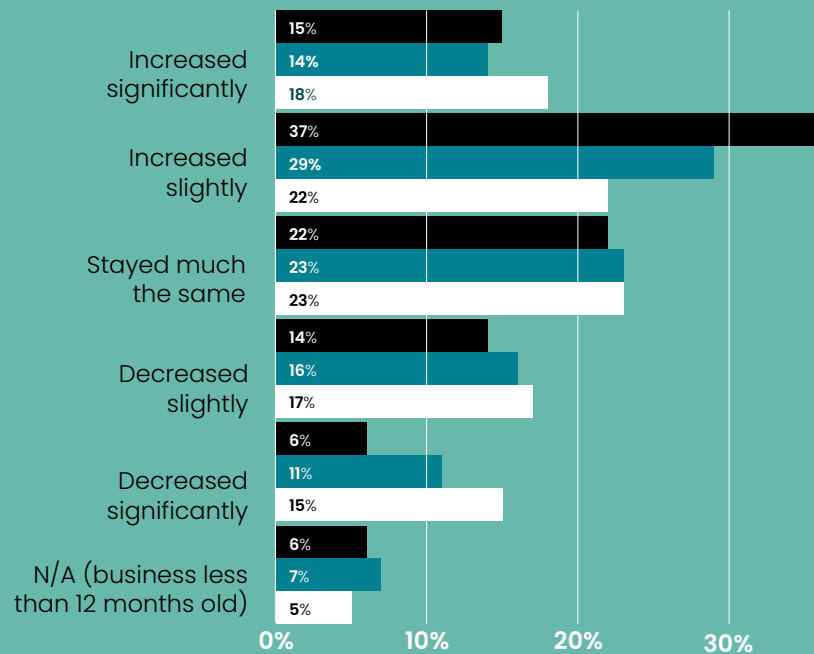
According to respondents, 38% are in a more positive position with regard to cashflow, and 34% have seen little change in their situation. All businesses have been affected by cost increases, and both figures have decreased since last year.



## Profit margin performance in 2022 compared to 2021

It is estimated that 52% of respondents say their profit margins have increased, which represents an increase of 9% from last year, taking the sector back to where it was before the pandemic hit in 2019.

The share of businesses experiencing decreasing profit margins was again similar to 2019 levels at 20%, and smaller than last years' 27%.



PROFIT MARGINS ROSE FOR  
**52%**  
OF RESPONDENTS



# Outlook for 2023

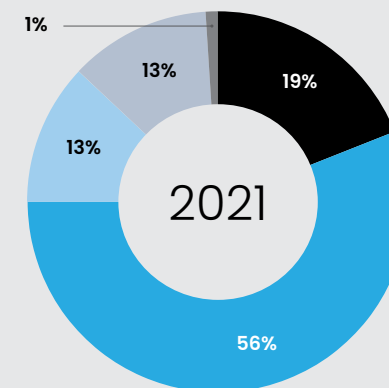
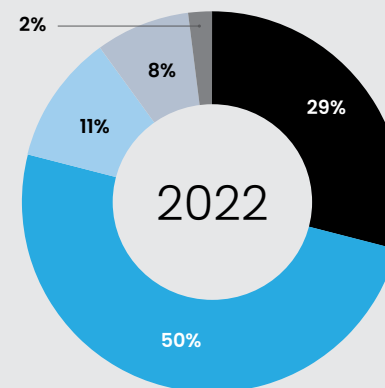
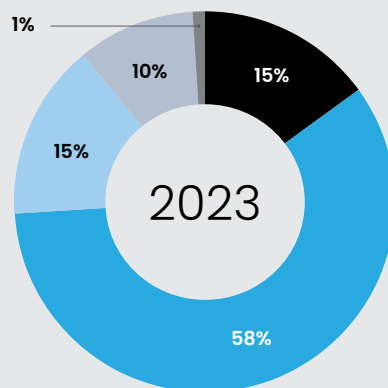


With 72% of respondents reporting a positive outlook for the next 12 months, the digital sector is still optimistic about the year ahead. According to respondents, the main reasons for their growth are the pipeline of new sales, recent client wins, and the growth in their service areas.

The numbers reporting a more pessimistic outlook for 2023 remain similar to those in 2022, at 11%. A number of factors were mentioned again, similar to last year, including the state of the global economy, rising costs, and the impact of the war in the Ukraine.



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

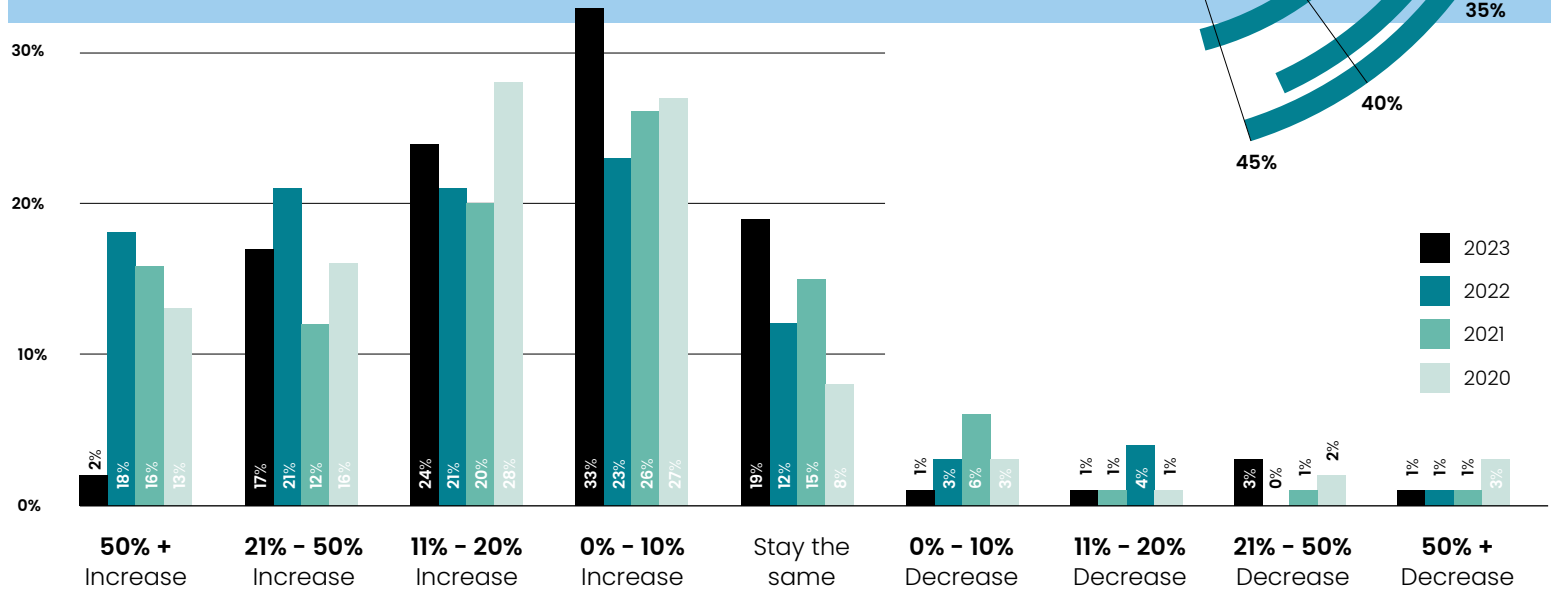
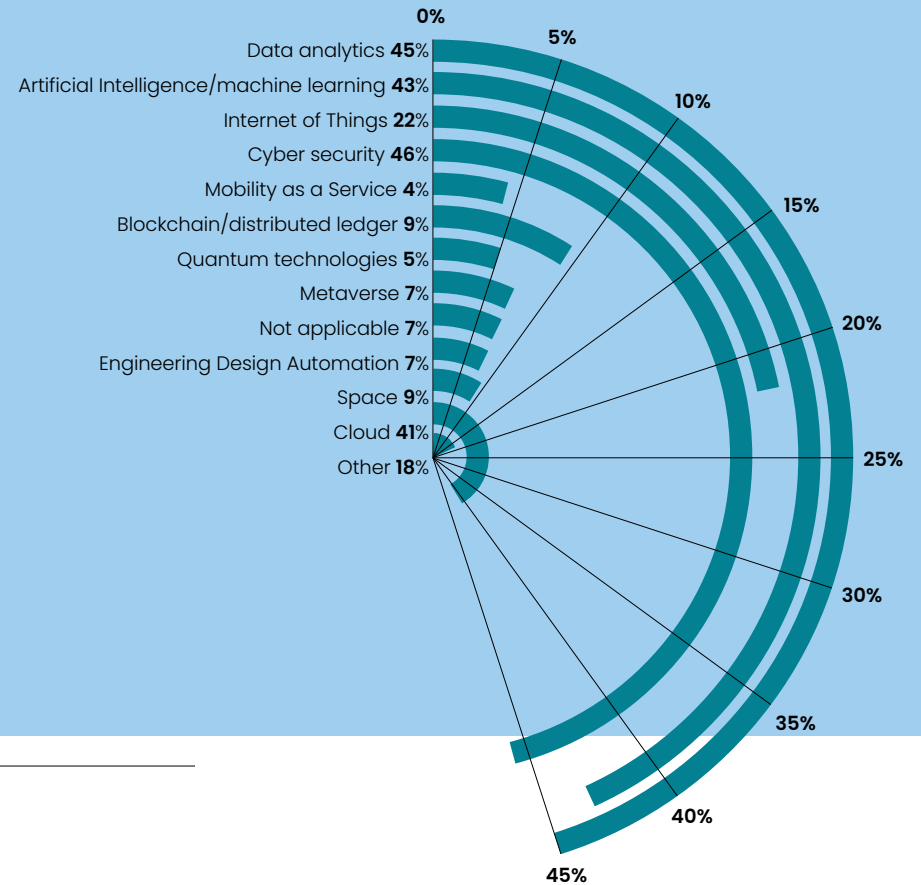
The majority of companies (76%) predict that sales will increase over the next 12 months with 19% predicting no change. In comparison with previous years, businesses predict lower margin growth as 57% expect up to 20% growth, while just 2% expect sales to increase by more than 50%.

## New opportunities

Companies report seeing the greatest opportunities for their business over the next 12 months in cyber security (46%), followed by data analytics (45%), and artificial intelligence (43%).

While the top three opportunity areas have remained the same, their weighting has changed - cyber security has risen by over 15% compared to last year, while artificial intelligence has increased marginally (1%) and data analytics has decreased marginally (1%) compared to last year. In addition, 41% of those surveyed reported that they have an interest in cloud technology as one of the areas of further development.

Metaverse (7%), Engineering Design Automation (7%), Quantum Technologies (5%) and Mobility as a Service (4%) that were least liked by respondents.



# International Opportunities

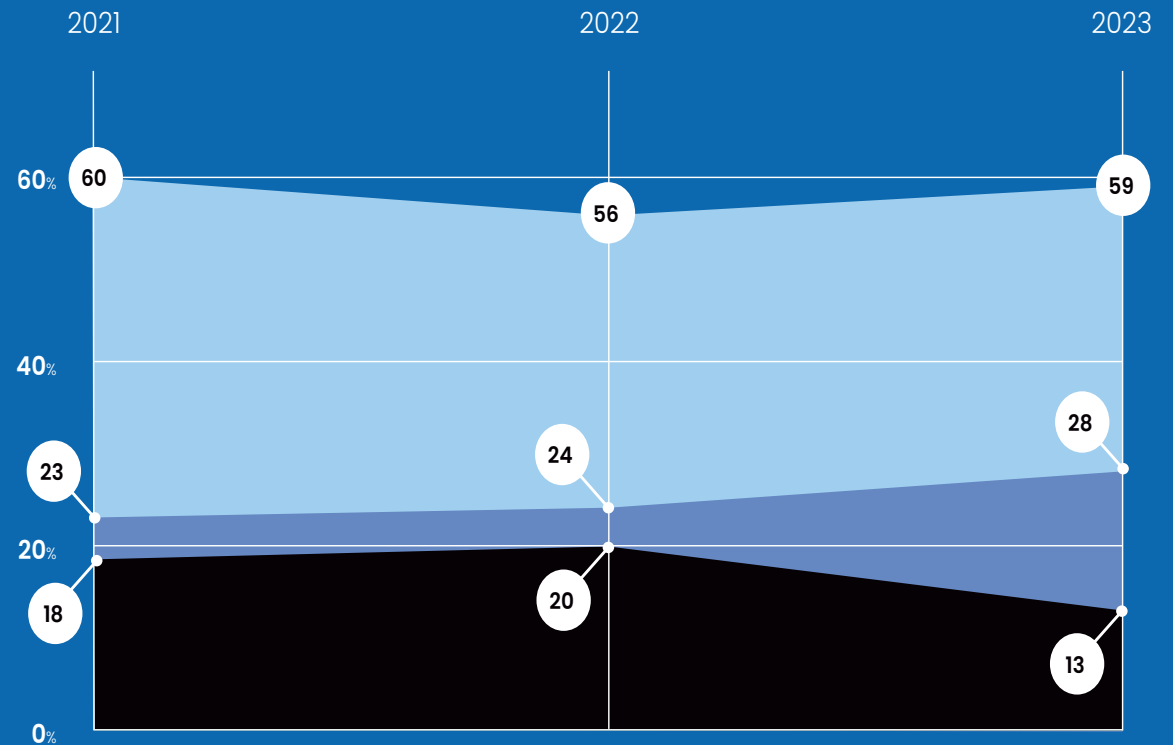


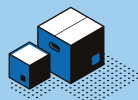
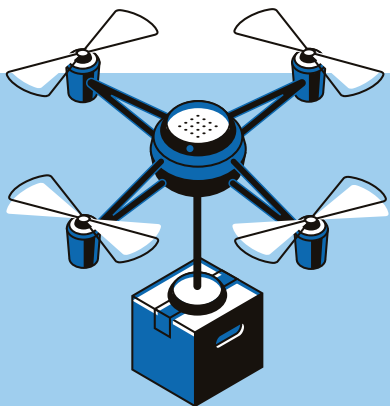
## Export levels

Engagement of respondents in international markets has increased slightly (59% from 56%), with a further 4% increase of respondents who plan to export this year.

The number of companies with no plans to export has decreased to one of our lowest levels recorded in recent years, with only 13% not intending to.

- Exporting
- Planning to
- No plans





## Export markets

In 2022, an average of 37% of sales for companies came from outside of the UK.

When companies were asked to name their most attractive markets for 2023, 72% voted the UK as the most attractive in 2023, and 83% as the top market in 2022.

The top three export markets for 2022 have remained the same with Europe at 76%, North America at 61% and Asia at 27%.

A similar pattern is seen in attractive markets for 2023, with North America, leading the way at 66% and Europe at 64%. The top three most attractive markets do change somewhat however, with Australia and New Zealand nudging Asia out, with 24% considering the location highly.

### Top markets in 2022 / Most attractive in 2023

North America

**61%** / 66%

Rest of the UK

**83%** / 72%

Europe

**76%** / 64%

Africa

**17%** / 4%

Middle & South America

**13%** / 4%

Asia

**27%** / 23%

Middle East

**25%** / 13%

Australia & New Zealand

**20%** / 24%

# Employment & Skills



## Digital technologies employment in Scotland

Data from ONS for 2020 (the most recent available) indicates 80,785 people working in digital-related industries in Scotland. As well as increased funding, UK tech companies also require skilled business and technical employees.

In February 2022, there were over 77,000 tech job vacancies in the UK, an increase of over 30% over the same period in 2021, according to job search website Indeed.

It was found that the average advertised salary in the UK for tech jobs in 2022 was £55,000. This is higher than the average salary for all jobs in the UK, according to data gathered from job search website Adzuna, which shows an average advertised salary of £36,000 for all jobs in the UK for 2022.

There is a high demand for software developers, data analysts, cyber security experts, project managers, and cloud computing professionals in the UK at the moment.

A number of initiatives, including the Digital Skills Partnership, the Digital Catapult, and the Tech Nation Visa Scheme, have been launched by the UK government to support the growth of the tech sector.

Scotland creates 15,600 new digital technologies jobs annually, partly due to a growing demand for this skill set, and to replace retirements and other changes. There is still a gap between the number of job opportunities and the number of college and university graduates, apprentices, and career changers entering the labour market.

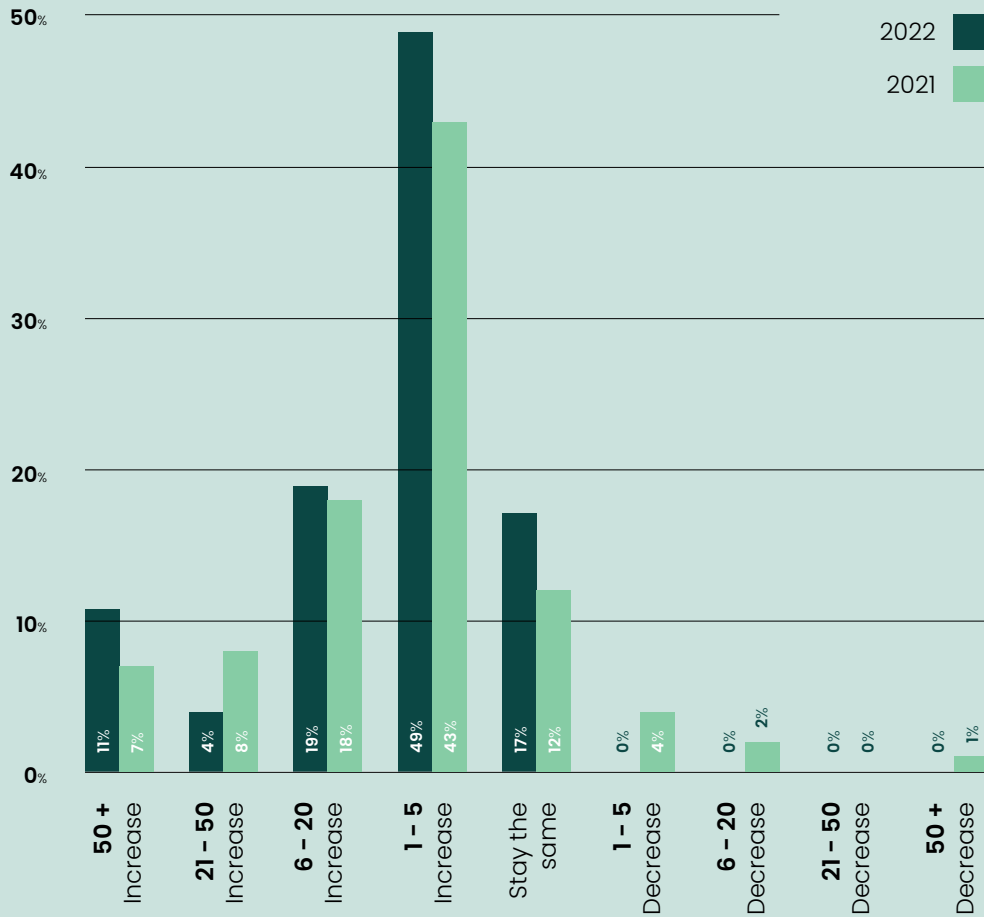


A S O F 2 0 2 0

# 80,785

P E O P L E  
WERE EMPLOYED IN  
DIGITAL TECHNOLOGIES  
C O M P A N I E S

1. Please see the chapter on methodology at the end of the report for details on the definition of the digital technologies sector and sources of the figures in this employment overview.



## Change in employee numbers over the next 12 months

In the coming year, 100 percent of companies expect to either increase their headcounts or retain the same number of personnel as they do now.

Employment growth rates remain high with 83% expecting to increase their employee numbers, a 7% increase on the 2022 figure (76%).

This ties with the overall optimism and sales forecasts of respondents, the digital sector shows no signs of slowing down.

## Location of talent

As with previous years, the majority of respondents (63%) still expect to find most of their new staff in Scotland. Recruits from Europe and the Rest of the World have both dropped from previous years, with more (22%) expecting to find new staff within the UK.

2023 / 2022 / 2021

Scotland

63% / 58% / 57%

Rest of the UK

22% / 19% / 20%

N/A 4% / 5% / 13%

Europe

4% / 6% / 4%

Rest of the World

7% / 11% / 6%



# 81%

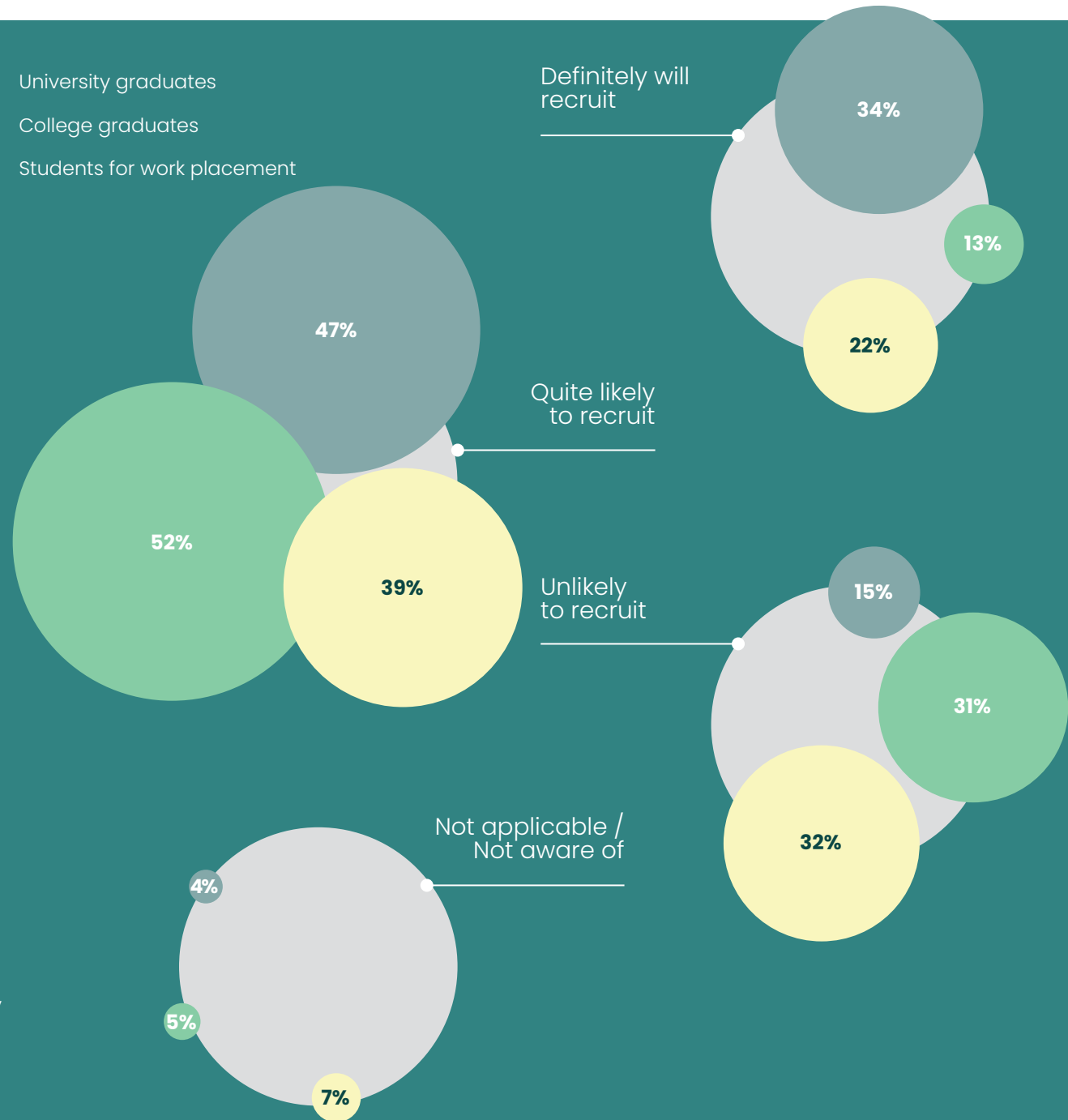
OF RESPONDENTS  
PLAN TO HIRE  
RECENT GRADUATES  
IN THE NEXT 12 MONTHS

- University graduates
- College graduates
- Students for work placement

## Recruitment from colleges and universities

Demand for the recruitment of university graduates has increased with 81% of responding businesses reporting that they are definitely or quite likely to recruit graduates in the next 12 months, up from figures around 76% last year. Interest in college graduates has increased significantly with 65% definitely or quite likely to hire them, up from 52% last year.

Companies are slightly more hesitant than previous years to take on a work experience placement, with 61% definitely or quite likely to take them on this year, compared to 67% last year. This is likely down to the ongoing skills challenges already noted throughout the report, with companies looking to take on employees with a higher level of training.

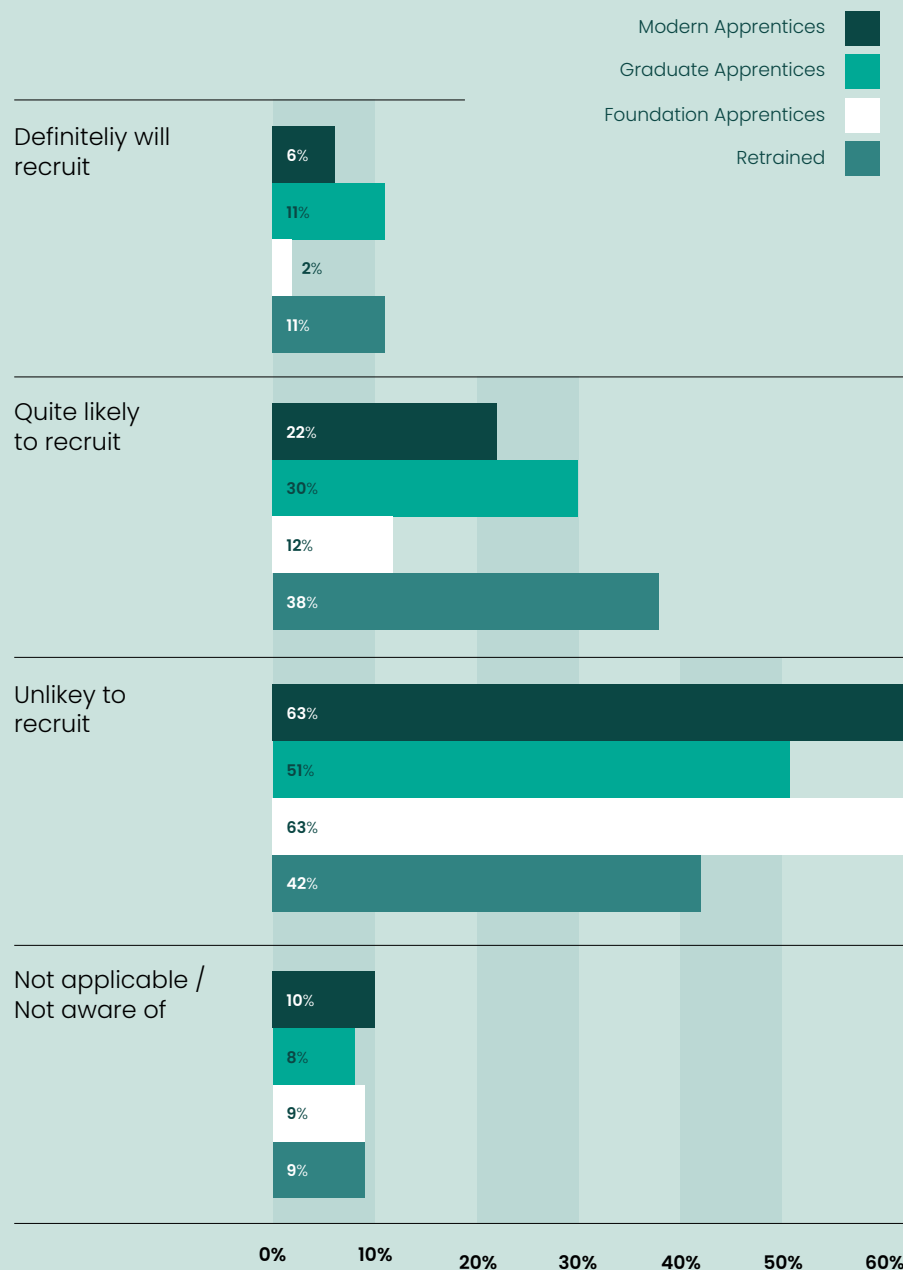
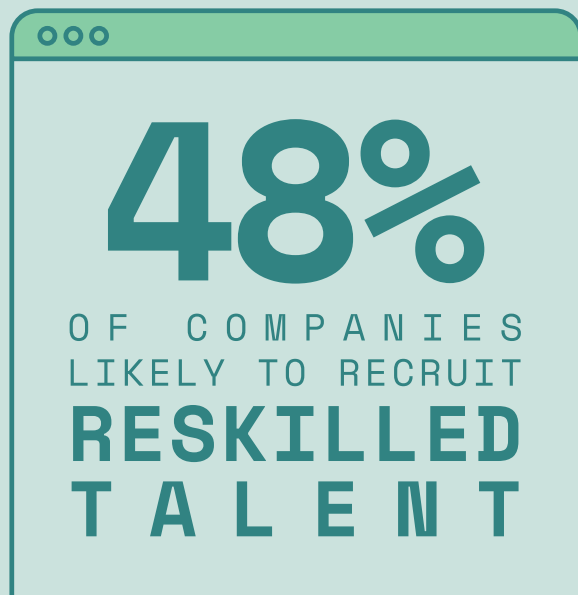


## Recruitment of apprentices

Graduate Apprentices are again the most popular type of apprentice, with 41% of respondents reporting they are likely to recruit someone for a Graduate Apprenticeship (down from 47% in 2022).

Interest in Modern Apprentices has dipped sharply, with the numbers of companies definitely or quite likely to recruit falling from 38% in 2022, to 28% this year. Similarly interest in Foundation Apprenticeships has also shown a decline with only 14% of companies, compared to last year's 22% interested in recruiting from this skills base.

Figures remain largely similar to previous years when we consider the upskilling and reskilling, with 48% of respondents looking to this to help fill available positions.



# Expanding your talent pool

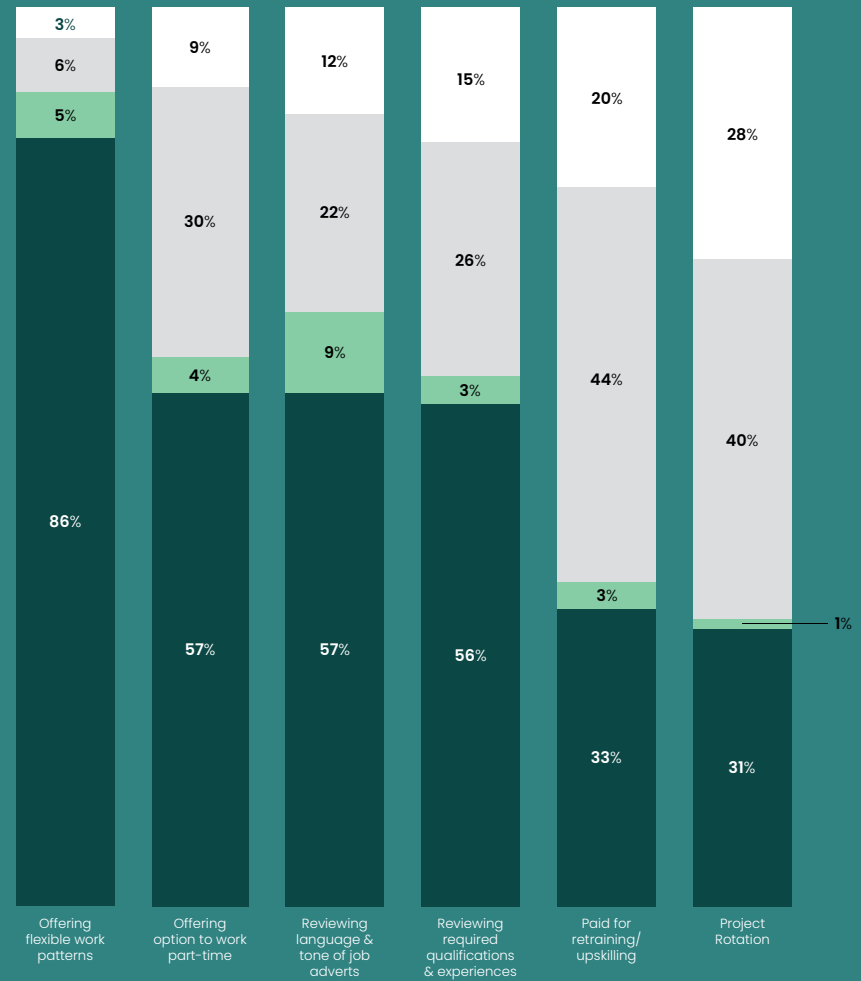
Since 2020, we have monitored what steps survey participants have taken to expand the talent pool they recruit from and what they offer to make themselves more attractive to candidates. The skills gap is widening as the demand for digitally skilled workers exceeds supply.

Compared to last year, there has been a significant increase in respondents who report that offering flexible work patterns is helpful, up by 20% to 86%. It's clear that the shift to hybrid working is here to stay, with only 3% of respondents unlikely to offer this option.

Both part-time working ads and reviewing the qualifications of applicants have proven beneficial to participants, with both metrics increasing by 10% compared to last year.

According to the survey, the greatest shift continues to be around the number of respondents finding that revisiting the tone and language of advertisements has been helpful, with 57%, up 24% from 2021.

Taking care of an employee's wellbeing ranked highly on respondents' lists, with paid training and upskilling working for 33% and project rotation working for 31%. Others mentioned private health insurance, increased annual leave, and strengthening wider incentive packages as other measures they had taken.





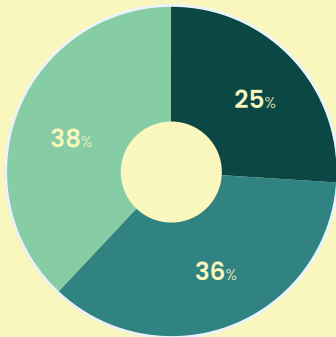
## Most in demand skill sets

Leadership and Sales and Marketing skills are still in high demand across the sector. 78 percent of companies stated they required sales or marketing talent as part of their business growth strategy, while 67 percent cited leadership as an important component.

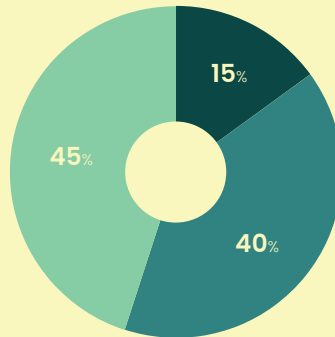
65% of respondents indicated a need for Cyber Security skills and 63% require further data skills inhouse.

**78%** OF COMPANIES NEED SALES AND MARKETING TO HELP THEIR BUSINESS

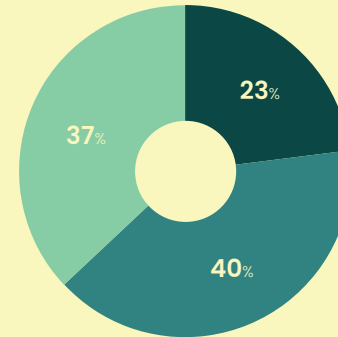
Software & Web Development



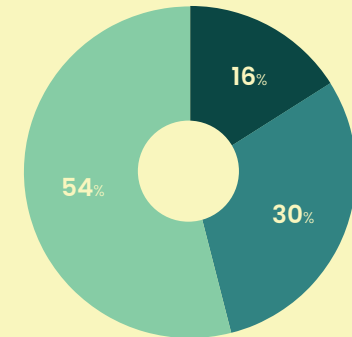
Infrastructure & Support Management



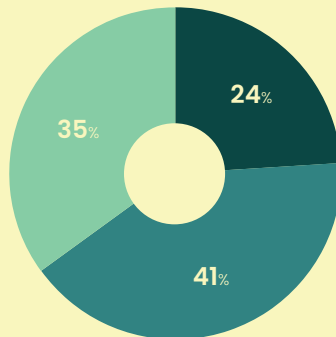
Data



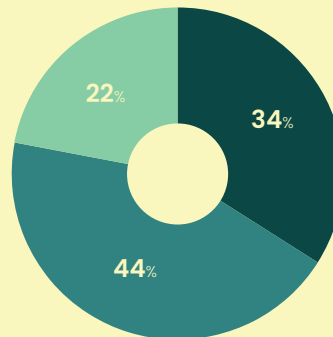
Artificial Intelligence/ Machine Learning



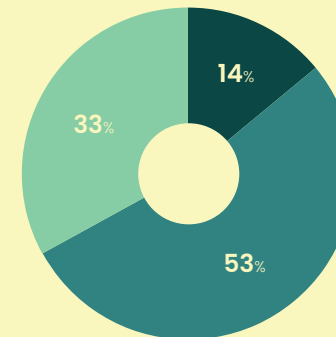
Cyber Security






Sales & Marketing



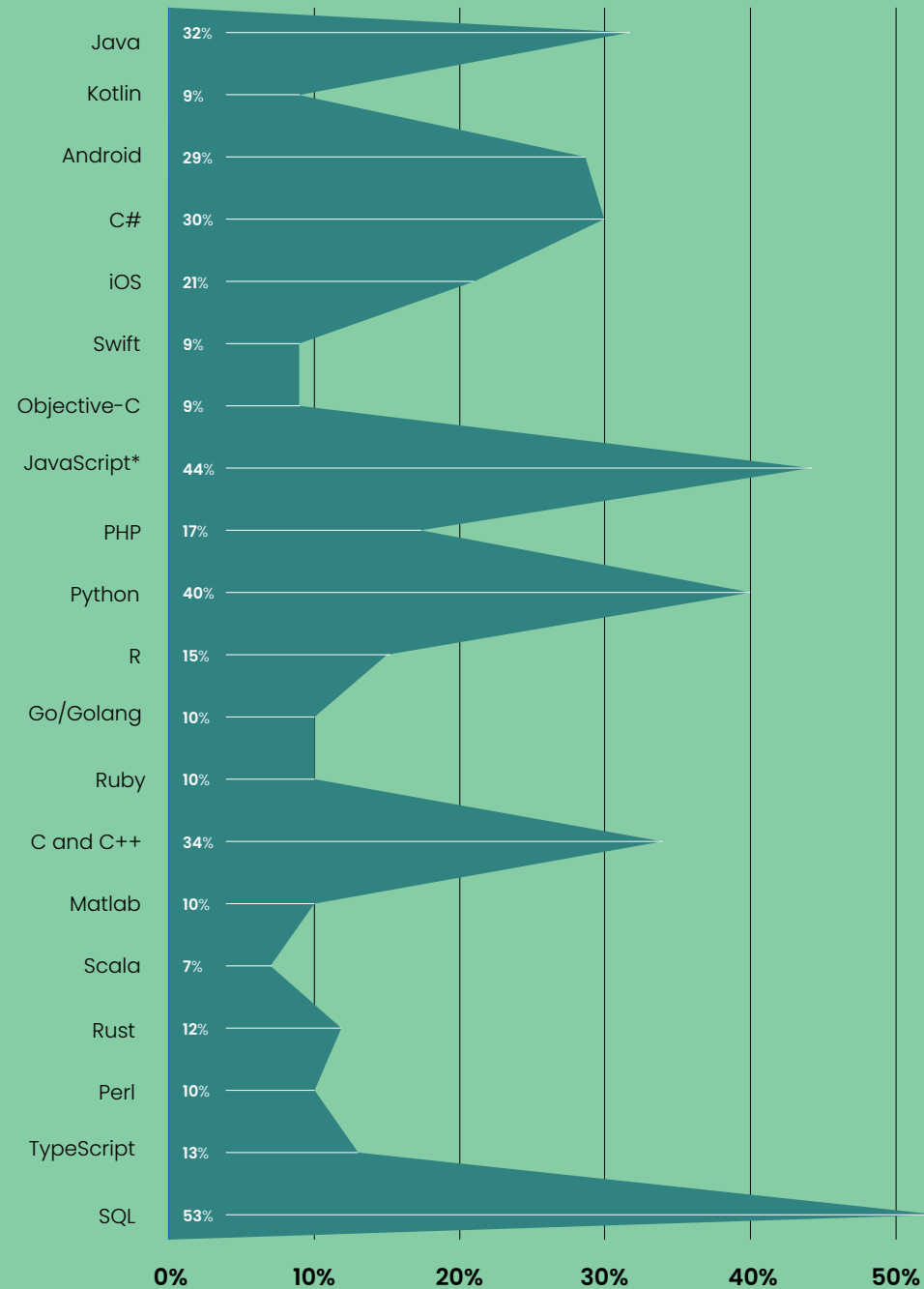
Leadership

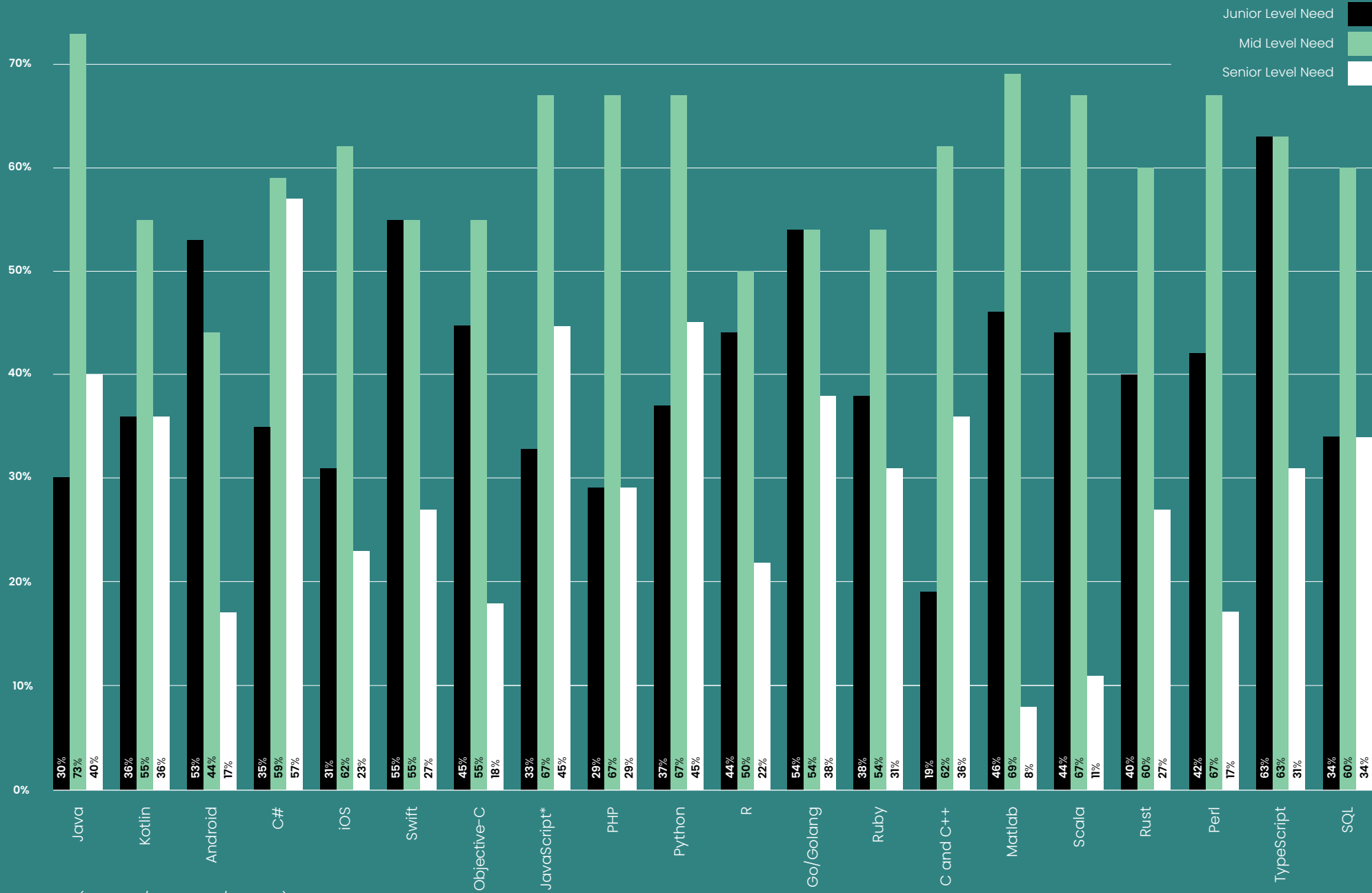


High Requirement   
 Some Requirement   
 No Requirement 

## Technical skills

Respondents showed a continuing strong demand for cloud computing skills, albeit with a slight dip from last year (42% from 54%). Python remained steady (27%), while .NET decreased slightly, it remained in the top three for specific technical skills companies have the greatest demand for.

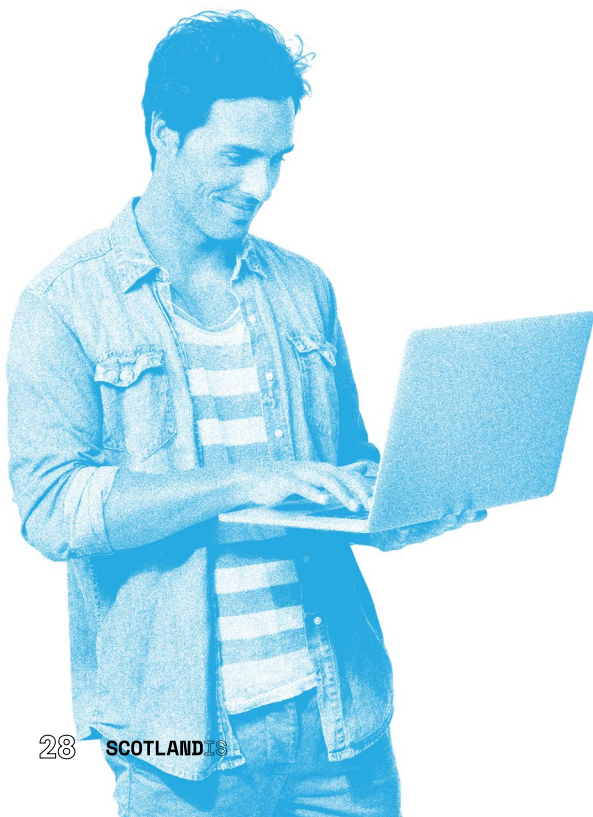




\*(ReactJS/AngularJS/NodeJS)

# Benchmark 1:

## Smaller Companies (up to 35 employees)



## Reflections on 2022

Sales and profit margins for smaller businesses have increased by 12% in 2022 over the previous period (63% showed increases in sales and 52% showed increases in profit margins).

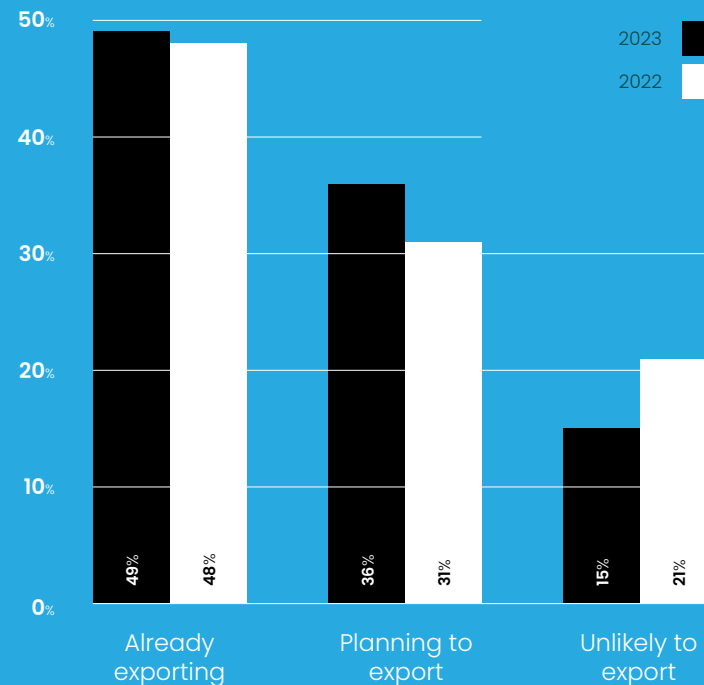
As a result, 67% of reporting companies view the next 12 months as optimistic or very optimistic.

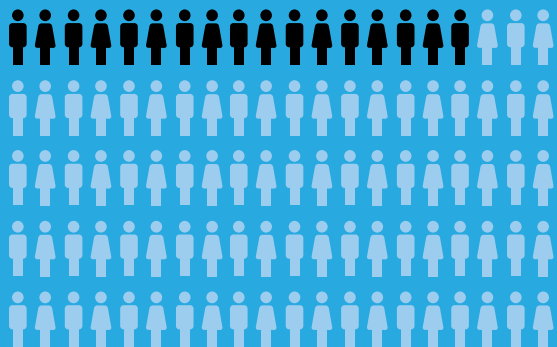
The survey participants plan on increasing their headcount in the future, and are more likely to hire skilled employees than early stage employees. The demand for graduates and apprentices is down slightly compared to last year.



## International sales

49% of smaller businesses are already selling internationally, slightly up from 48% last year. 38% are planning on exporting, which is up slightly from the previous year (31%), whilst those unlikely to export has decreased a little from 21% to 15%.





- Recruit more staff **17%**
- Stay the same **83%**
- Decrease in staff **0%**

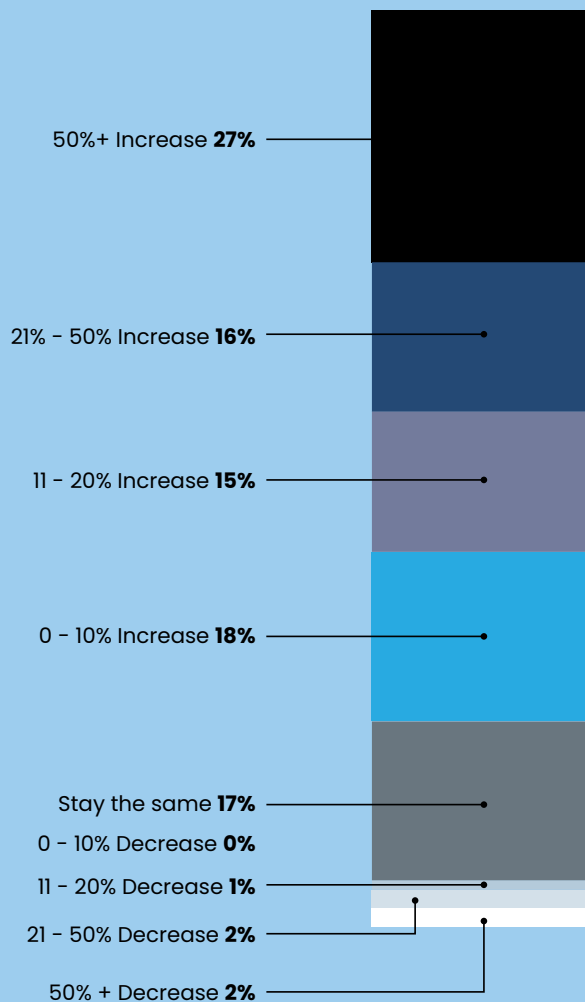
## People and skills

Smaller businesses continue to expect to increase staff numbers with 83% looking to recruit in 2023. 56% of respondents are likely to recruit university graduates (down from 70% in 2022) and 35% think they will take on college graduates (also down from 2022 which was 45%). Graduate Apprentices are the most popular type of apprentice, with 18% of respondents from smaller companies saying they are likely to recruit them, followed by 15% for Modern Apprentices and 5% for Foundation Apprentices. 22% reported that they are likely to employ someone who underwent retraining in the next 12 months.

The need for early stage talent has declined over the past year, this is likely due to the current requirement for mid and senior level talent across the industry.

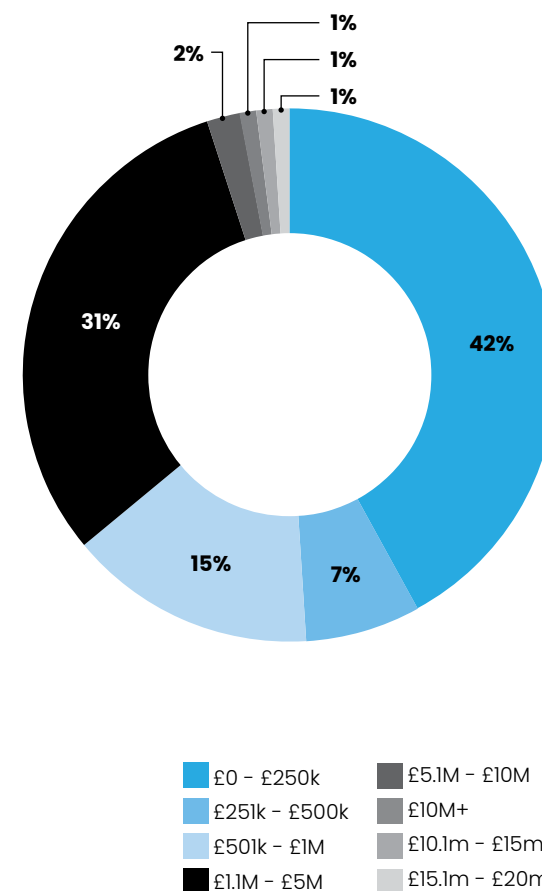
## Sales outlook for 2023

The sales outlook of small businesses for the next 12 months has increased by 26% compared to 2021, with 76% reporting an increase compared to last year's 51%. 17% anticipate they will stay the same (a slight decline on 2021, 21%), while just 5% forecast a decrease in sales (15% less than last year).



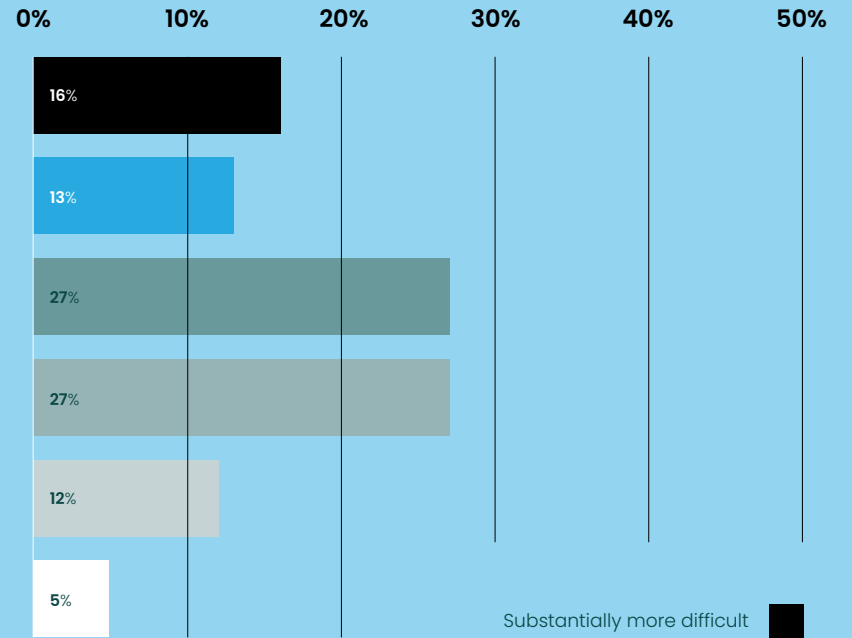
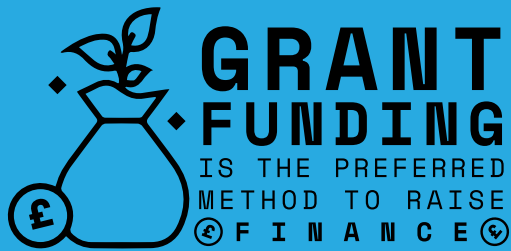
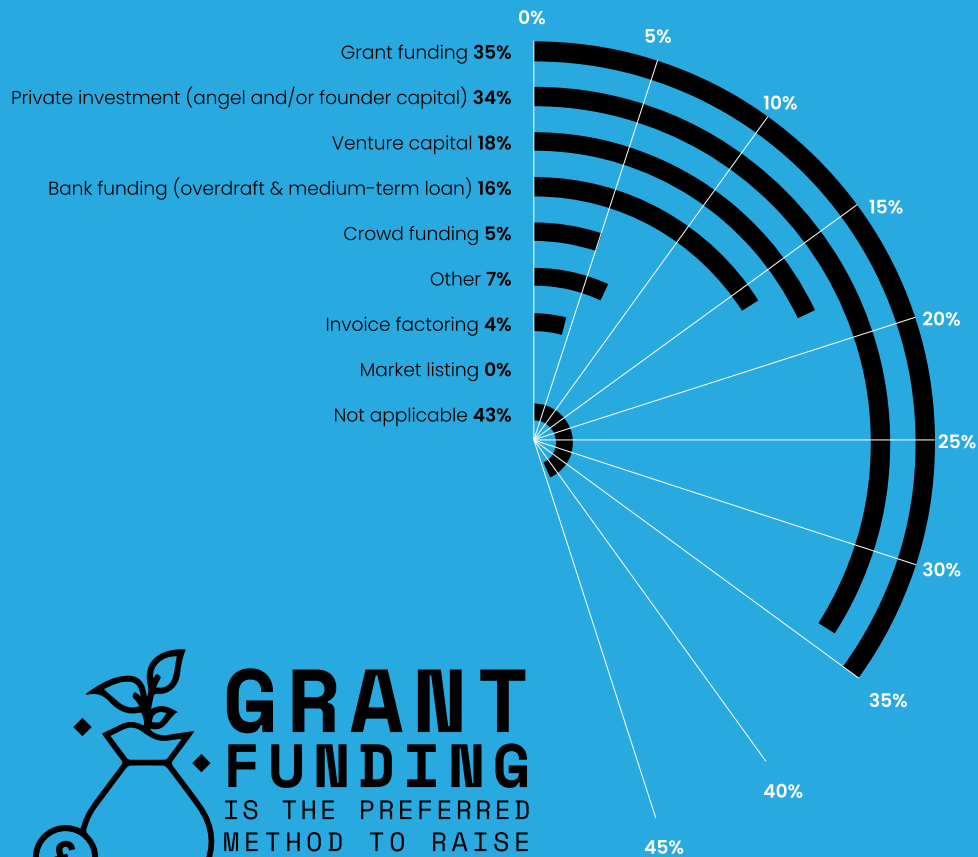
## Financial environment

The share of businesses reporting a turnover between £1.1M - £5M has increased on last year's figures by 12%, with 31% now reporting to be in this bracket.

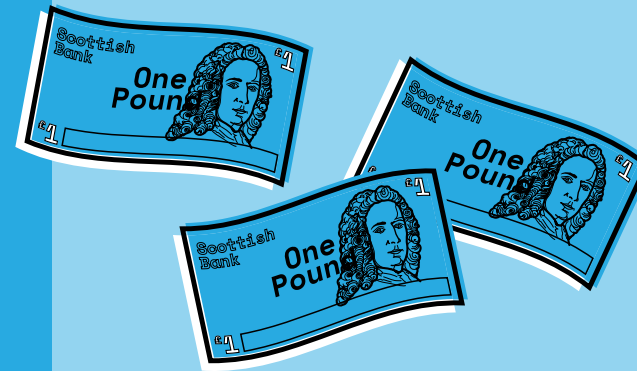


# Funding needs

For the majority of smaller businesses that need additional finance, e.g. for growth in 2023, grant funding is still the preferred option (35%) followed by an increase in private investment (up 3% from 2022) and venture capital which has shown a decrease on last year, with an 18% ranking, down from 25% in 2022.



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



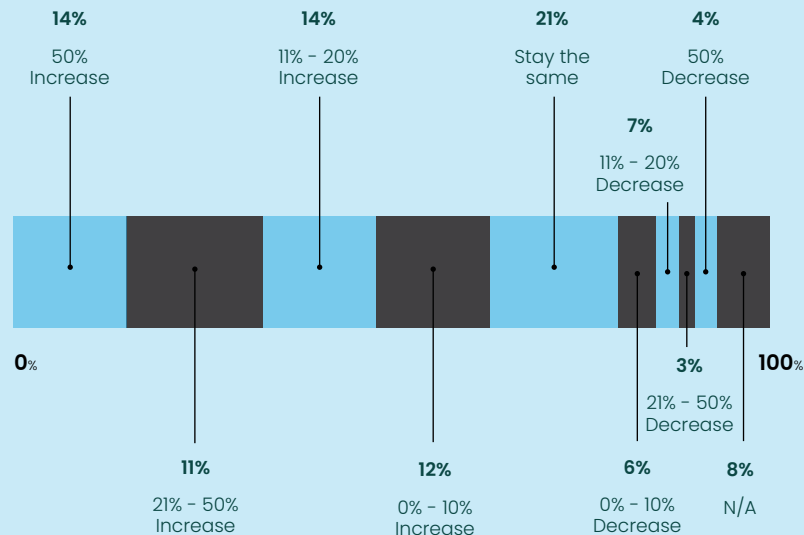
## Cashflow compared to last year

Smaller businesses reported an equally healthy cashflow situation as last year. 39% experienced improvements (down marginally from 40% in 2021) with 29% reporting difficulties.

## 2022 sales levels compared with 2021

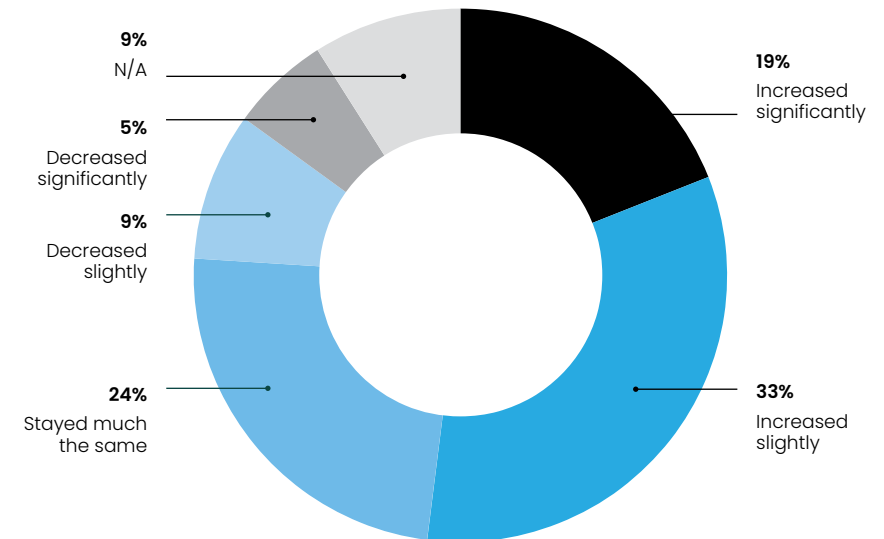
2022 saw a 12% growth in sales compared to 2021 with 63% of smaller businesses reporting an increase in sales compared with 51% in 2021. 13% did however report a decrease in sales levels, which is down from 20% in 2021.

**63**   
**REPORTED AN INCREASE IN SALES**



## Profit margins

In 2022, a greater number of smaller companies (52%) reported increased profit margins than in 2021 (40%). Those seeing a decrease in profit margins sat at just 14% compared to last year's 27%, which was further good news.



# Benchmark 2:

## Medium-sized Companies (36 – 500 employees)



## Reflections on 2022

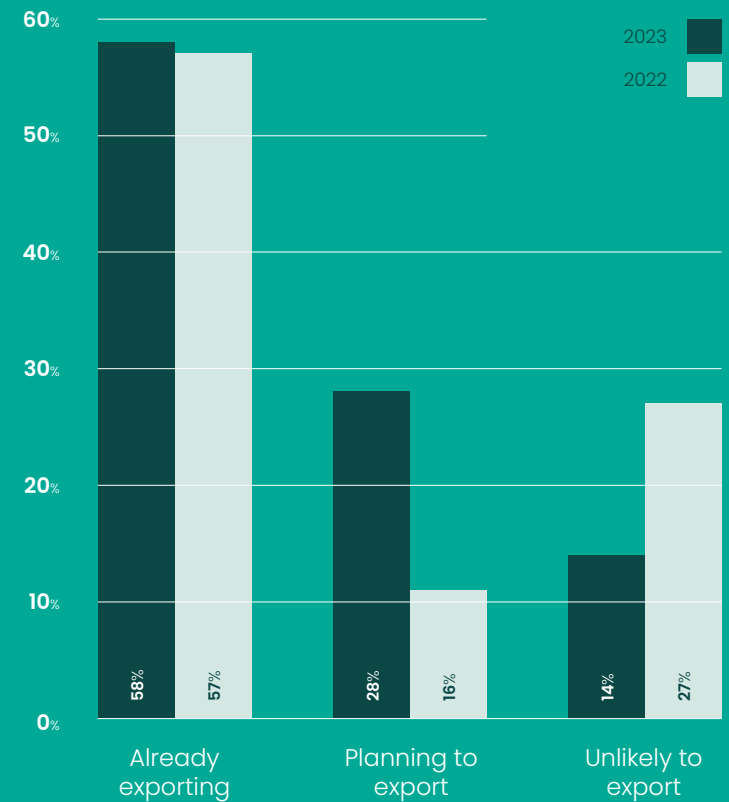
In 2022, medium-sized businesses reported a steady performance, with 73% reporting growth in sales (up from 68% last year) and 45% reporting higher profit margins.

The percentage of companies experiencing cashflow difficulties has increased, although companies intend to either retain or increase their existing headcounts (13% in 2021, compared to 25% in 2022). Despite this, 62% remain optimistic about the coming year. However, participants expressed caution about the potential impact a recession could have on budgets, costs of living, and access to skilled talent.

## International sales

Medium sized businesses who already export has remained broadly static over the last three years, with 58% already exporting in 2023, compared to 57% in 2022, and 59% in 2021.

The number of companies planning to export has increased significantly, from 16% in 2022, to 28% in 2023.







- Recruit more staff **21%**
- Stay the same **79%**
- Decrease in staff **0%**

## People and skills

Demand is still high for university graduates with 66% of respondents looking to recruit from this talent pool. This is however down 11% when compared to last year (77%). This trend continues with demand for college graduates also down slightly when compared to last year, 51% in 2023 compared to 56% in 2022.

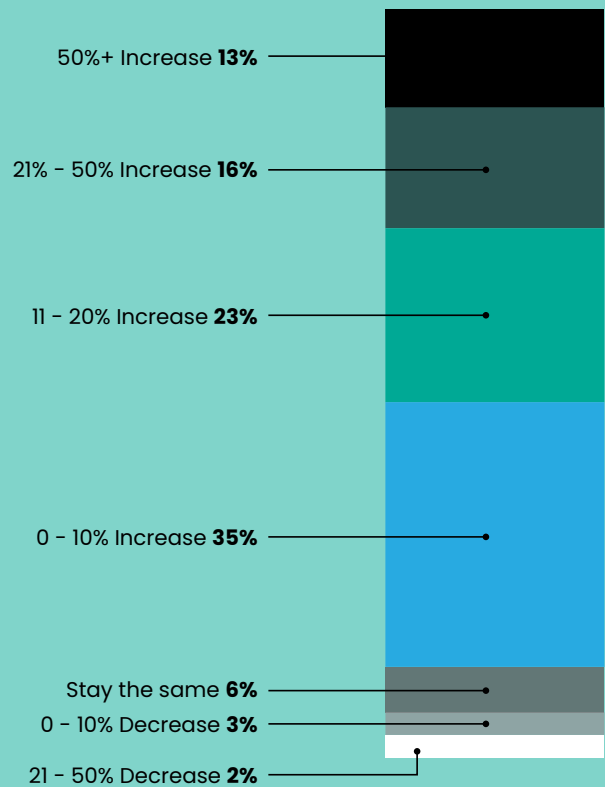
Demand for apprentices has also dipped with 32% of medium businesses likely to recruit Graduate Apprentices (down from 41% last year), whilst interest in Modern Apprentices decreased to 16% from 31% in 2022. Demand for Foundation Apprentices was also lower at 5%.

49% of medium-sized companies are likely to hire someone who underwent retraining or upskilling/reskilling in the workforce, which is up from last year's 44%.

This is a similar picture to that of our smaller business respondents, mid and senior level talent is in demand and businesses struggle to recruit more junior team members without the necessary senior skills onboard first.

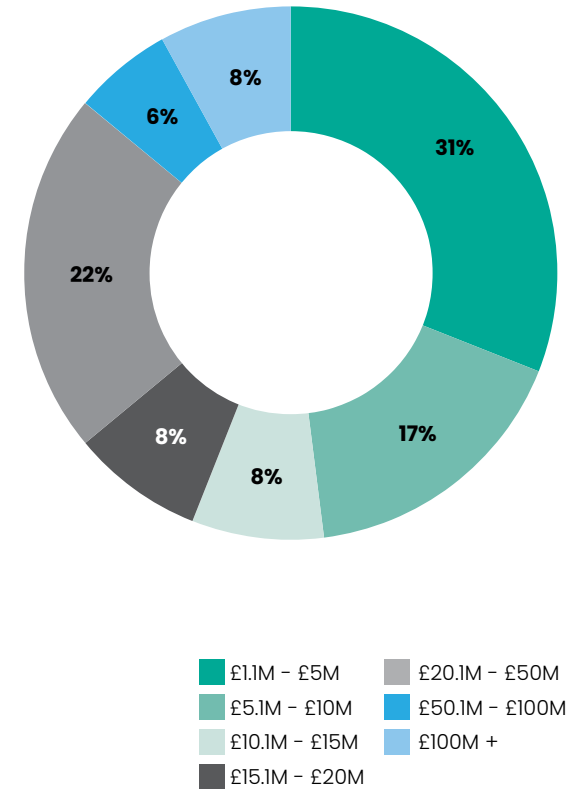
## Sales outlook for 2023

87% of medium-sized businesses expect their sales to increase over the next 12 months which is up 19% on last year's figure of 68%, whilst just 6% of the medium-sized respondents forecast a fall in sales (18% last year).



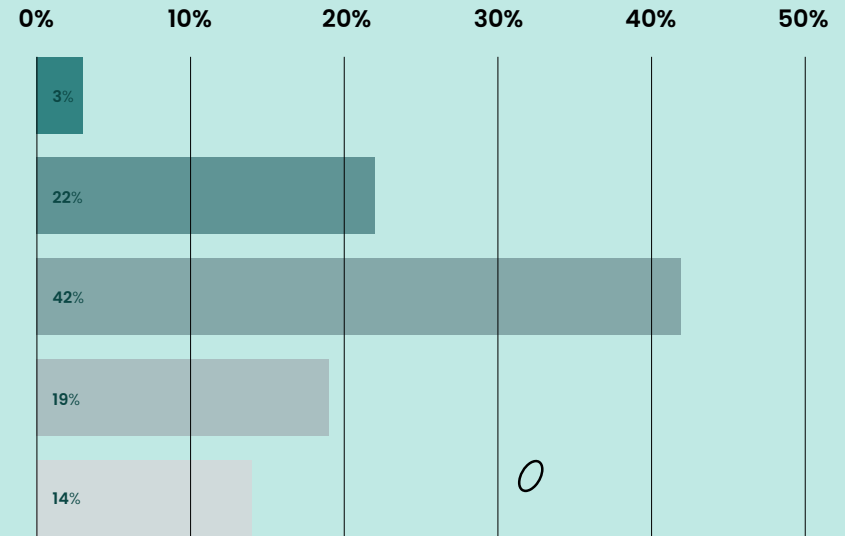
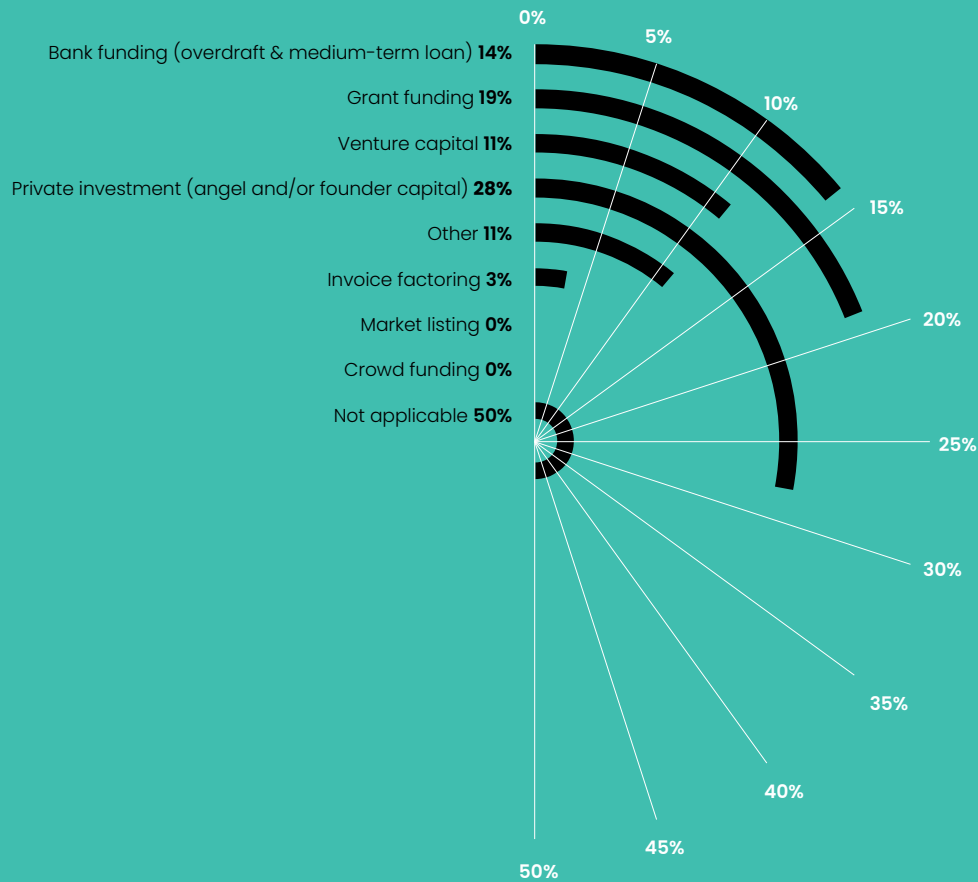
## Financial environment

The majority of medium-sized businesses (52%) report turnover between £10.1M-100M+ which is much the same as last years figure of 53%. 48% of respondents report turnover between 251k-10M, which is also much the same as last year's 47%.

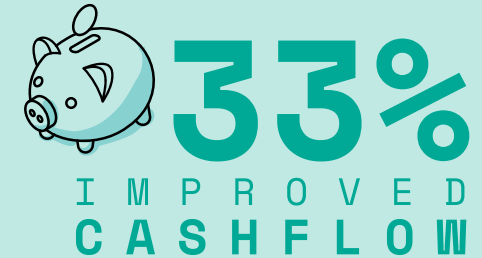


# Funding needs

Medium-sized companies needing additional finance in 2022 identified private investment, grant funding and bank funding as their top three options. The demand for private investment increased from 11% in 2022, to 28% in 2023.



- Substantially more difficult
- Somewhat more difficult
- Little change
- Somewhat better
- Substantially better



## Cashflow compared to last year

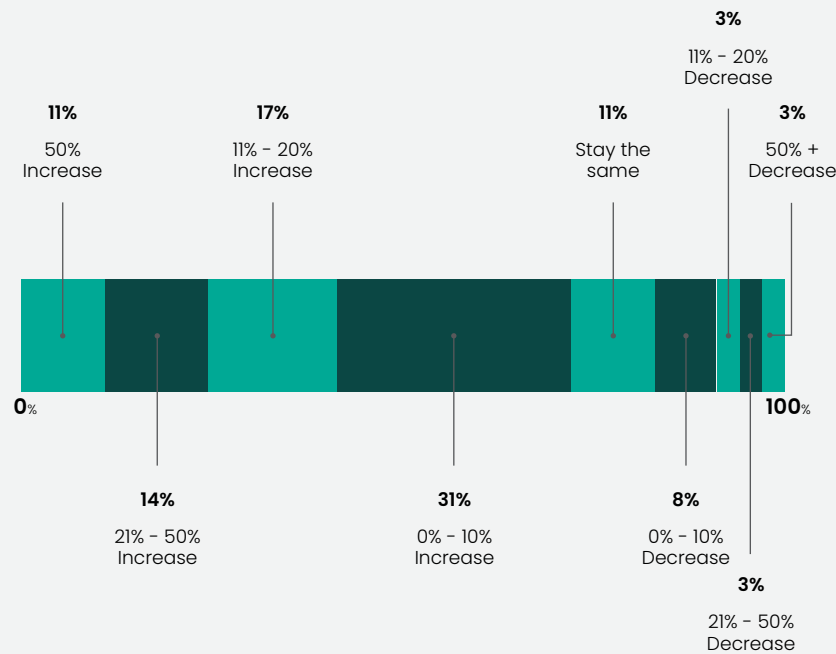
The majority of respondents noted little change to their cash flow (42%), with 33% of business reporting improvements and 25% experiencing difficulties.

The number reporting difficulties has increased 12% compared to the previous years figures (13%).

## 2022 sales levels compared with 2021

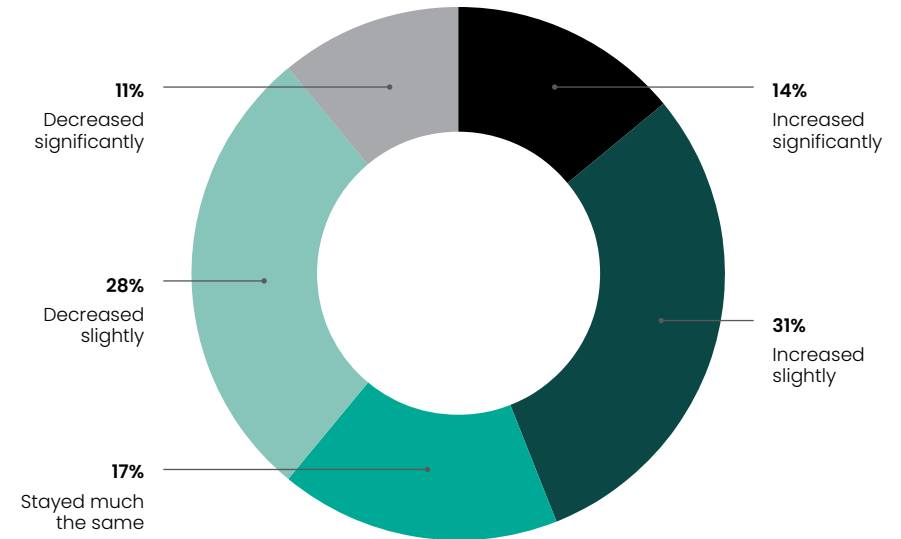
In 2022, the sales performance of medium-sized businesses grew compared to 2021. 73% reported an increase in sales (68% last year) and 17% saw a decrease in sales levels (down from 19% last year).

**73**  
 ARE REPORTING A  
**GROWTH**  
 IN SALES



## Profit margins

In 2022, 45% of medium-sized businesses increased their profit margins which is a slight downturn compared to 2021 (51%). 39% of medium companies (22%) experienced decreases in profit margins (up from 22%).



# Benchmark 3:

## Larger Companies (500+ employees)

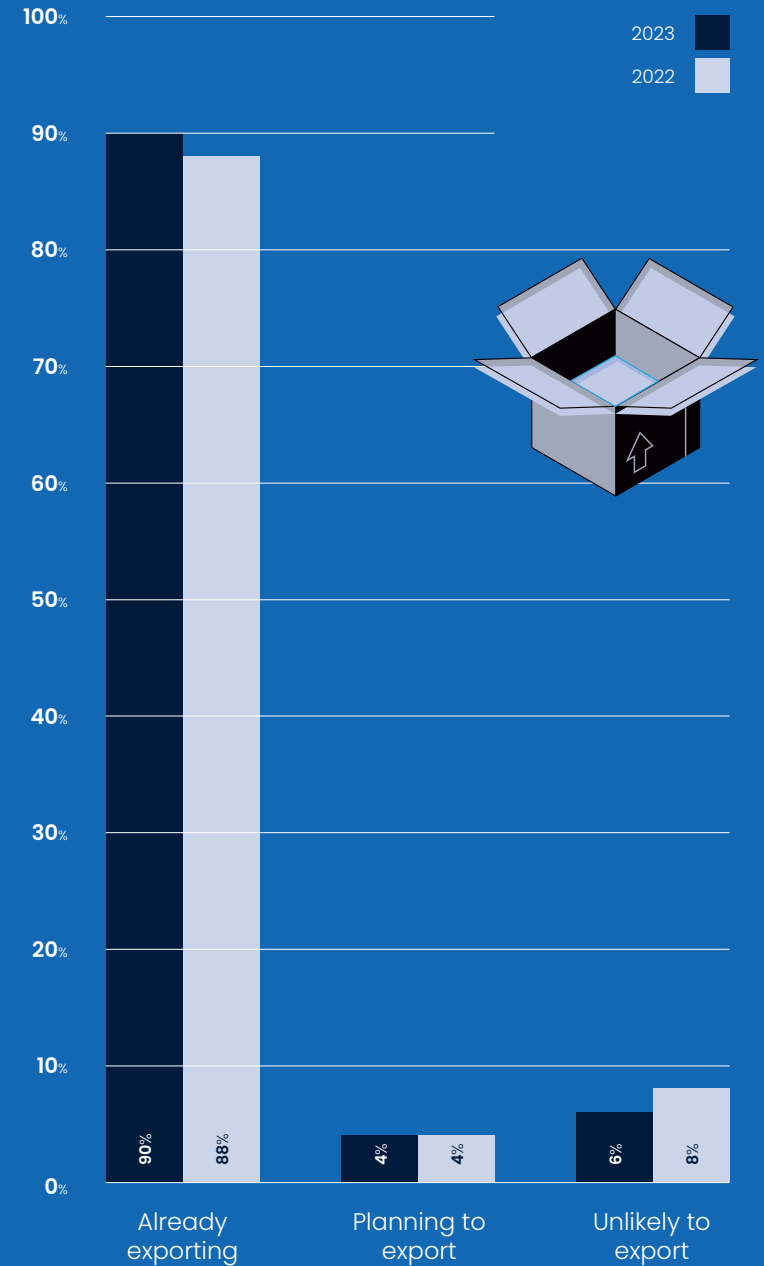


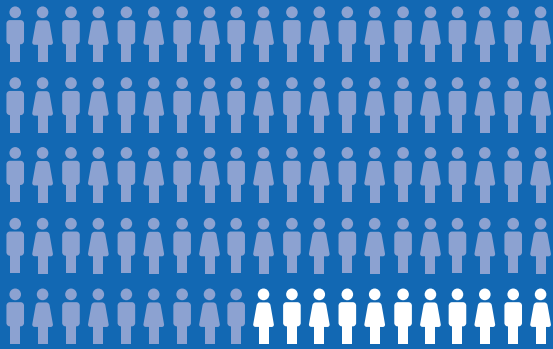
## Reflections on 2022

2022 was a more positive year for larger companies with sales levels increasing by 63%, profit margins increasing by 64% and the sales pipeline for 2023 expected to grow by 81%.

## International sales

The share of larger businesses that are already exporting has remained largely the same as last year with 90% doing so this year, compared to 88% in 2021.





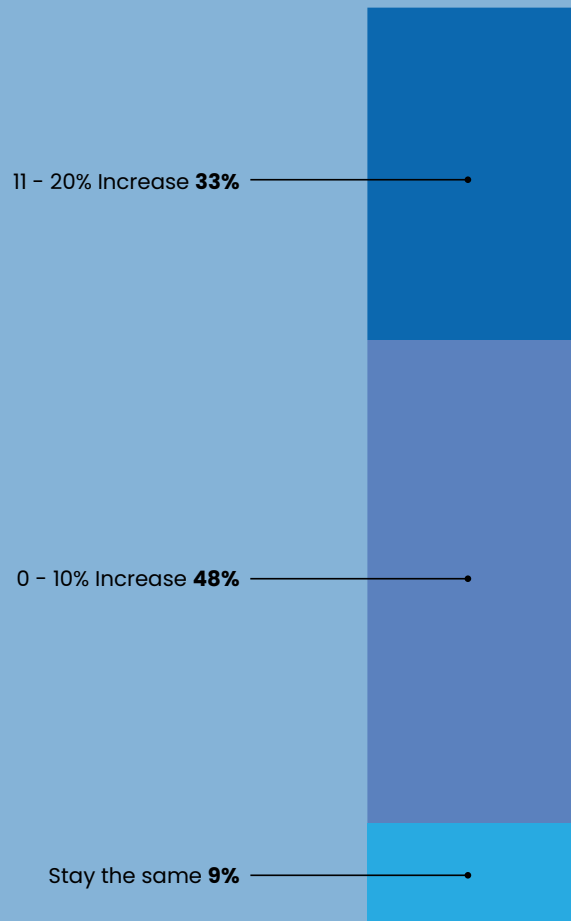
- Recruit more staff **89%**
- Stay the same **11%**
- Decrease in staff **0%**

## People and skills

89% of respondents expect to increase their employee numbers this year, the recruitment outlook for larger businesses is much more positive than the previous year (up from 70% in 2022). 56% of respondents are likely to recruit university graduates (down from 86% last year) and 38% are likely to hire college graduates (down from 65%). Graduate Apprentices were the most popular type of apprentice (38%). 31% of large businesses are likely to hire a person that underwent retraining.

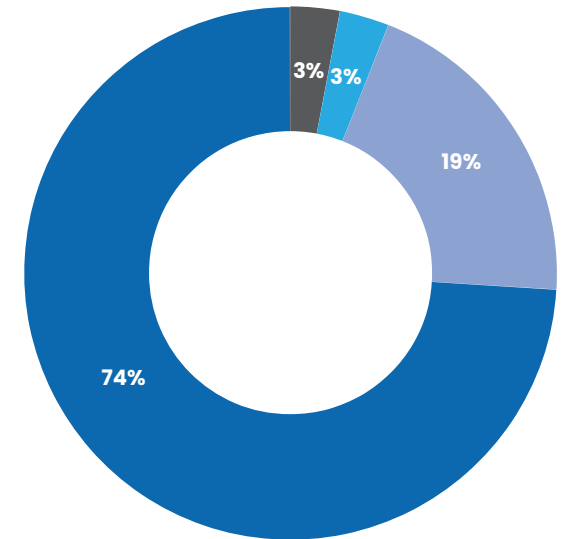
## Sales outlook for 2023

81% of larger businesses expect their sales to increase over the next 12 months. This is up from last year's figure (62%), whilst no large business respondent is forecasting a sales decrease.



## Financial environment

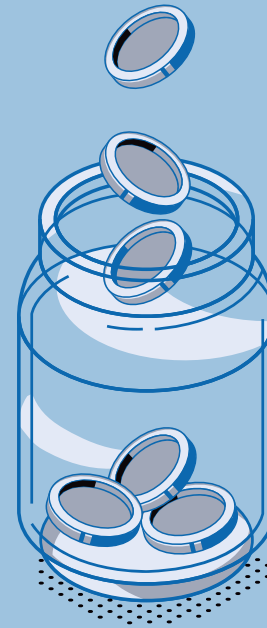
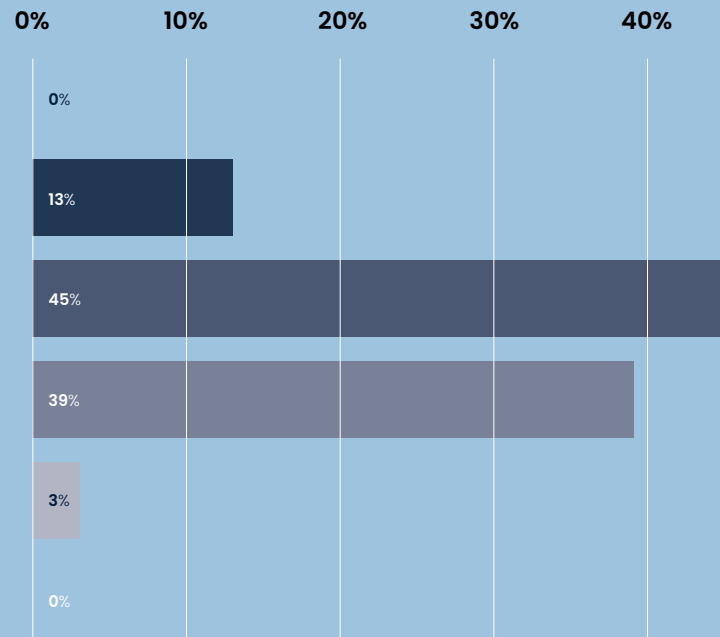
The split of large business turnovers have changed slightly this year with 93% reporting a turnover of £50M or more, and 6% reporting turnovers of between £10 - £20M.



- £10.1m - £15m
- £15.1m - £20m
- £50.1m - £100m
- £100m+

## Cashflow compared to last year

There were fewer larger businesses reporting difficulties with cashflow in 2022 than 2021 (13%, down from 15% in 2021). The cashflow situation has remained relatively positive with only a slight dip from last year (42% down from 46% last year).

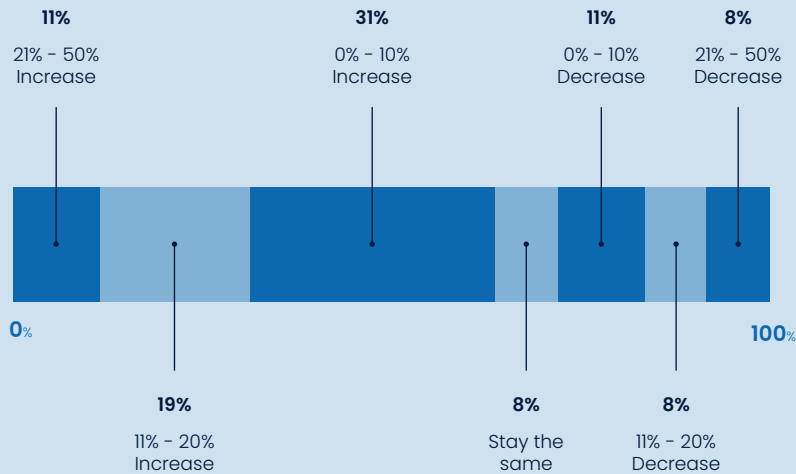


**42%**  
IMPROVED  
CASHFLOW

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

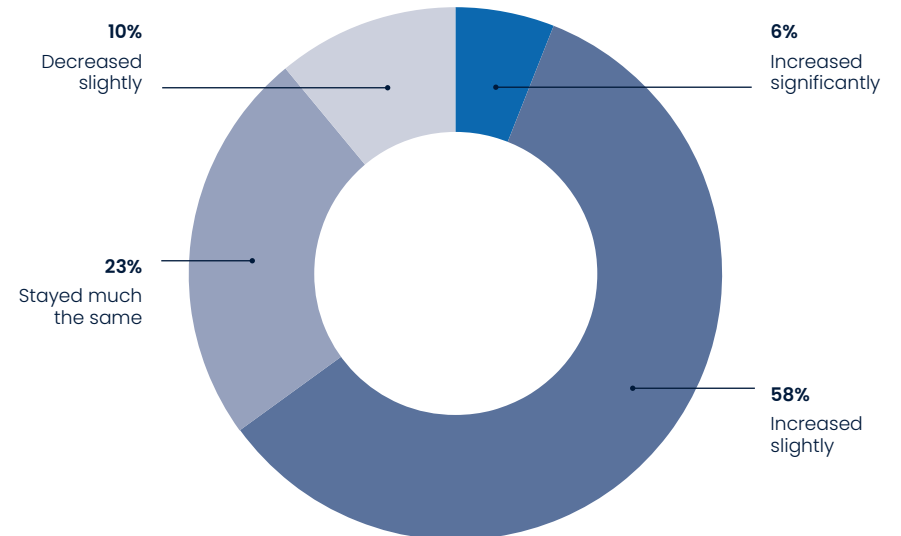
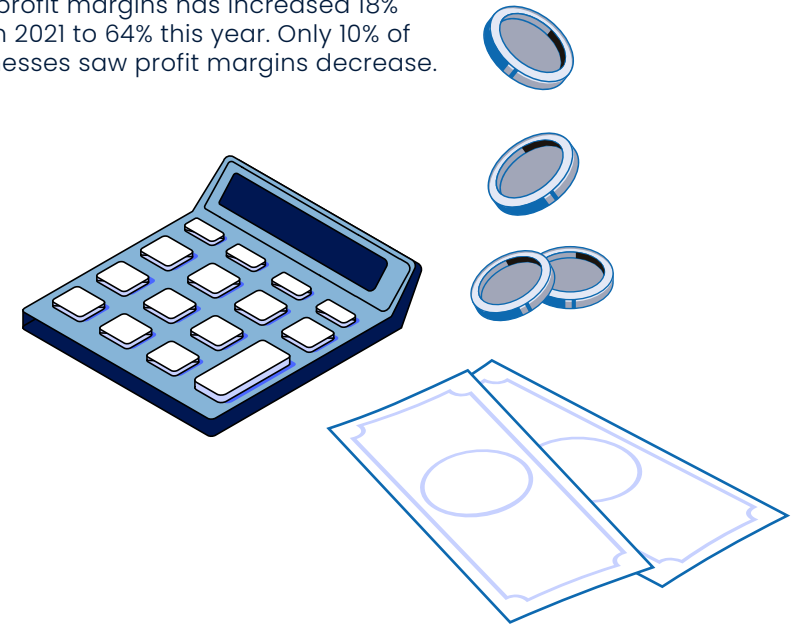
## 2022 sales levels compared with 2021

The sales situation in larger businesses remains positive with 63% reporting an increase in the last 12 months, identical to the previous year. The percentage of larger businesses reporting lower sales decreased from 27% to 15%.



## Profit margins

The share of larger businesses reporting increased profit margins has increased 18% from 46% in 2021 to 64% this year. Only 10% of large businesses saw profit margins decrease.



# ScotlandIS commentary

As your trade association, ScotlandIS has evolved and adapted over the past 12 months to continue to provide services to the sector.

Our members are growing nationally and internationally within a thriving digital ecosystem in Scotland. Our members join us because of our reputation, connections, and authority within the industry. They join us because they know we can help them build their businesses and advance the industry.

Our connections with industry, the Scottish and UK Governments, and the public sector are extensive. Whether it's procurement or skills, the impact of our lobbying and policy-making on business is broad-ranging. Every business in our sector benefits from the positive work we do.

As an industry leader in assessing emerging trends and bringing together knowledge, events and insights, we enable members to make informed decisions in order to reach their business goals.

ScotlandIS brings intelligent influence to national strategic debates. We speak with authority across the spectrum of issues that surround the information revolution.

Currently, we are members of the Home Office Migration Advisory Group, advising on the challenges facing our members in attracting and retaining talent.

As part of the Cyber Essentials program, ScotlandIS distributed a £185,000 fund to industry across Scotland and over £600,000 through the cyber upskilling fund.

We have extended the Digital Critical Friends programme nationally, after launching in Glasgow in 2021. The programme secures technical practitioners in high schools bringing industry best practice to the classroom and exposing the next generation of talent to the opportunities within the Scottish digital/ technology sector. We've partnered with DYW Glasgow, Skills Development Scotland, Tech We Can and STEM Ambassadors allowing this expansion through the provision of content aligned to the Curriculum for Excellence and free PVG checks for all volunteers.





## Collaboration and innovation to tackle the skills gap

The vision of ScotlandIS is for our membership to be recognised not just in Scotland, but also throughout the United Kingdom and internationally as innovative, ambitious, competitive, and inclusive.

As a team at ScotlandIS, we are committed to providing services, benefits, and solutions that help our members grow their businesses. Over the years, we have developed a global network of partners and have become recognised as the voice of the industry across these networks and public sector bodies in Scotland and the rest of the UK.

Currently, ScotlandIS is a member of over 30 advisory groups/boards, ranging from the SME Advisory Group with the Home Office to the Scottish Governments' Export Strategy Board. Additionally, we are members of the National Strategy for Economic Transformation Delivery Programme advisory board, as well as the Digital Commercial Services Board with Scottish Government. We participate in all of these groups to provide input from our members' perspective, as well as to promote their organisations, solutions, and services.

A number of members (large and small) had expressed concerns with the unlimited liability clause in the Scottish Government's terms and conditions, this was raised to us by members, and after highlighting it to Scottish Government, this clause has now been amended.

It is well known that Scotland has a critical shortage of skilled software and IT professionals. As part of our vision and mission for the future, we are committed to securing the talent of tomorrow. As a company, we aim to connect skilled people with businesses in order to realise their full potential.

A major focus for our membership is skills development, which is why we have delivered Digital Critical Friends workshops to 170 high schools across Glasgow, the West of Scotland and the South of Scotland this year, as part of our push to develop the talent pipeline for our members in the future. The Digital Critical Friends have also been instrumental in helping SQA design the HN Next Gen qualifications in Software Engineering, Computer Science, Networks and Infrastructure as part of our ongoing collaboration.

In 2022 over 200 paid placements were created for Scottish students through the ePlacement Scotland programme, and industry have received over £600k to upskill their workforce in cyber security, in addition to the £185k we distributed so they could obtain CE/CE+ accreditation.



# 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, infrastructure, software engineering, managed service providers and Mobility as a Service.
- ScotlandIS works closely with 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 2023 was conducted between 20 December 2022 and 7 March 2023 through an online survey platform. The survey received 273 responses in total, of which 162 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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