

SCOTLANDIS

SCOTTISH TECHNOLOGY  
INDUSTRY SURVEY 2026



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NEW MESSAGE

To: Scotland (All) Cc Bcc

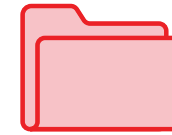
Subject: Introduction

Over the past nineteen years, the Scottish Technology Industry Survey has been relied upon by business leaders, investors, and public sector representatives to provide an overview of the sector's performance. This year's Scottish Technology Industry Survey highlights industry trends and looks ahead to the coming year. ScotlandIS would like to thank everyone who contributed to this year's survey for their valuable insights.

The survey results enable ScotlandIS to represent the digital technologies industry effectively and to support members and the wider sector in growing their businesses, thereby contributing to Scotland's economic growth. Further information on our activities in response to the issues raised by survey participants can be found at the end of this report.

**Karen Meechan**  
Chief Executive, ScotlandIS

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SCOTTISH  
TECHNOLOGY  
INDUSTRY  
SURVEY / 2026



TRASH



# Top Trends



## The evolving role of AI in business growth

Advancements in artificial intelligence (AI) and machine learning (ML) are resulting in a major transformation in the way businesses operate. 59% of companies have identified AI and ML as critical growth opportunities for 2026, slightly down from last year (69%). Yet there has been a notable shift from early exploration towards more established and strategic use of these technologies, with only 2% reported as not started using AI compared to 10% last year, and 10% exploring AI tools compared with 23% previously – while those using AI tools in some way has increased by 21% overall.

Sentiment is generally positive but measured, with respondents indicating that, while the recognition of AI's potential to enhance operational efficiencies and drive innovation broadly presents a strategic opportunity, organisations remain more cautious and considered in their approach to adopt the tools, with concerns raised around data security, governance and regulatory compliance.

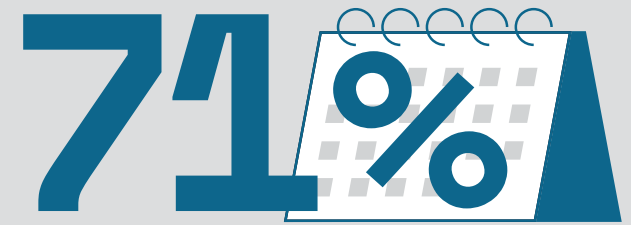
Demand for AI/ML skills (69%) remains on par with 2025 however (70%), highlighting that there is still a gap in skilled staff that are trained in implementing and harnessing these technologies effectively.



## Optimism for 2026

Companies are maintaining an overall positive outlook for 2026 in comparison to last year; while 49% of respondents are 'Optimistic' (dropping from 61% in 2025), the number of respondents that are 'Very Optimistic' has almost doubled to 22%, with pessimism levels relatively stable. This could reflect the eased pressures of cash flow and improvements in profit levels that were seen in 2025, balanced with the continuing economic and geopolitical uncertainties.

Business confidence doesn't end there, with 84% of companies expecting sales to grow in 2026, and our highest number of respondents projecting a sales increase of 50% + since 2017. Headcount growth is also consistent with previous years, with 91% of those surveyed expecting an increase or to stay the same.



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

## Hiring intentions and skills demand

In 2026, 59% of companies plan to hire, maintaining a slight decline over the last couple of years, with the most in-demand skills areas focused on sales and marketing, AI/ML, and cyber security. As businesses increasingly integrate AI into their operations and cyber threats become ever more sophisticated, the demand for professionals skilled in these areas is critical. A consistent demand for sales and marketing skills each year highlights a strategic approach to preparing for future growth, with a steady requirement among organisations for both technical and commercial expertise.

# Industry Overview

## Scotland's digital technologies sector

Scotland's digital technology sector is a critical engine of economic growth, innovation and productivity. The sector comprises over 10,000 businesses, employs around 100,000 people and contributes approximately £6.5–£7 billion in Gross Value Added (GVA) to the Scottish economy. It consistently outperforms the wider economy in terms of growth and productivity, with output per worker significantly higher than the national average. As digital adoption accelerates across all industries, from financial services and healthcare to energy and manufacturing, the sector's influence continues to expand well beyond its traditional boundaries.

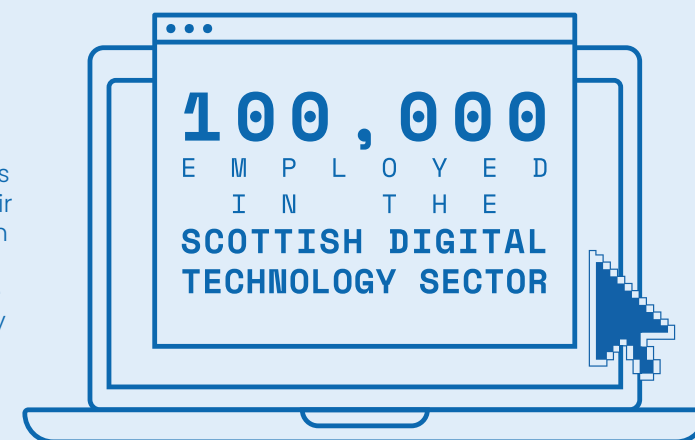
This cross-economy impact is reflected in the growing importance of digital capability as a foundational skill. Evidence from Skills Development Scotland indicates that 31% of all skill-shortage vacancies are now linked to digital skills, underlining the extent to which digital expertise is no longer confined to specialist roles but is essential across the entire labour market. From SMEs to large enterprises and across the public sector, organisations increasingly rely on digital technologies to drive efficiency, resilience and competitiveness.

At the same time, demand is intensifying in high-growth and strategically important areas. Scotland's data shows that over 69% of companies require skills in artificial intelligence and data, while 62% report a need for cyber security capability. These "frontier" skills are not only critical to business growth but also to national priorities such as economic resilience, secure digital infrastructure and the safe adoption of emerging technologies. The rapid pace of technological change, including the rise of AI, automation and increasingly complex cyber threats, is further accelerating demand and widening the gap between supply and need.

Despite the sector's strengths, persistent and deepening skills shortages are now one of the most significant constraints on growth. Employers report ongoing challenges in recruiting experienced talent, alongside a pipeline that is not yet sufficient in scale, diversity or alignment with industry needs.

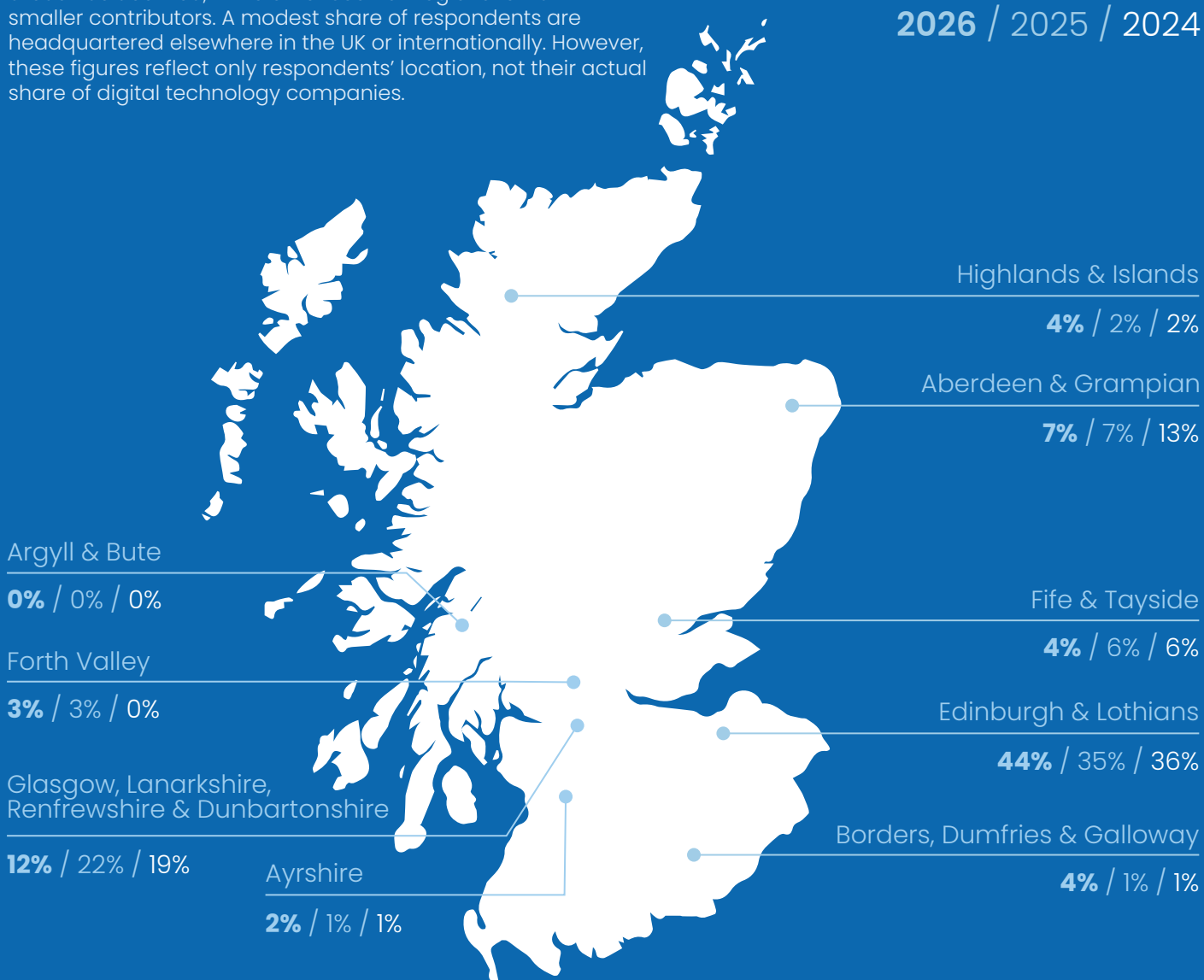
Addressing these challenges will require a coordinated, system-wide response. In particular, there is a need for stronger, employer-led pathways that better connect education, training and industry demand. This includes expanding work-based learning, improving alignment between curricula and real-world skills requirements, and creating more accessible routes into the sector for people at different stages of their careers. Collaboration between industry, education providers and government will be essential to ensure Scotland can develop a workforce capable of supporting future innovation, driving productivity and maintaining its competitive position in an increasingly digital global economy.

[www.skillsdevelopmentscotland.co.uk](http://www.skillsdevelopmentscotland.co.uk)



# Headquarters location

Survey respondents are increasingly concentrated in Edinburgh and the Lothians, rising to 44% in 2026, reinforcing the region's role as Scotland's primary digital technology hub. Representation from Glasgow and surrounding areas has declined, while other Scottish regions remain smaller contributors. A modest share of respondents are headquartered elsewhere in the UK or internationally. However, these figures reflect only respondents' location, not their actual share of digital technology companies.



2026 / 2025 / 2024

## UK outwith Scotland

10% / 15% / 14%

## EU outwith UK

3% / 3% / 3%

## US headquartered

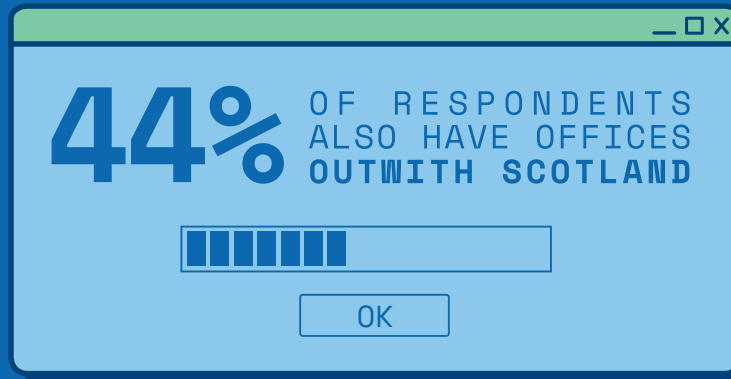
4% / 4% / 5%

## Other

5% / 1% / 2%

# Offices outwith Scotland

There is a slight increase in companies operating solely within Scotland, rising to 56% in 2026. However, a significant proportion maintain international offices, particularly across the rest of the UK (26%), Europe (23%), and North America (20%). There is also gradual expansion into regions such as Asia and the Middle East, indicating growing global reach.



2026 / 2025



# Staff location

The vast majority of digital technology companies employ staff within Scotland, increasing to 94% in 2026. However, many organisations also maintain distributed workforces, particularly across the rest of the UK (44%) and Europe (27%). Smaller but notable proportions employ staff in North America, Asia, and other international regions, reflecting global talent engagement.

Within Scotland Only **94%** / 92%

Rest of UK **44%** / 47%

Europe **27%** / 23%

Middle East **10%** / 7%

Asia **16%** / 15%

North America **20%** / 16%

Middle & South America **7%** / 6%

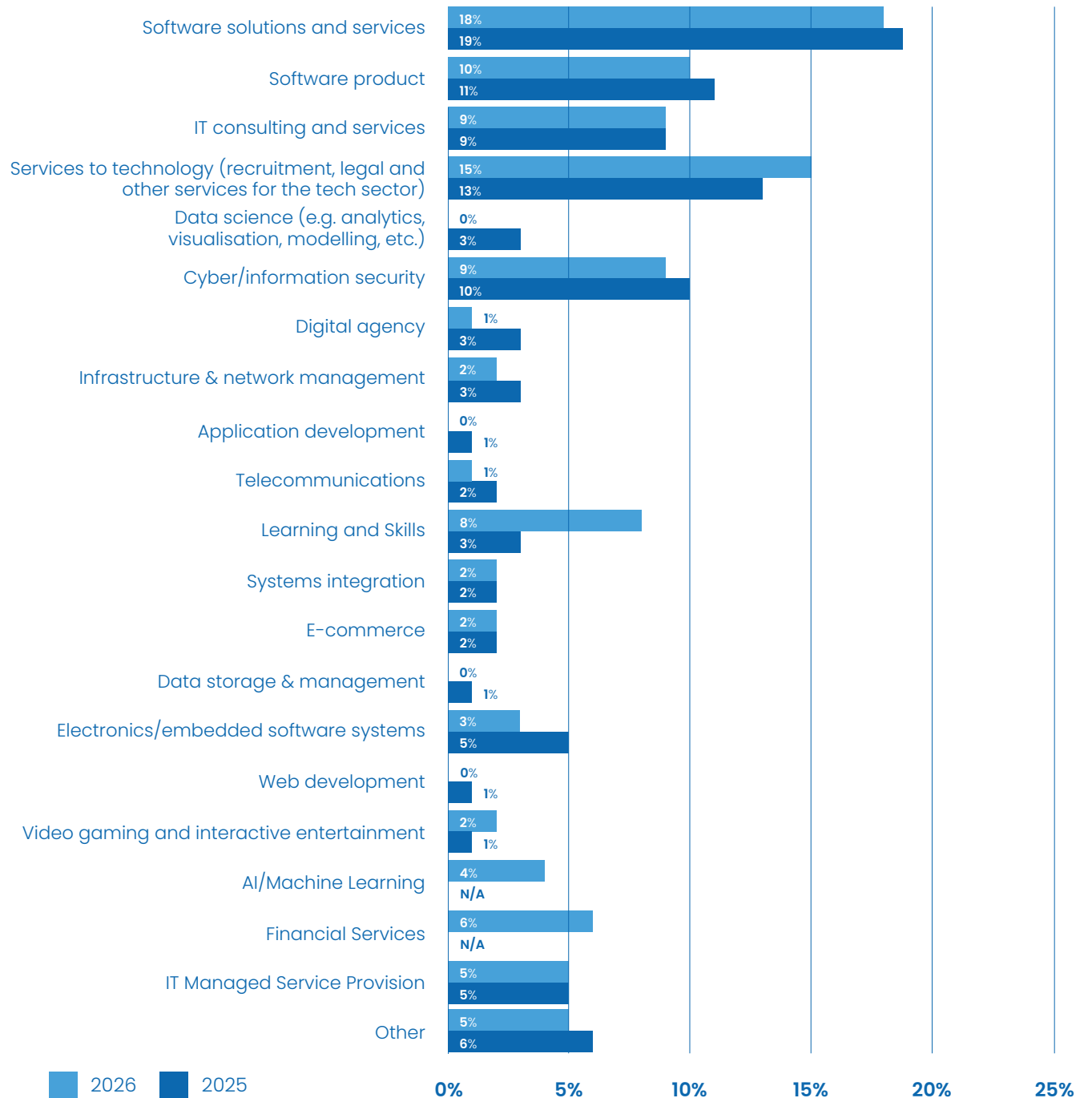
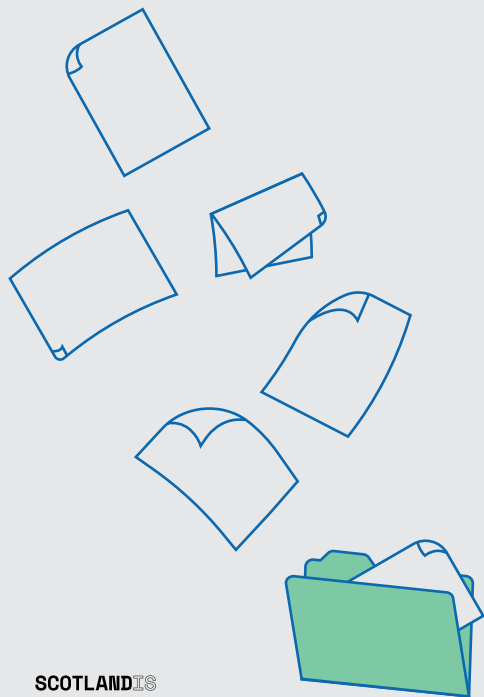
Africa **9%** / 3%

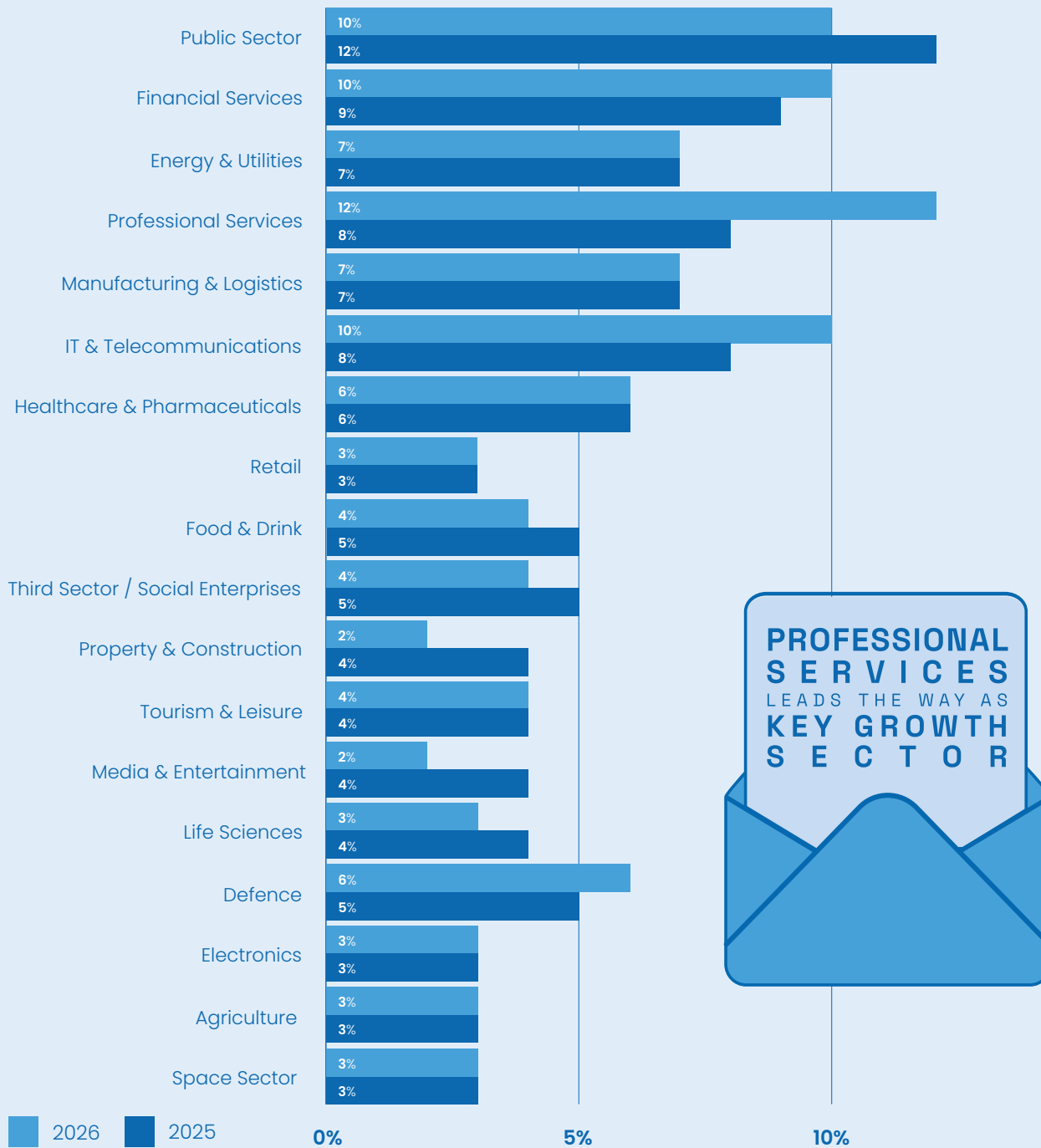
Australia & New Zealand **12%** / 7%

2026 / 2025

# Main activity of business

Software solutions and services remain the largest primary activity among respondents, although this has continued to decline slightly from 21% in 2024 to 18% in 2026. Software product businesses remain relatively stable at around 10 - 11%. Both IT consulting and managed services remain stable on last year, while services supporting the technology sector have increased to 15%. Newer categories such as AI and machine learning (4%) and financial services (6%) highlight diversification in the sector. Meanwhile, areas such as cyber security and managed IT services remain relatively consistent, indicating continued demand for core digital infrastructure and security capabilities.





**PROFESSIONAL SERVICES**  
LEADS THE WAY AS  
**KEY GROWTH**  
S E C T O R

## Sectors being supplied

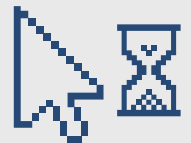
Respondents told us that the top sectors served in 2026 are professional services (12%), public sector, financial services, and IT and telecommunications (all 10%). Professional services has seen the most notable growth, rising from 8% in 2025 to become the largest sector supplied. In contrast, the public sector has continued to decline slightly from 13% in 2024 to 10% in 2026, while financial services has remained relatively stable. Demand from IT and telecommunications has increased steadily since 2024. Other sectors such as manufacturing and logistics, energy and utilities, and healthcare and pharmaceuticals remain consistent mid-tier markets, indicating a broadly diversified customer base across the digital technology sector.

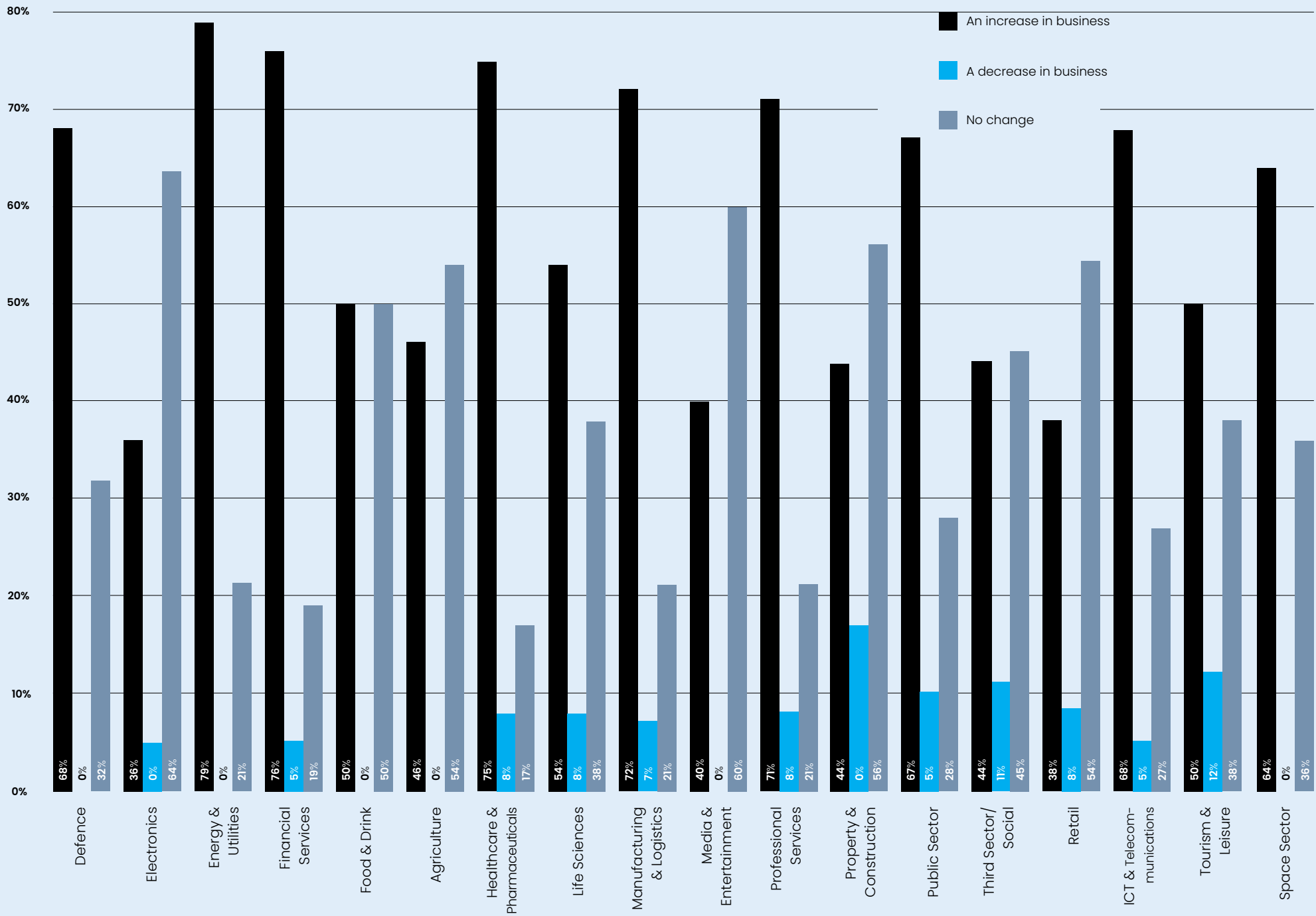
## Expected demand in 2026

The outlook across sectors is broadly positive, with most respondents expecting increased business in the next 12 months within the sectors they currently serve. The strongest growth expectations are in energy and utilities (79%), financial services (76%), and healthcare and pharmaceuticals (75%), indicating strong demand for digital technology solutions in highly regulated and data-intensive industries. Manufacturing and logistics (72%) and professional services (71%) also show strong growth expectations, while defence (68%) and ICT and telecommunications (68%) remain robust markets.

Several sectors show more balanced outlooks, including food and drink, agriculture, and property and construction, where many respondents expect stability rather than rapid growth. A smaller number of sectors report modest expectations of decline, particularly third sector organisations, retail, and tourism and leisure.

Overall, respondents to the survey suggest continued expansion opportunities across a wide range of industries, with particularly strong momentum in infrastructure, regulated sectors, and technology-enabled services.

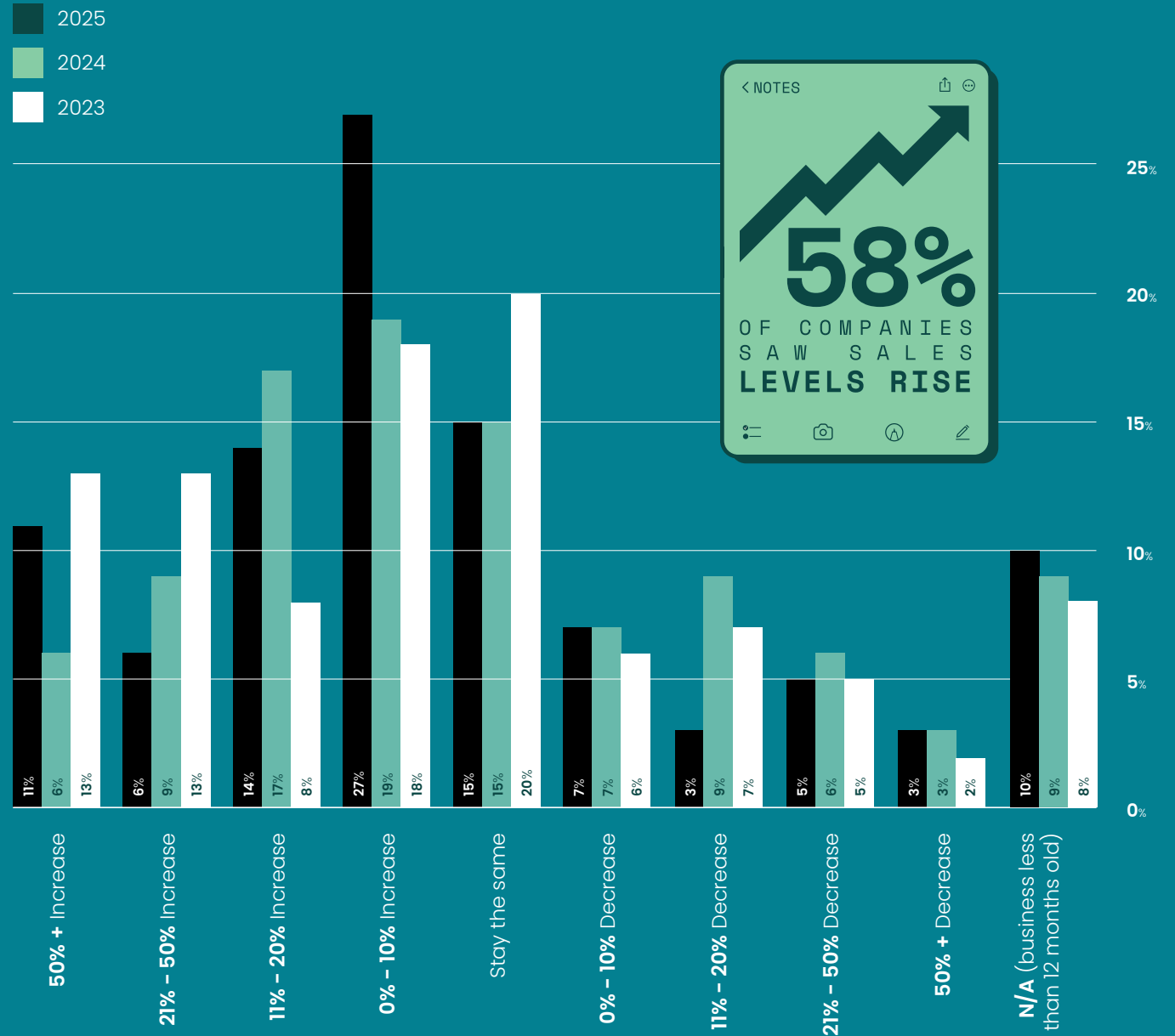




# Review of 2025

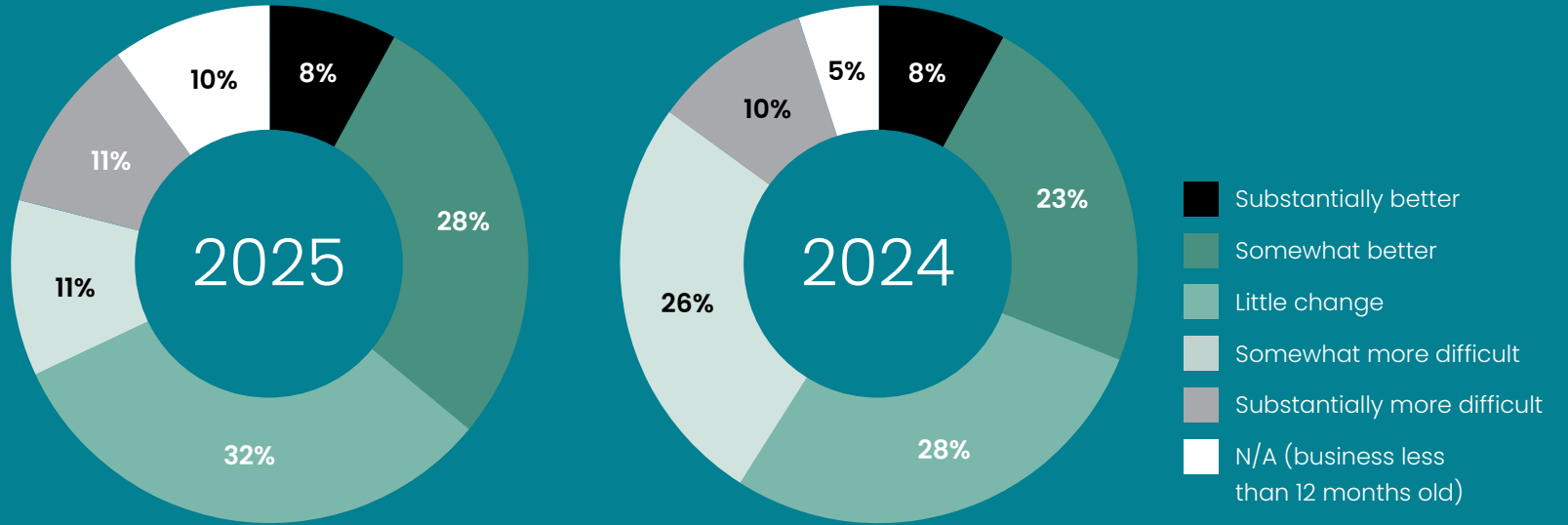
## Sales levels

In 2025, respondents had a slightly better year than in 2024: the share experiencing 50%+ sales growth nearly doubled (11% vs. 6%), while those with 21–50% growth dropped slightly (6% vs. 9%). Modest growth (0–10%) rose from 19% to 27%, and declines were generally lower, a cautious but improved performance when compared with last year.



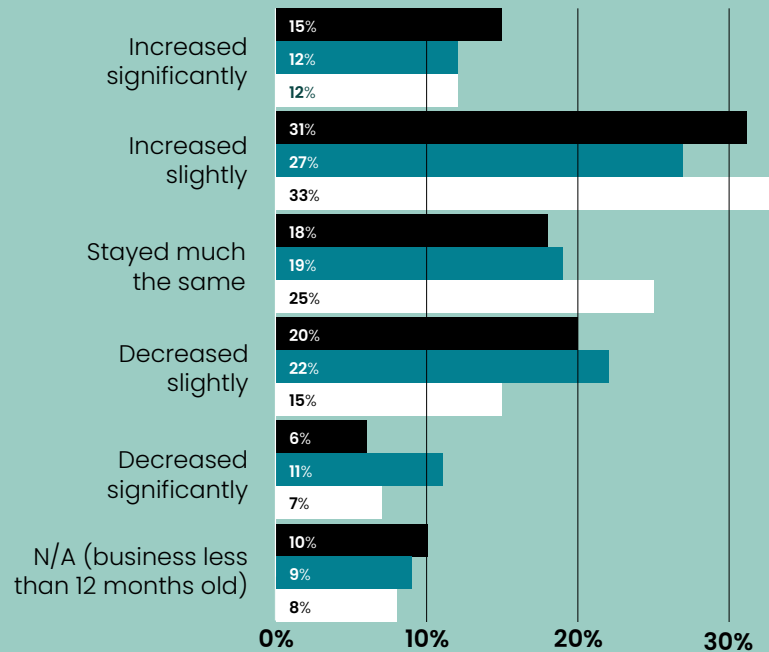
# Cashflow

Respondents' cashflow pressures eased in 2025 compared with 2024. The share reporting "somewhat more difficult" dropped sharply from 26% to 11%, while "somewhat better" rose from 23% to 28%. Overall, 36% saw improvement versus 36% experiencing little change, though 11% still faced substantial difficulties. New businesses accounted for 10%.



# Profit margin performance in 2025 compared to 2024

For 2025, profit margin performance shows moderate improvement compared with 2024. Those reporting significant or slight increases rose to 46% from 39%, while slight and significant decreases fell from 33% to 26%.

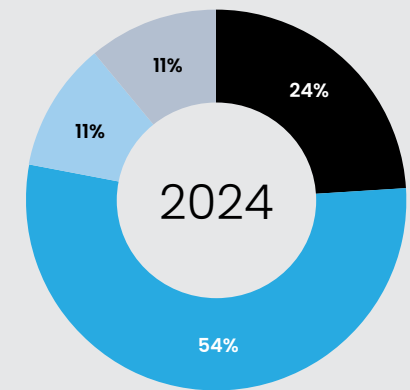
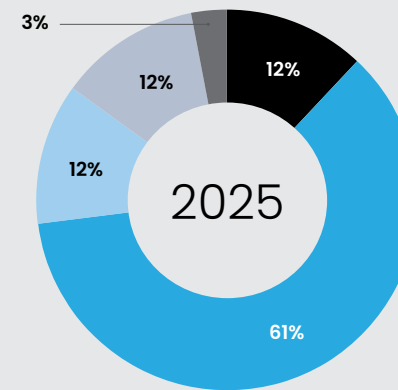
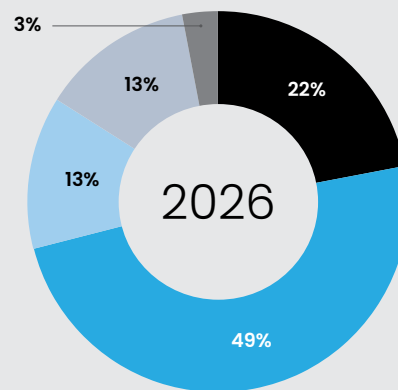


PROFIT MARGINS ROSE FOR **46%** OF RESPONDENTS



# Outlook for 2026

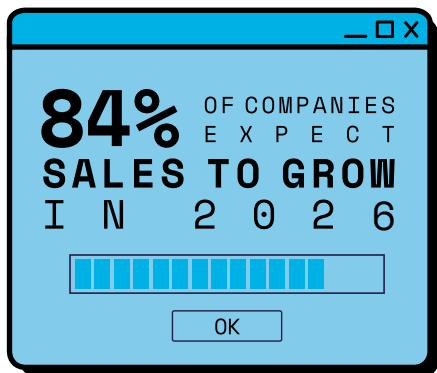
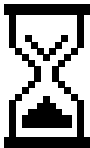
For 2026, respondents' outlook is cautiously positive, showing a shift from 2025. The share who are "very optimistic" nearly doubled to 22%, while those "optimistic" declined from 61% to 49%, suggesting that while confidence remains strong, it is tempered by realism about market challenges. Optimism is driven by factors such as growing pipelines, expanding teams, strong product maturity, niche market opportunities, AI and digital identity demand, and access to investment funding. Pessimism, totaling 16%, reflects concerns over government policy uncertainty, regulatory and taxation pressures, high costs, economic volatility, and competitive intensity. Overall, the sector anticipates growth but is alert to external risks.



Very optimistic Optimistic No change Pessimistic Very pessimistic

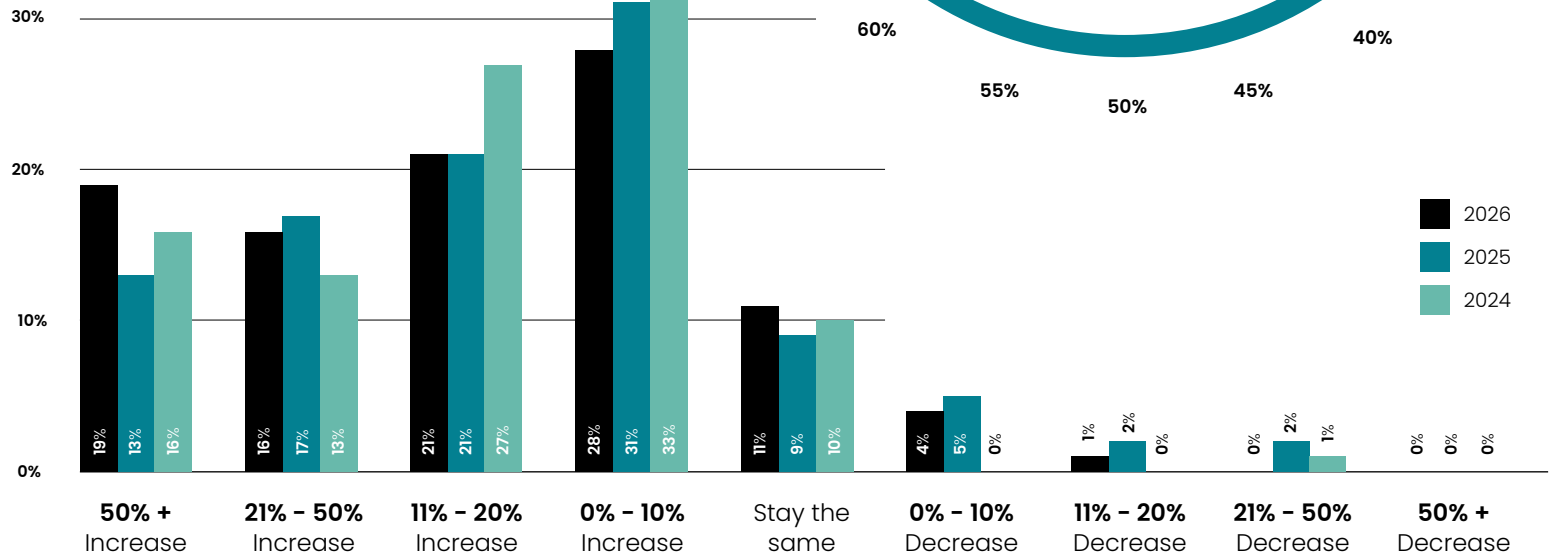
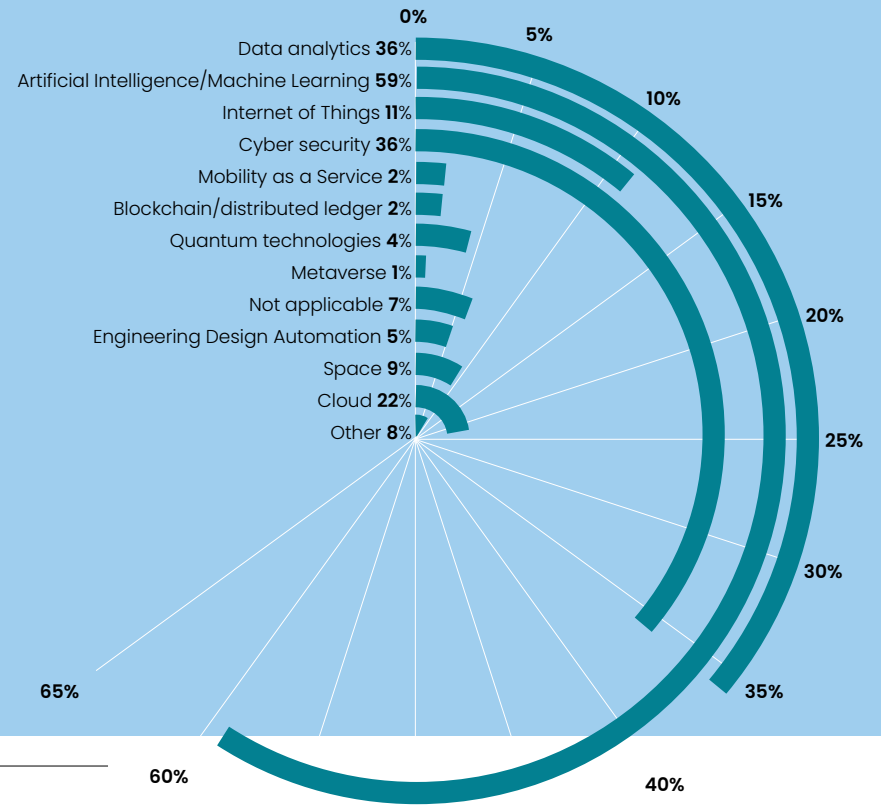
# Expected change in sales over the next 12 months

For 2026, respondents are more optimistic about sales growth than in previous years: 56% expect increases of 11% or more, with 19% anticipating 50%+ growth. Modest growth (0-10%) is expected by 28%, and declines are minimal, signalling strong confidence in continued expansion over the next 12 months.



# New opportunities

For 2026, respondents see new opportunities primarily in artificial intelligence/machine learning (59%) and data analytics (36%), though both are slightly lower than 2025 (69% and 41%, respectively). Cyber security (36%) remains a strong focus but has declined from previous peaks. Interest in IoT, cloud, and blockchain is falling, while emerging areas like quantum technologies and space are steady but modest. Overall, the shift suggests maturing markets for AI and analytics, with respondents cautiously exploring niche or emerging sectors compared with prior years' broader tech optimism.

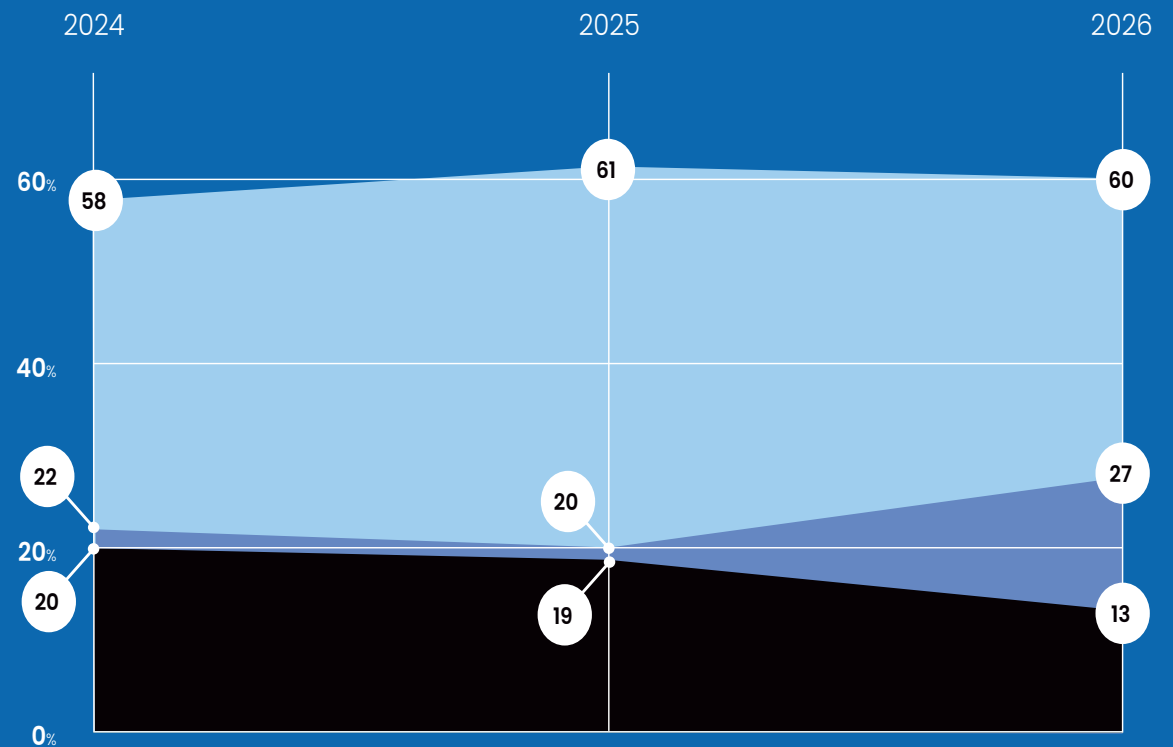


# International Opportunities

## Export levels

In 2026, 60% of respondents are already exporting, a slight decrease from 61% in 2025. Those planning to export rose to 27%, up from 20%, while 13% have no plans, down from 19%, indicating a growing interest in international markets despite a small dip in current exporters.

- Exporting
- Planning to
- No plans





## Export markets

Comparing 2026 predictions with 2025 actual export markets, respondents see stronger opportunities closer to home. The Rest of the UK rises from 58% to 64% as the top target, Europe grows from 46% to 54%, and North America from 30% to 38%. Interest in the Middle East also increases from 18% to 21%. Conversely, markets like Asia, Australia/New Zealand, Latin America, and Africa are expected to be less attractive in 2026 than they were in 2025, showing a shift toward established or nearby markets over more distant or smaller regions.

Top markets in 2025 / **Most attractive in 2026**

North America

30% / **38%**

Rest of the UK

58% / **64%**

Europe

46% / **54%**

Africa

10% / **3%**

Middle & South America

10% / **3%**

Australia & New Zealand

15% / **9%**

Asia

17% / **13%**

Middle East

18% / **21%**

# Employment & Skills

**91%** OF COMPANIES PLAN TO INCREASE OR MAINTAIN THEIR HEADCOUNT



OK

## Digital technologies employment in Scotland

ONS data from 2023 indicates that approximately 100,000 people are employed in digital technology roles in Scotland, reflecting continued growth from earlier estimates. In addition to increased investment in UK technology, companies also require highly skilled technical and business staff to support expansion and innovation.

Across the UK, demand for digital talent remains strong, with tech vacancies consistently accounting for around 10–12% of all job openings, and a significant proportion of these roles located outside London and the South East. The most in-demand tech jobs continue to be software developers, alongside growing demand in areas such as data, artificial intelligence and cyber security.

Salaries for these roles have continued to increase, with software developers typically earning between £55,000 and £70,000 on average, and significantly higher salaries reported for specialist roles such as IT architects and senior engineers. This reflects both the competitive nature of the labour market and the increasing value placed on advanced digital skills.

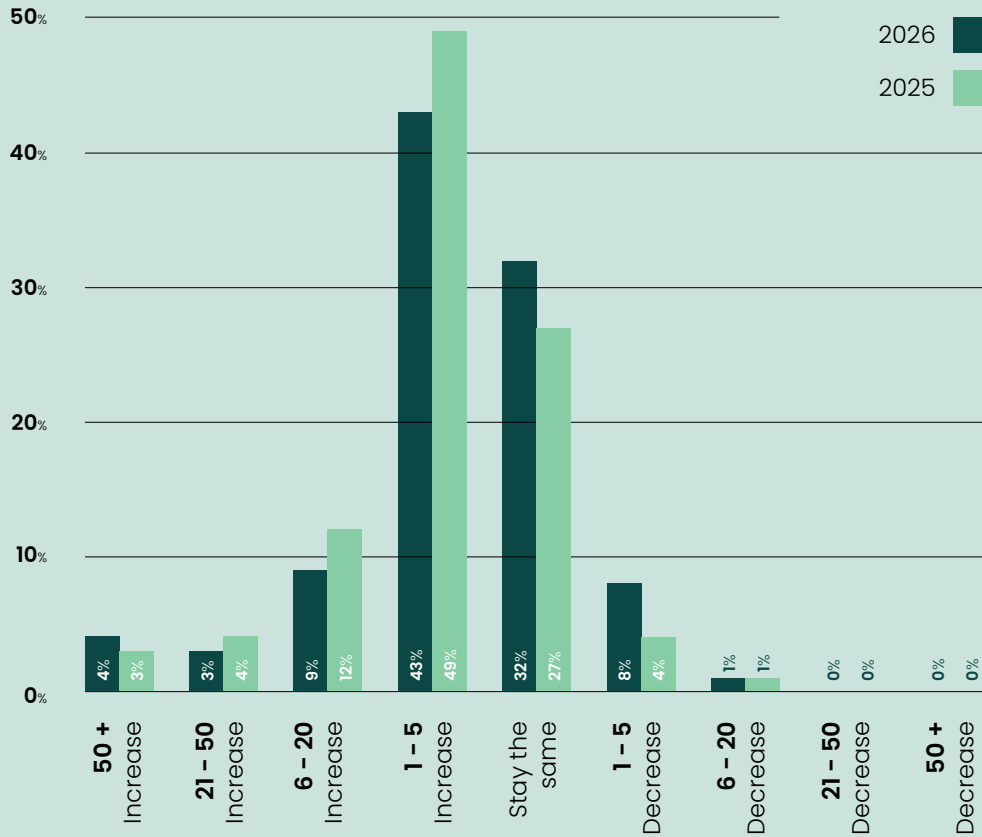
Each year, Scotland is estimated to require over 13,000 new entrants into digital technology roles, driven by both sector growth and replacement demand. However, there remains a gap between the number of job opportunities available and the number of graduates, apprentices and career changers entering the labour market.

This gap is becoming more pronounced as demand shifts towards more advanced and hybrid skillsets, combining technical capability with commercial understanding. Addressing this imbalance is critical to ensuring Scotland can continue to grow its digital economy and meet future workforce demands.



SCOTLAND REQUIRES  
**13,000+**  
NEW ENTRANTS INTO  
DIGITAL TECH ROLES  
EACH YEAR





## Change in employee numbers over the next 12 months

For 2026, respondents expect steady, positive headcount growth over the next 12 months. The largest group (43%) anticipates a 1-5 increase, while 32% expect headcount to remain stable, up from 27% in 2025. Moderate growth of 6-20 employees is forecast by 9%, and larger increases of 21-50 or 50+ are small but present, indicating pockets of expansion. Only a minority foresee reductions. Overall, while growth is more measured than in earlier years, respondents suggest most are planning to maintain or gradually expand their teams.

## Location of talent

The majority of companies (60%) expect to source new talent from Scotland in 2026, slightly down from 64% in 2025. Hiring from the rest of the UK has declined again to 12% (16% in 2025), continuing a downward trend from 22% back in 2023. Meanwhile, international recruitment remains low, with just 5% looking to Europe and 12% to the rest of the world, suggesting a strong focus on home grown talent.

Scotland

**60%** / 64% / 62%

Rest of the UK

**12%** / 16% / 21%

N/A **11%** / 9% / 4%

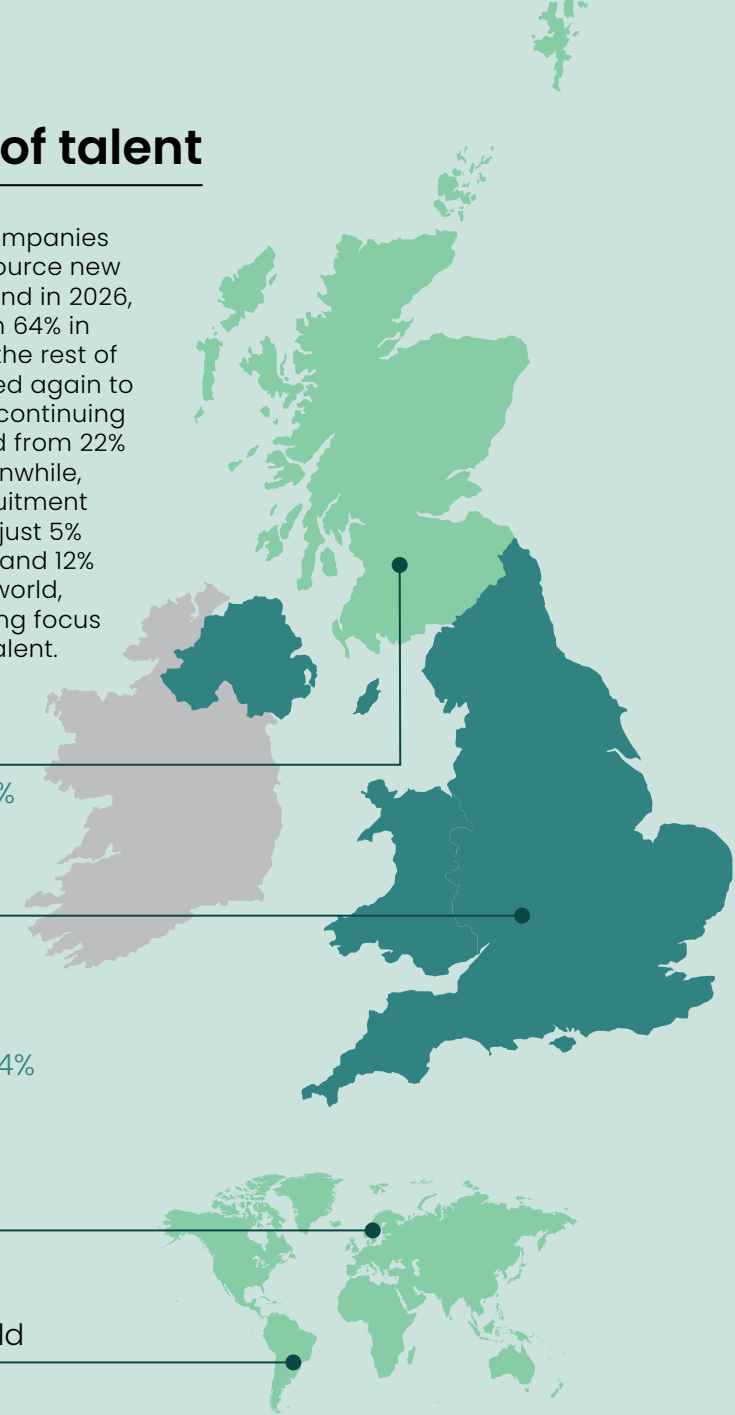
Europe

**5%** / 2% / 4%

Rest of the World

**12%** / 9% / 9%

**2026** / 2025 / 2024



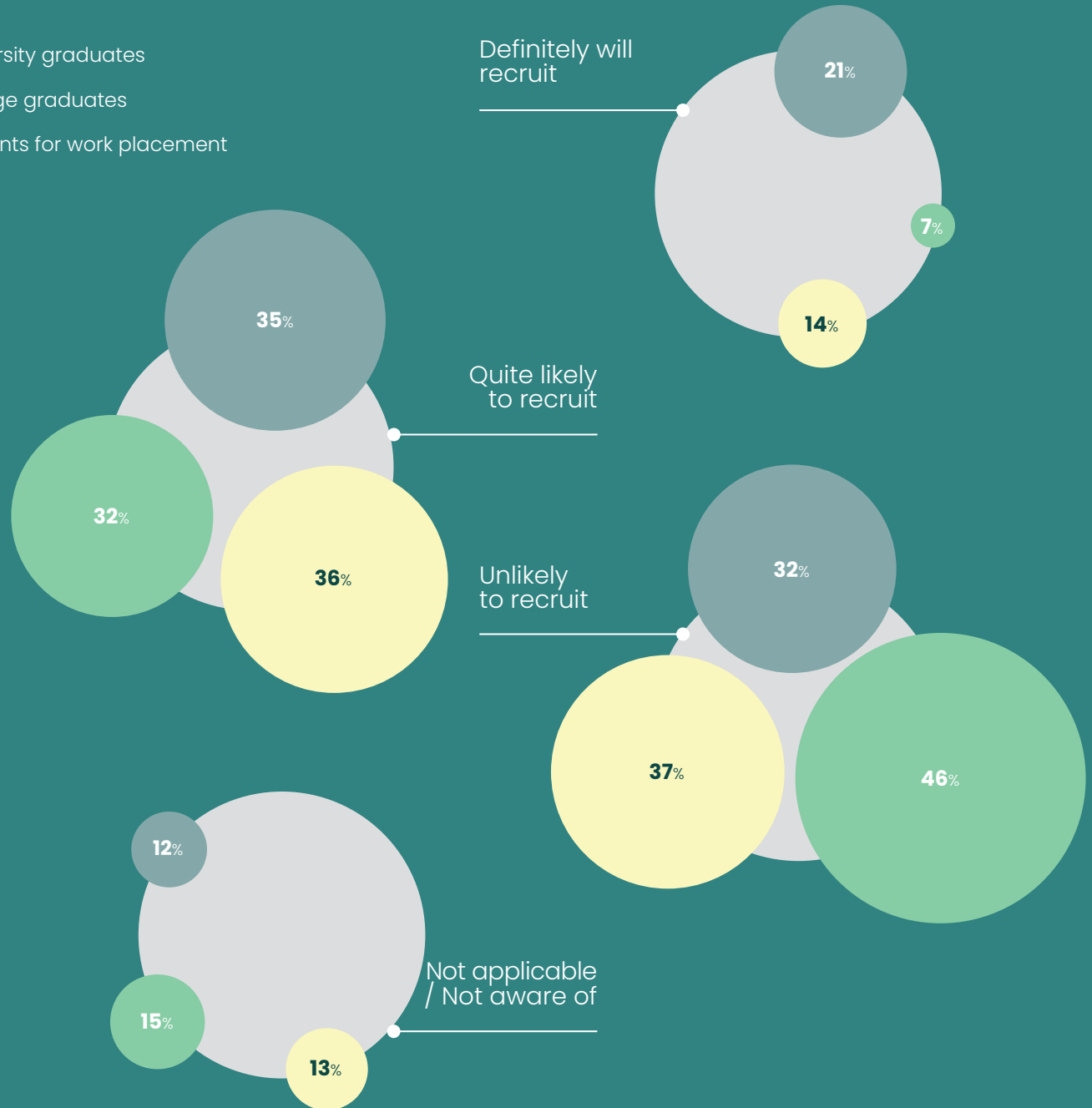


OF RESPONDENTS  
**PLAN TO HIRE  
 RECENT GRADUATES**  
 IN THE NEXT 12 MONTHS

- University graduates
- College graduates
- Students for work placement

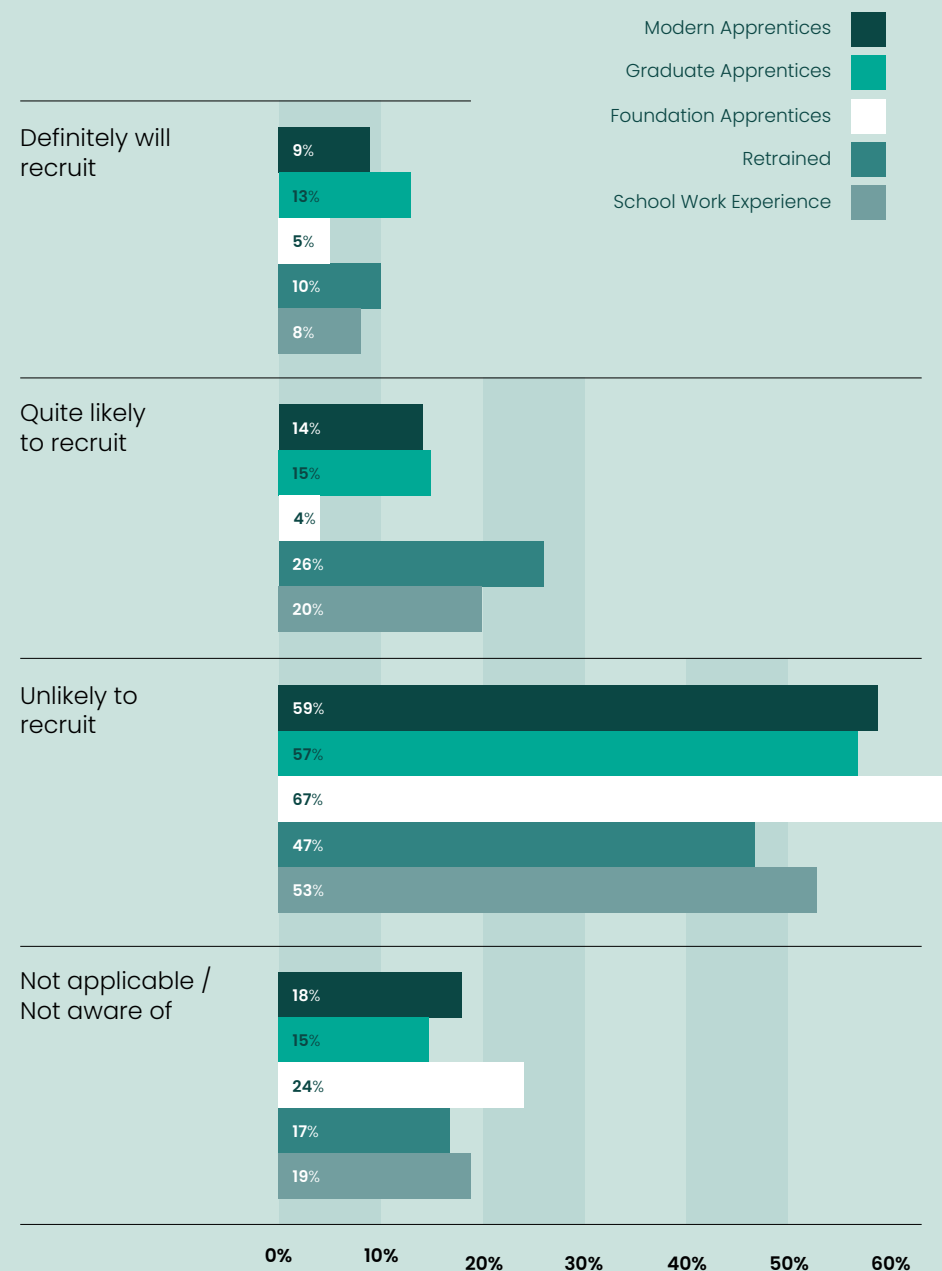
## Recruitment from colleges and universities

Student recruitment shows mixed trends compared with previous years. Recruitment of university graduates is slightly lower, with 21% “definitely” recruiting (down from 25% in 2025), though 35% see it as “quite likely,” maintaining overall interest. College graduate recruitment is modest, with 7% “definitely” recruiting, up slightly from 5% in 2025. Recruitment of students for work placements is stable, with 14% “definitely” recruiting, slightly down from 15% in 2025.



# Recruitment of apprentices

In 2026, apprenticeship recruitment shows modest growth in certain areas compared with 2025. The share “definitely” recruiting modern apprentices rose to 9% (from 6%), graduate apprentices to 13% (from 8%), foundation apprentices to 5% (from 2%), and retraining apprentices to 10% (from 5%). School work experience also increased slightly to 8%. However, most respondents remain “unlikely” to recruit apprentices, especially for modern (59%) and foundation (67%) programmes. Overall, while enthusiasm is still limited, there are positive signs of increasing commitment to graduate and retraining apprenticeships.



## Most in demand skill sets

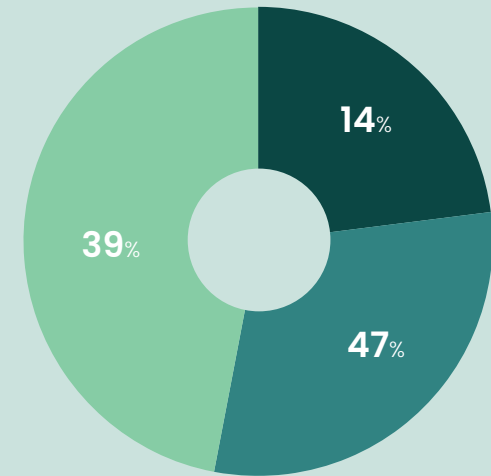
In 2026, the most in-demand skills are artificial intelligence and machine learning, sales and marketing, and cyber security. AI/ML has seen a significant rise in those reporting high requirement of these skills, up to 36% from 26% in 2025, highlighting its growing strategic importance. Commercial skills and cyber security remain vital, while traditional IT, data and cloud skills show a slight decline, indicating that businesses are prioritising advanced digital capabilities and commercial expertise to drive growth and innovation in an increasingly competitive technology landscape.

High Requirement  Some Requirement  No Requirement

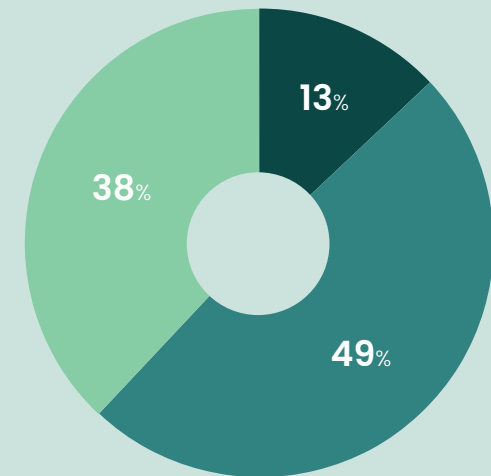


SALES & MARKETING  
T A L E N T  
IS THE  
MOST IN DEMAND  
**72%** NEED  
THESE  
SKILLS

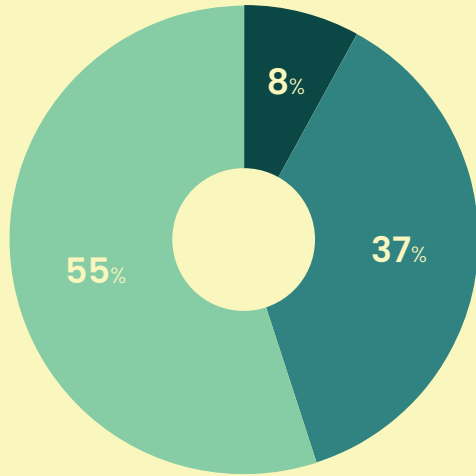
Software & Web Development



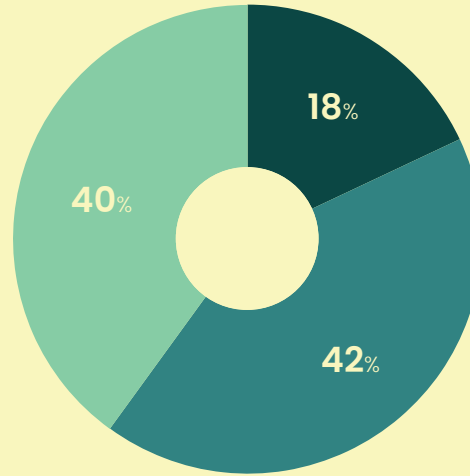
Cyber Security



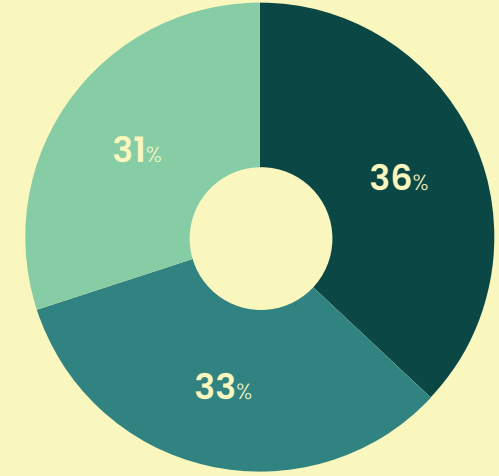
Infrastructure & Support Management



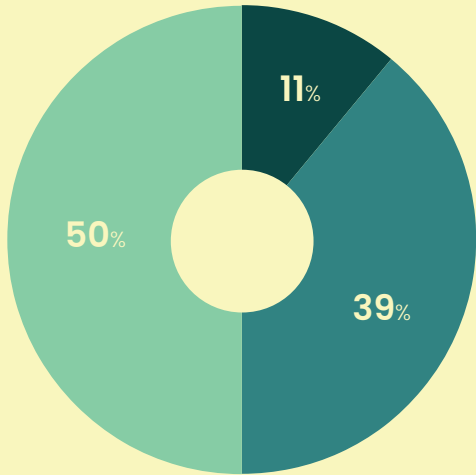
Data



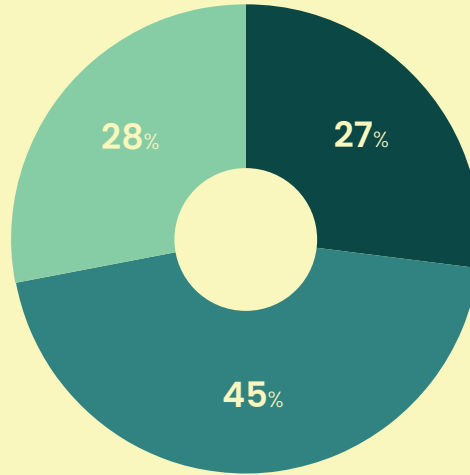
Artificial Intelligence/Machine Learning



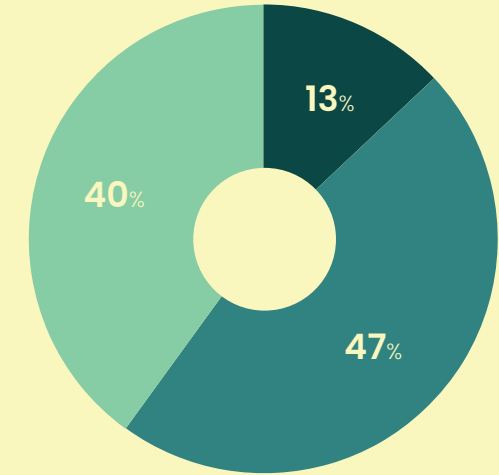
Cloud Computing



Sales & Marketing

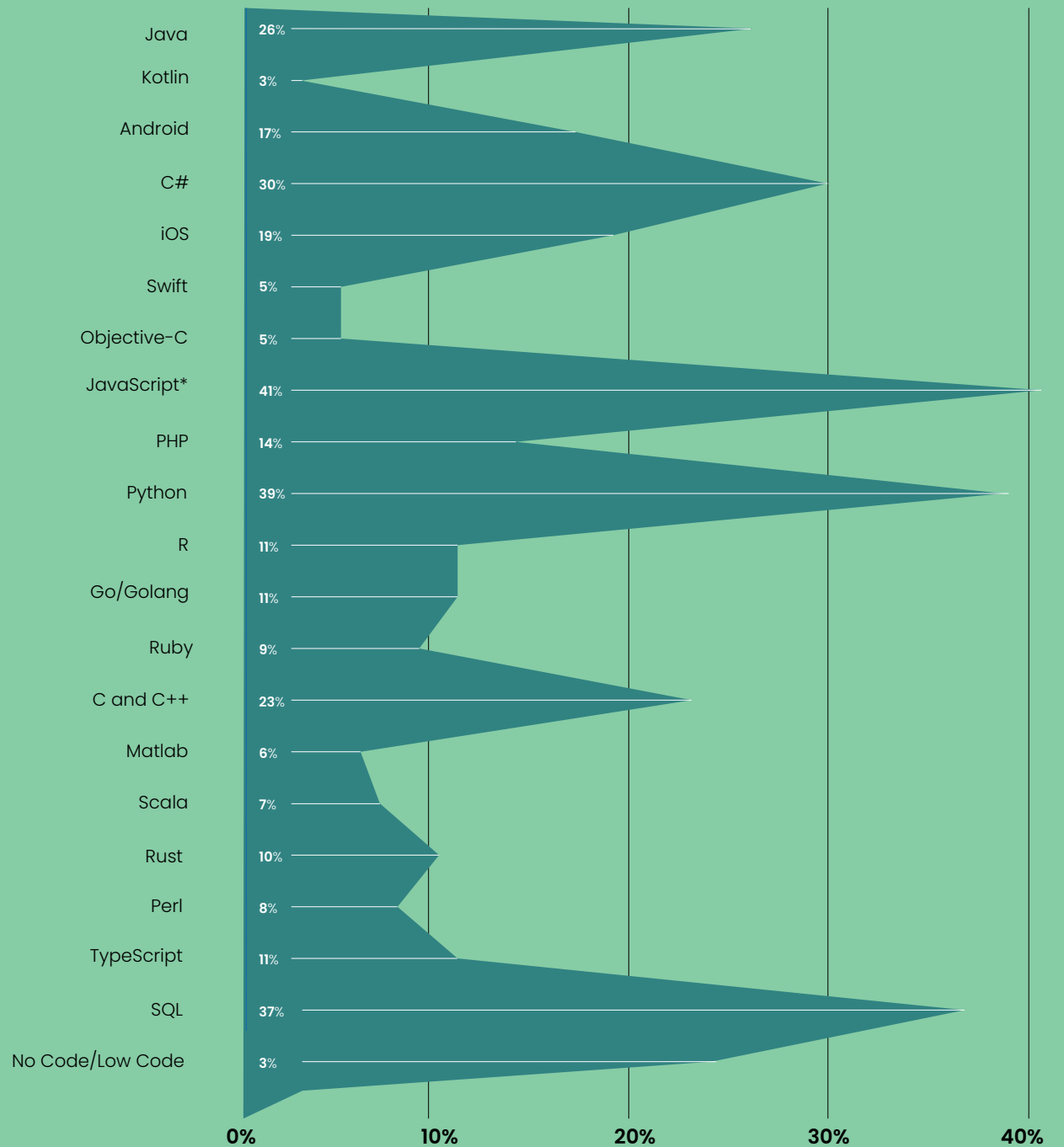


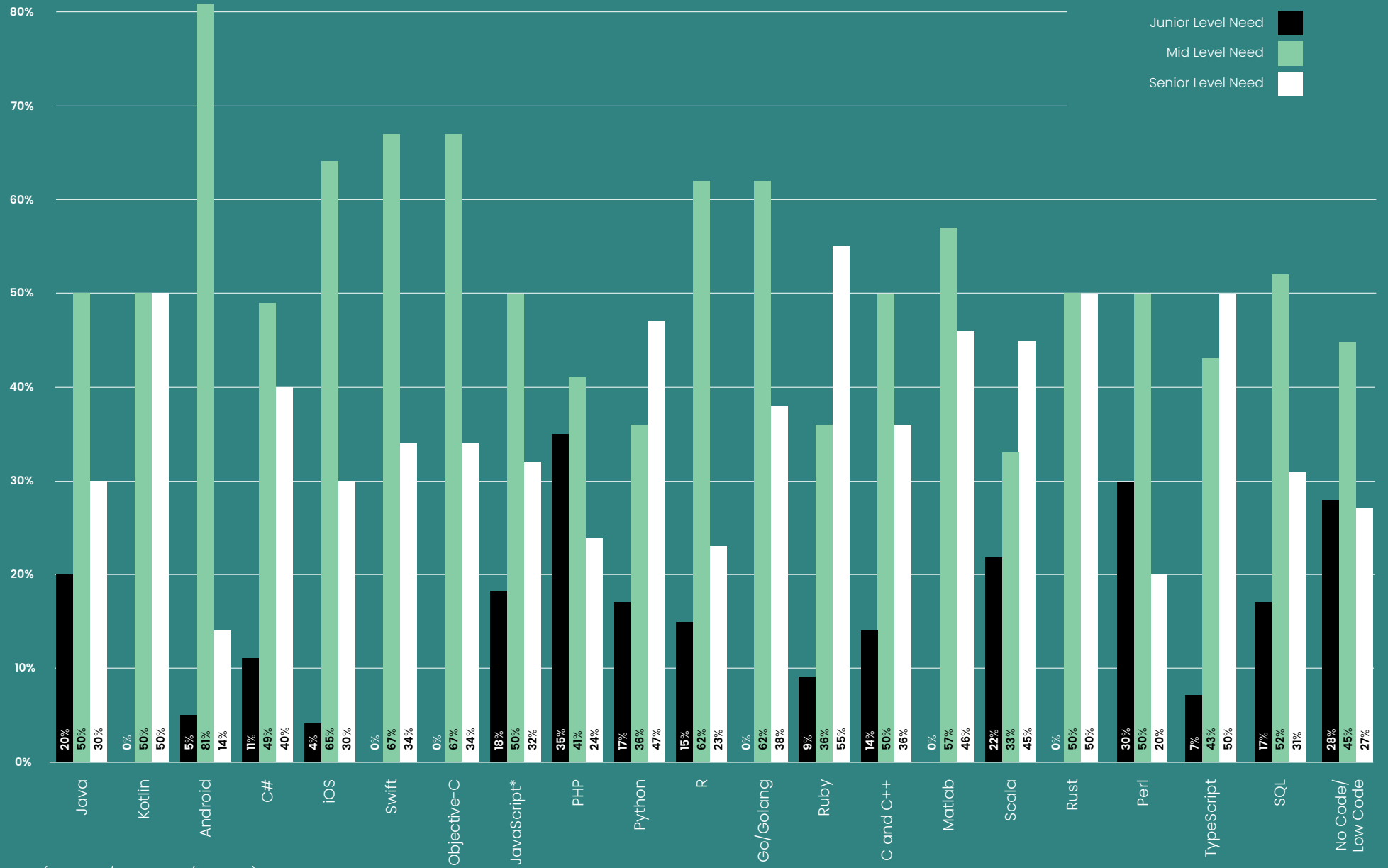
Leadership



## Technical skills

The most in-demand technical skills for 2026 focus on programming and development across senior roles. JavaScript (41%), Python (39%), and SQL (37%) lead overall, with strong senior-level demand. Mobile development skills like Android, iOS, Swift, and Objective-C show high demand for mid and senior developers. Emerging languages like Kotlin, Go, and Rust are increasingly valued, reflecting a shift toward specialised, high-level technical expertise. Junior-level demand is lower, highlighting a focus on experienced talent for complex projects.





\*(ReactJS/AngularJS/NodeJS)

# AI Adoption in Scotland

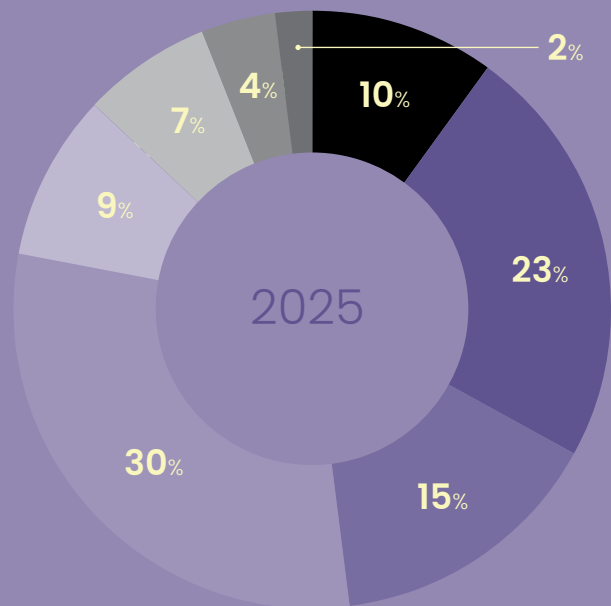
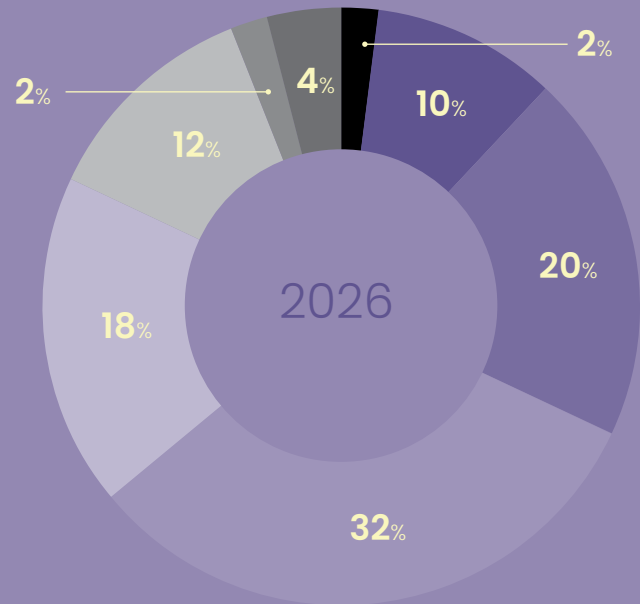
## AI adoption in the digital technology sector in Scotland

AI adoption within Scotland's technology sector is accelerating and moving beyond experimentation into more structured and strategic implementation. The sharp decline in organisations that have not started using AI, from 10% in 2025 to 2% in 2026, alongside the reduction in those still exploring the technology, suggests that most businesses are now actively deploying AI in some form. At the same time, the proportion reporting full adoption has doubled to 18%, and those describing themselves as industry leaders has increased to 12%, signalling growing maturity in how AI is integrated into business operations.

Future deployment plans suggest continued expansion across commercial and operational functions, particularly product development, marketing, sales, and data management, reflecting AI's growing role in both innovation and core business processes.



**AI ADOPTION  
CONTINUES TO GROW  
AS BUSINESSES MOVE TOWARDS  
MORE DELIBERATE,  
STRATEGIC IMPLEMENTATION**

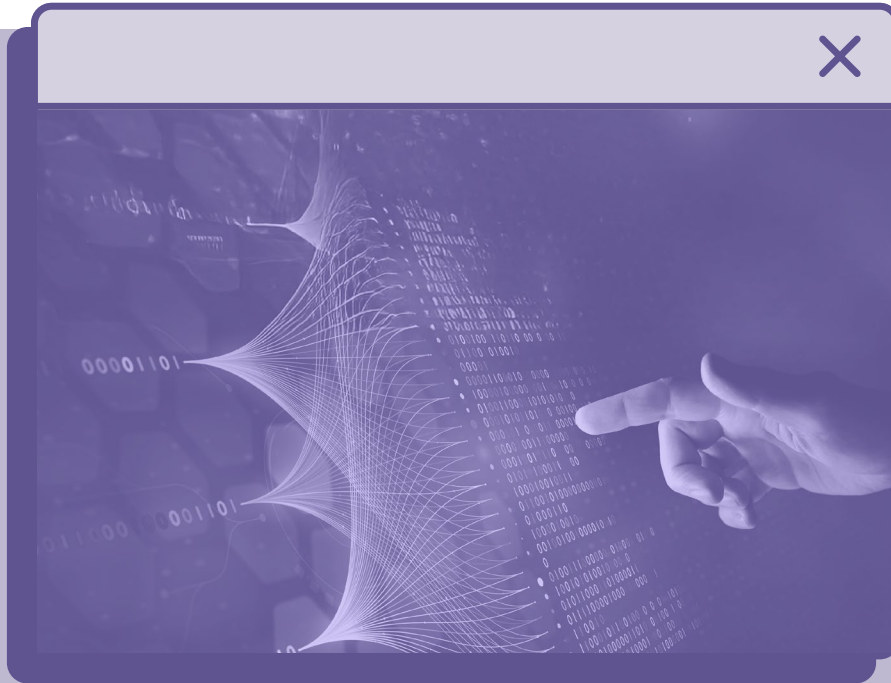


The qualitative responses reinforce this picture. The most common use cases centre on software development and technical productivity, with generative AI tools used for coding assistance, debugging, scripting, and accelerating feature development. Many organisations also deploy AI for general productivity tasks, including drafting emails, summarising documents, meeting transcription, research support, and knowledge retrieval.

Another major use case is process automation and operational efficiency, where AI helps streamline internal workflows, automate repetitive tasks, and support administrative functions. In addition, a number of businesses are embedding AI within their products and services, including recommendation engines, analytics platforms, chatbots, and data-driven decision tools. Some organisations are also developing proprietary AI platforms or delivering AI solutions to clients, particularly within technology and consultancy sectors.

Sentiment is broadly positive but measured. Many respondents report tangible productivity gains and see AI as a strategic opportunity. However, there is also a degree of caution and scepticism, with concerns raised around data security, governance, regulatory compliance, and the possibility that the current level of enthusiasm may exceed realistic business value. Overall, the findings suggest a market moving rapidly from experimentation to practical implementation, while still maintaining a pragmatic approach to risk and long-term impact.

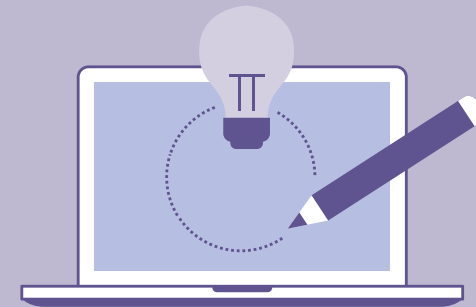




## Planned deployment of AI technologies in the next 12 months

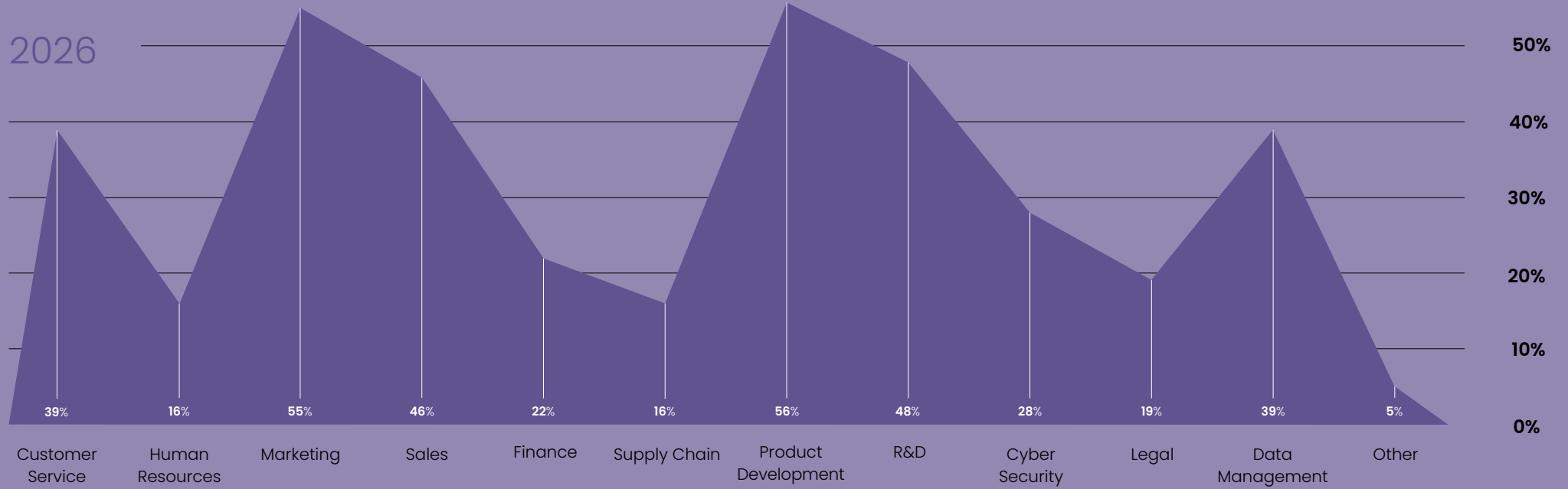
Businesses are planning to expand AI deployment across multiple functions over the next 12 months, with the strongest growth in product development (56%), marketing (55%), and research and development (48%). Sales (46%) and customer service (39%) also show significant adoption, reflecting the use of AI for personalisation, automation, and customer engagement.

Operational areas are growing as well, with increased interest in data management (39%), cyber security (28%), and finance (22%), the latter more than doubling from 2025. Overall, the data suggests organisations are broadening AI use from innovation functions into core operational and commercial activities.

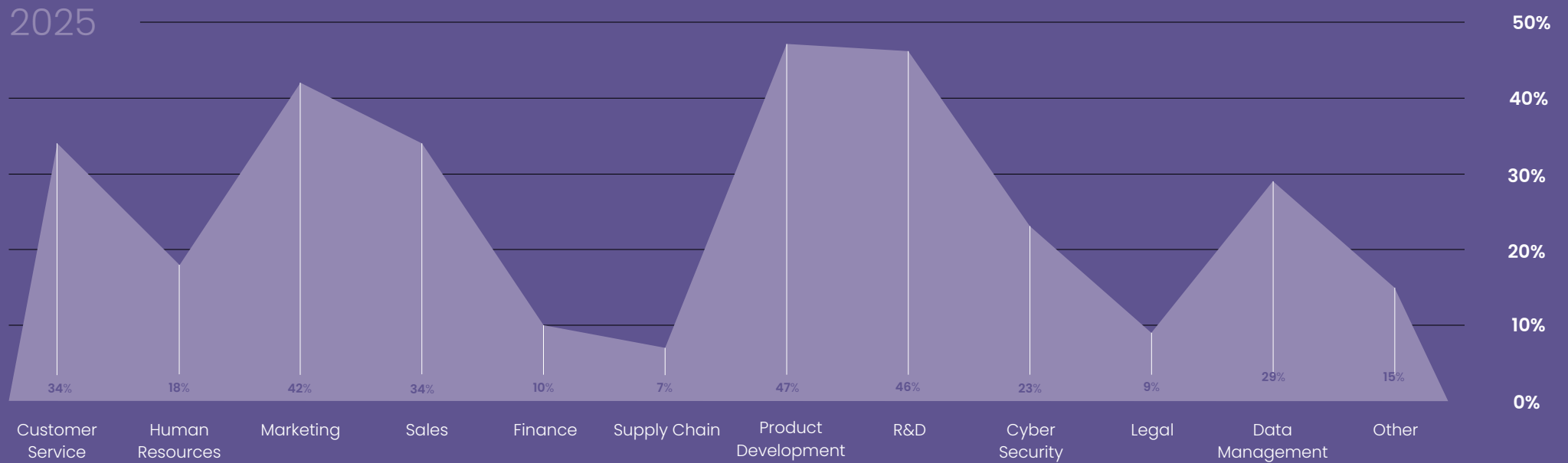


**PRODUCT DEVELOPMENT,  
MARKETING, AND R&D  
ARE THE TOP AREAS OF  
BUSINESS WHERE RESPONDENTS  
PLAN TO USE AI IN 2026**

2026



2025



# Benchmark 1:

## Smaller Companies (up to 35 employees)



**48%**  
OF SMALLER BUSINESSES  
ARE ALREADY  
**SELLING**  
INTERNATIONALLY

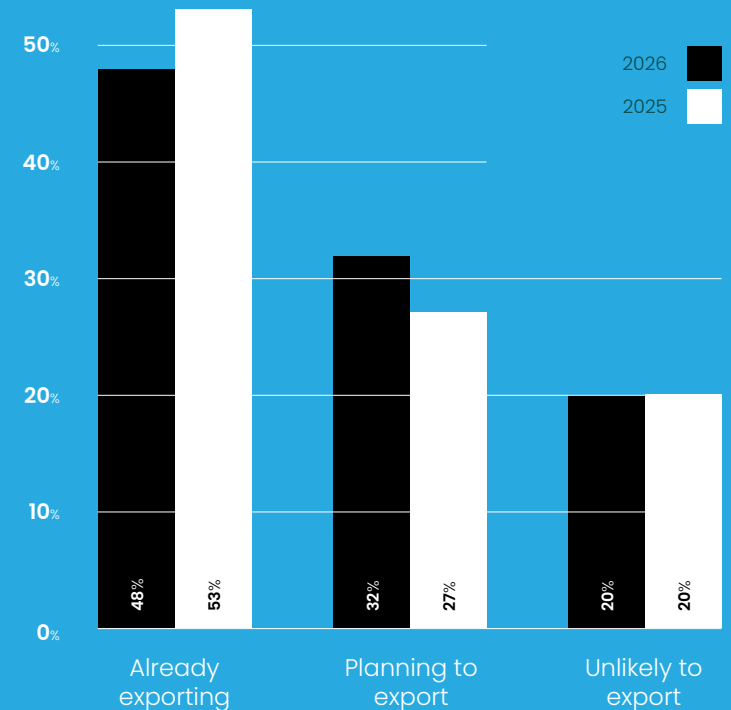
## Reflections on 2025

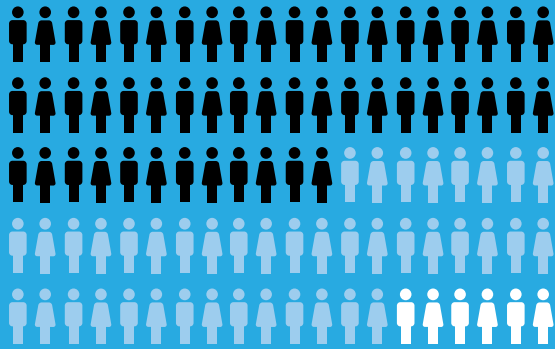
Small businesses were largely optimistic going into 2026, with 69% positive about the year ahead. Around 35% reported improved cashflow in 2025 and 40% saw higher profit margins. Key barriers to growth included economic conditions (63%), customer acquisition and retention (50%), and access to funding (39%). Opportunities focused on AI/ML (58%), cyber security (37%), and data analytics (31%), highlighting a strong emphasis on advanced digital capabilities to drive growth and competitive advantage despite challenging economic and market conditions.

**69%**    
HAVE AN  
OPTIMISTIC  
OUTLOOK  
FOR THE NEXT  
12 MONTHS

## International sales

In 2026, small businesses show steady international engagement. While 48% are already exporting, a slight decline from 53% in 2025, 32% plan to export, up from 27%, and 20% are unlikely to do so. Most sales remain within Scotland (60%), with 22% outside the UK. Priority export markets are the Rest of the UK (54%), Europe (37%), and North America (24%), indicating a focus on nearby and established markets while gradually expanding international reach. Small businesses are cautiously optimistic, balancing domestic strength with selective overseas growth opportunities.





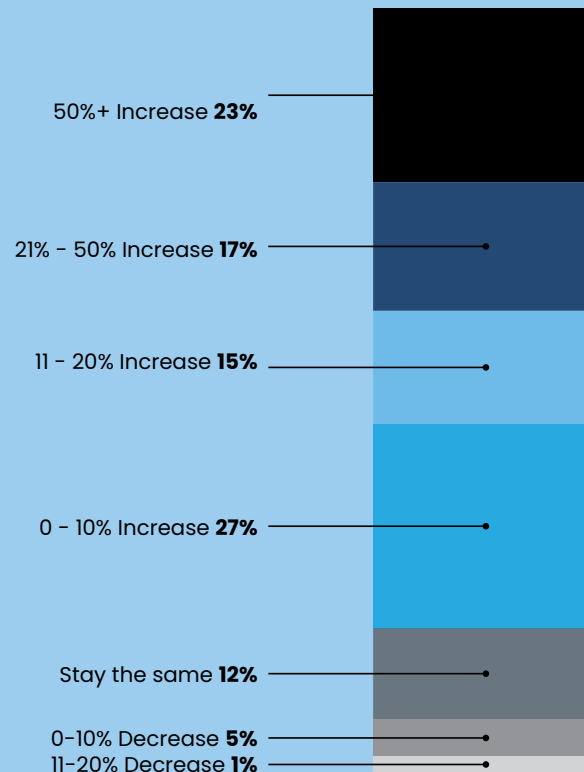
Recruit more staff **52%**  
 Stay the same **42%**  
 Decrease in staff **6%**

## People and skills

In 2026, small businesses are focused on stabilising and selectively expanding their teams. While only 52% plan to recruit more staff, a decline from 67% in 2025, 42% expect headcount to remain the same, and just 6% anticipate reductions. Recruitment is increasingly targeted: 56% are looking for university graduates, 41% for college graduates, and 50% for student placements, with most talent expected to come from Scotland. Key skill priorities are sales & marketing (74%), AI/machine learning (67%), and cyber security (64%), reflecting a shift toward commercial, digital, and technical expertise to support growth and competitiveness in an evolving market.

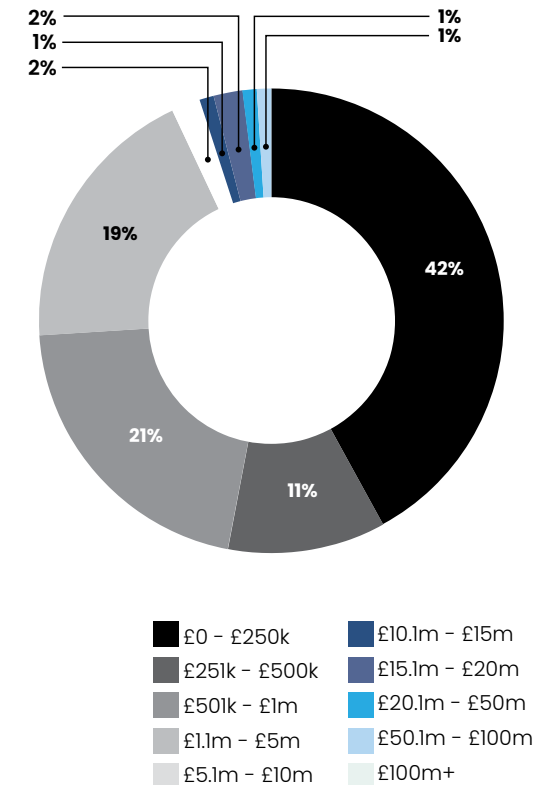
## Sales outlook for 2026

The 2026 sales outlook for small businesses is cautiously optimistic. Strong growth remains significant, with 23% expecting 50%+ increases, up from 19% in 2025, and 17% anticipating 21–50% growth. Moderate growth (0–20%) is expected by the majority, while only a small minority forecast declines. Overall, businesses are confident in expansion, with high-growth expectations returning to levels seen in 2024.



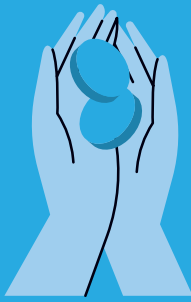
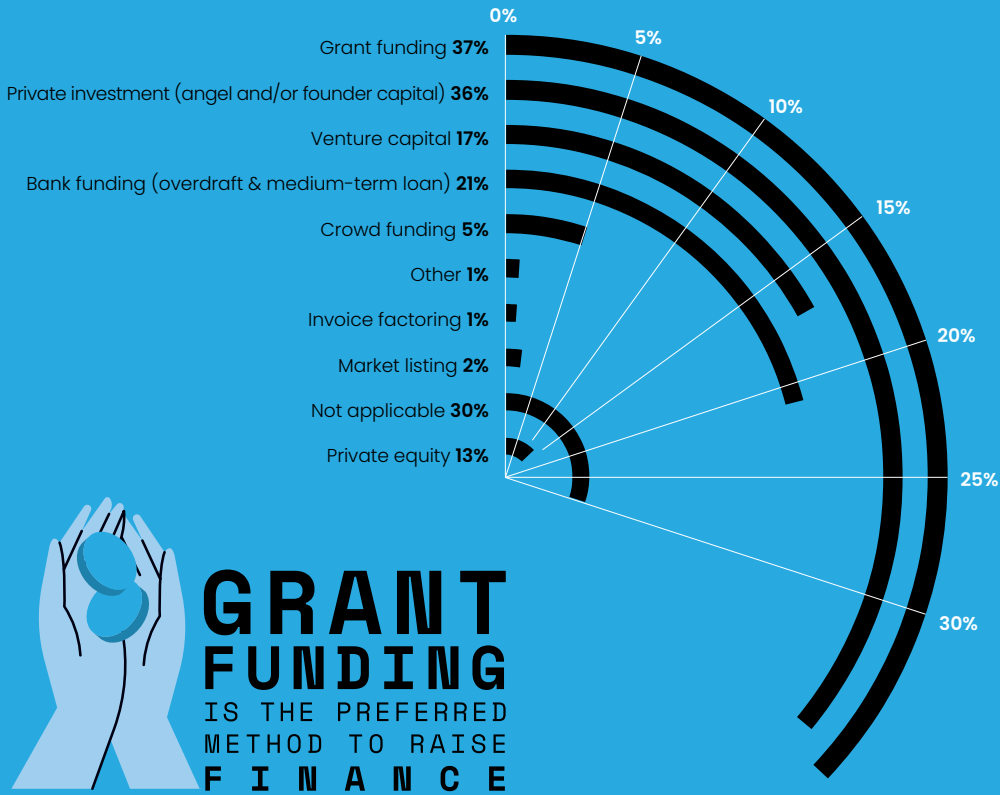
## Financial environment

The largest group of respondents (42%) has annual revenues of £0–£250k, with another 21% earning £501k–£1m and 19% in the £1.1m–£5m range. Very few respondents have revenues above £5m. Compared with previous years, the proportion of smaller businesses remains stable, while mid-sized respondents have declined slightly from 28% in 2024 to 19% in 2026.

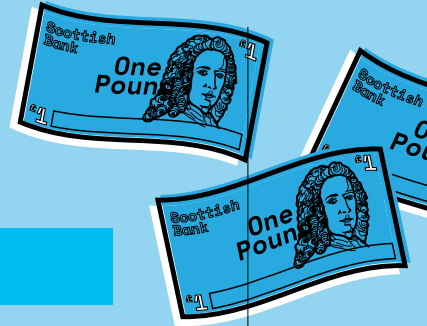
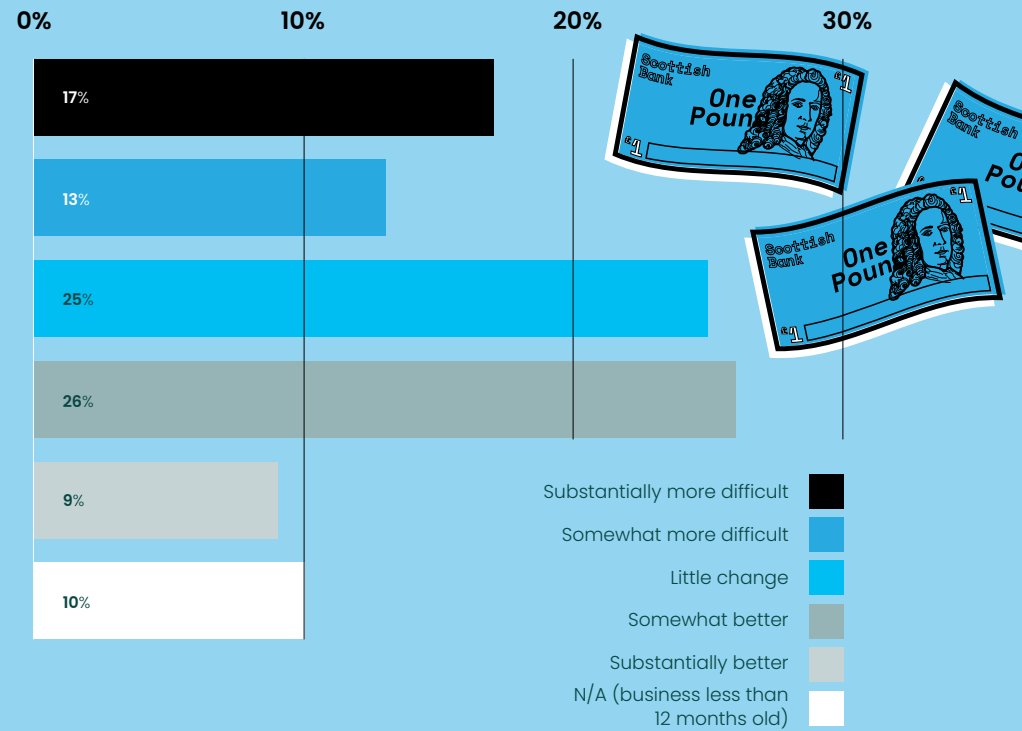


# Funding needs

In 2026, small businesses show strong demand for grant funding (37%) and private investment, including angel or founder capital (36%), both increasing from previous years. Venture capital is also gaining interest (17%), while traditional bank funding remains steady at 21%. Crowdfunding, invoice factoring, and market listings are less commonly sought. Overall, businesses are increasingly looking for flexible, equity-based or non-debt financing rather than relying solely on traditional bank loans, reflecting a focus on growth and innovation funding.



**GRANT FUNDING**  
IS THE PREFERRED METHOD TO RAISE FINANCE

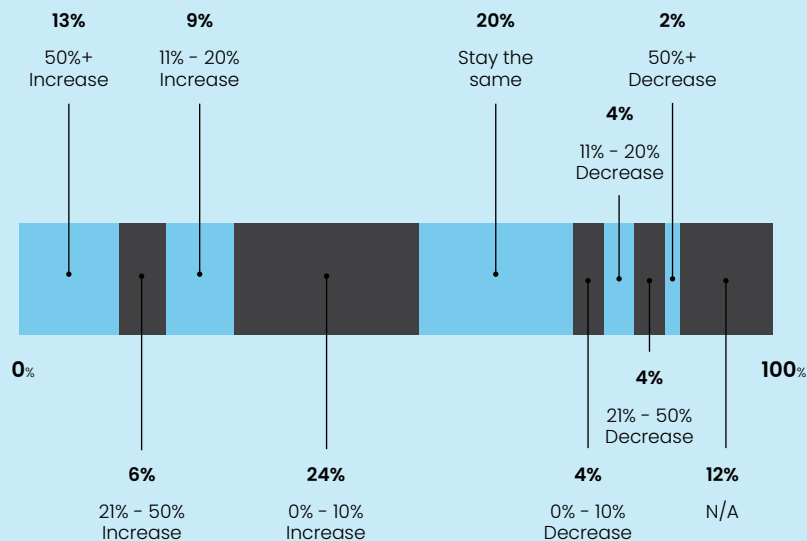


# Cashflow compared to last year

Cashflow pressures eased in 2025 compared with 2024. The share reporting “somewhat more difficult” dropped sharply from 27% to 13%, while those experiencing “somewhat better” conditions rose from 17% to 26%. However, 17% still faced substantially more difficult cashflow, slightly higher than 16% in 2024. Overall, businesses saw an improvement in liquidity, with fewer reporting moderate difficulties, though significant challenges remain for a minority.

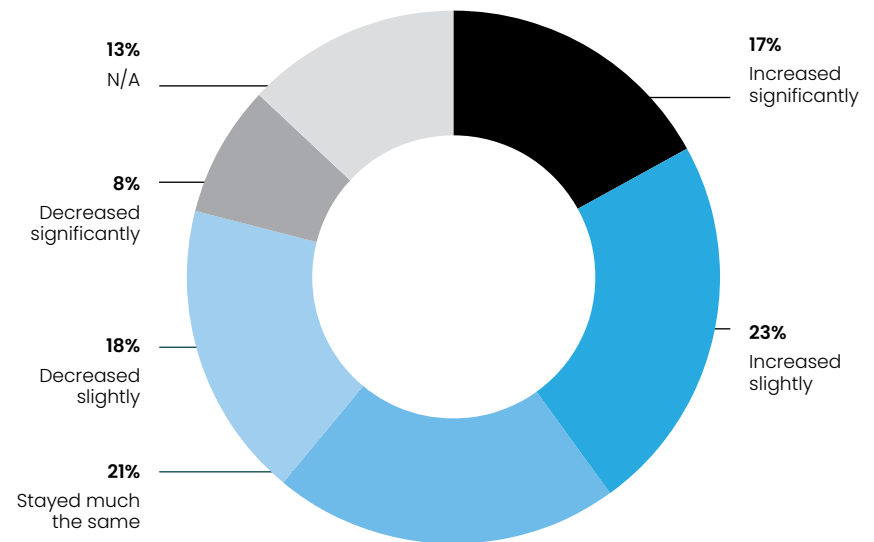
## 2025 sales levels compared with 2024

Sales levels in 2025 show a mixed but slightly improving picture compared with 2024. The share of businesses expecting strong growth (50%+ increase) rose to 13% from 8%, while modest growth (0-10%) also increased from 14% to 24%. Those expecting declines fell, with 0-10% decreases dropping from 8% to 4%. Overall, more businesses reported stable or growing sales, although a minority still faced significant reductions. This suggests cautious optimism, with stronger high-growth expectations emerging compared with the previous year.



## Profit margins

Profit margins in 2025 show modest improvement compared with 2024. The share reporting significant increases rose slightly to 17% (from 16%), while slight increases also grew to 23% (from 21%). Those experiencing decreases fell, with significant drops declining from 12% to 8%. Overall, more businesses saw stable or improving margins, reflecting cautious recovery and improved profitability for many respondents.



# Benchmark 2:

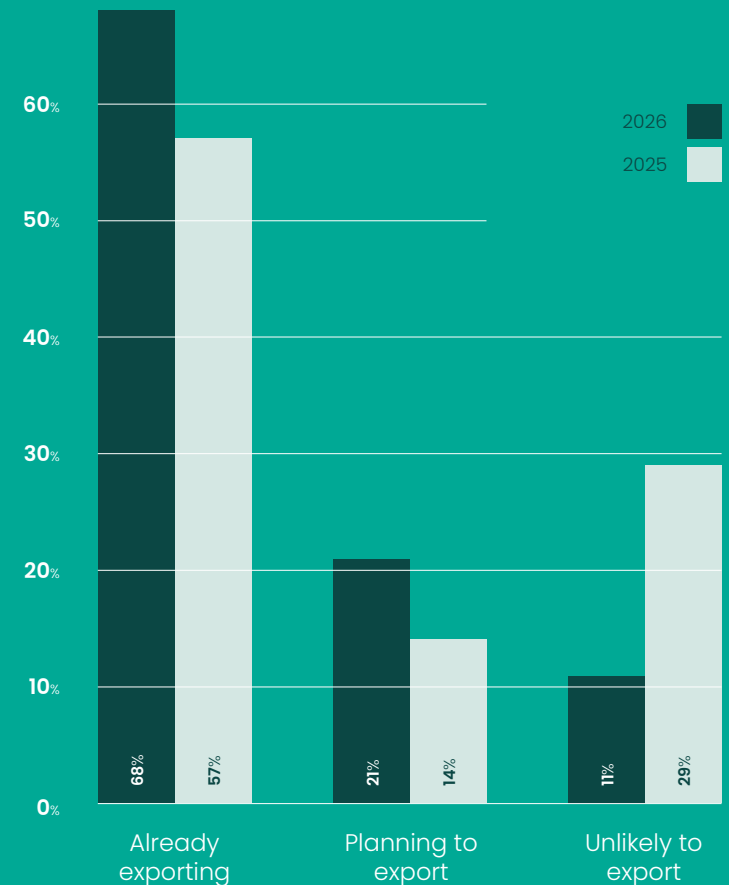
## Medium-sized Companies (36 – 500 employees)

### Reflections on 2025

For medium-sized companies, reflections on 2025 are strongly positive. 72% are optimistic for 2026, with 39% reporting improved cashflow and 62% noting higher profit margins. Growth drivers focus on AI/ML (72%), expanding pipelines, strong teams, robust products, momentum from 2025, and new investment. Key barriers to success in 2026 include talent acquisition and retention (56%), challenging economic conditions (56%), and customer acquisition and retention (50%), indicating that while performance and outlook are strong, securing people and clients remains critical to sustaining growth.

### International sales

For medium-sized companies in 2026, exporting is a major focus. 68% are already exporting, up from 57% in 2025, with a further 21% planning to enter international markets. Only 11% are unlikely to export. Domestic sales remain important (29% in Scotland), while a third of customers are outside the UK. Priority export markets are the Rest of the UK (53%), Europe (47%), and North America (37%), reflecting a strategic focus on nearby and established international markets to support growth and diversify revenue streams.





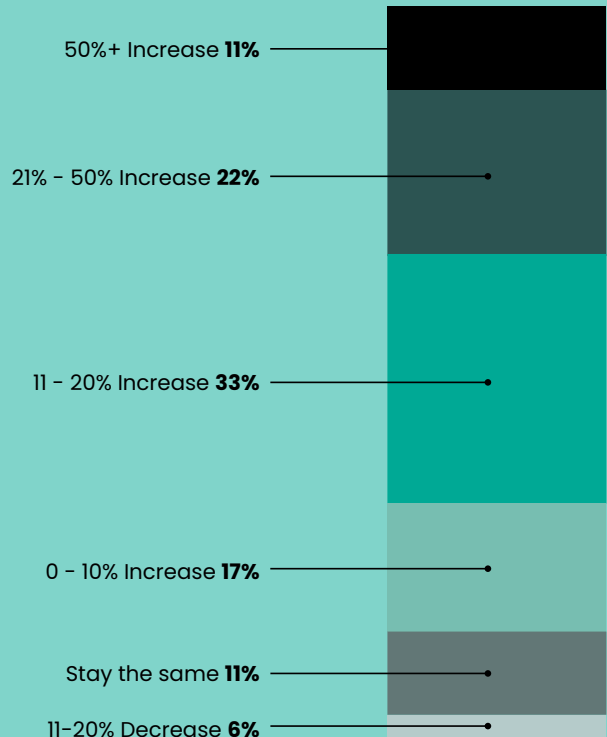
- Recruit more staff **78%**
- Stay the same **17%**
- Decrease in staff **5%**

## People and skills

Staff growth is a major priority, with 78% planning to recruit, up from 68% in 2025, and only 5% expecting reductions. Talent pipelines focus on university graduates (65%), college graduates (50%), and long-term student placements (67%), with half of new hires expected from Scotland and 28% from the Rest of the UK. Key skills for growth are data analytics (79%), leadership (77%), and sales & marketing (72%), reflecting a strong emphasis on analytical, strategic, and commercial capabilities to drive expansion and maintain competitive advantage.

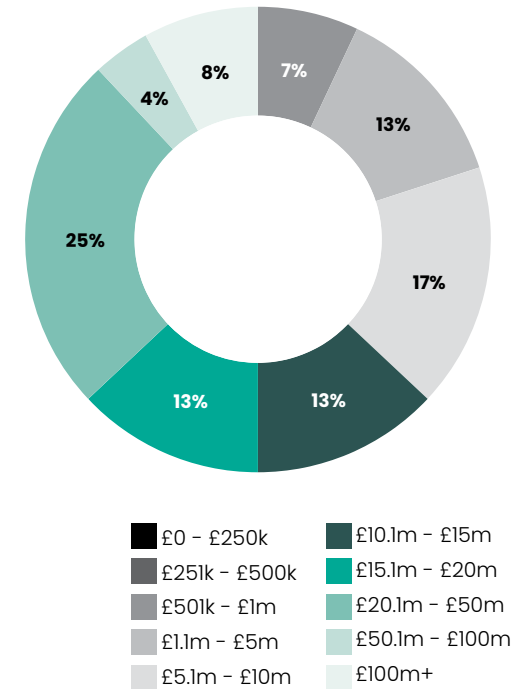
## Sales outlook for 2026

The sales outlook for medium-sized companies is generally positive and aligns with the 72% optimism rate reported earlier in the survey. While only 11% expect very strong growth (50%+), a combined 56% anticipate increases of 11–50%, showing broad moderate-to-strong growth expectations. Modest growth (0–10%) and stability account for 28%, and only a small minority (6%) foresee declines. This suggests that optimism is grounded in realistic expectations, with most companies projecting steady or improving sales rather than extreme growth, reflecting confidence tempered by awareness of market conditions.



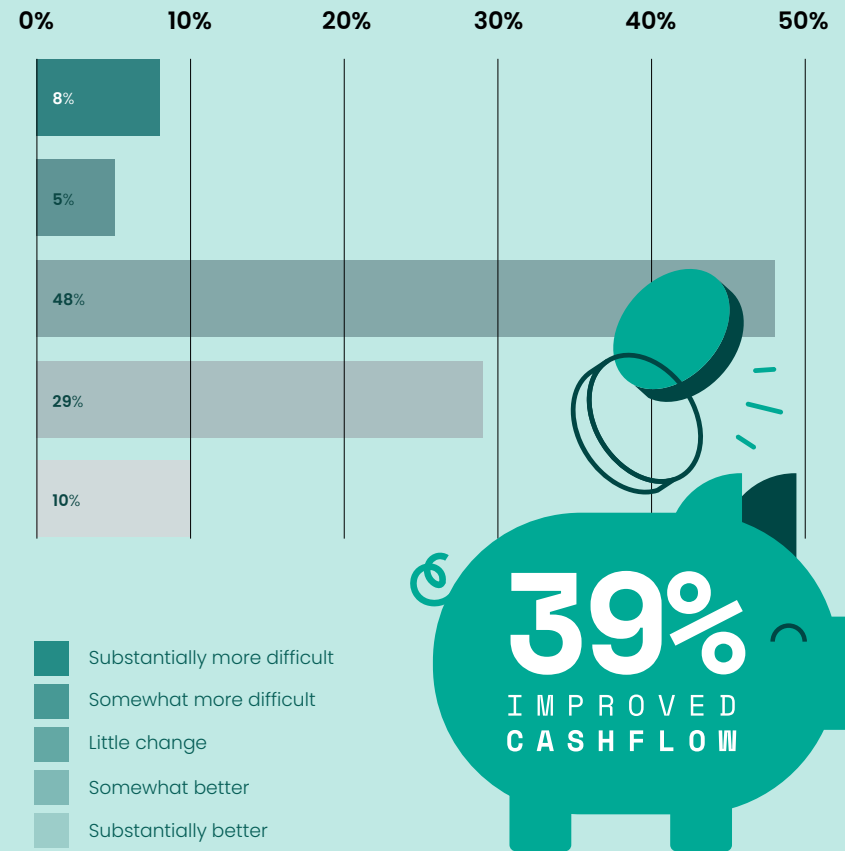
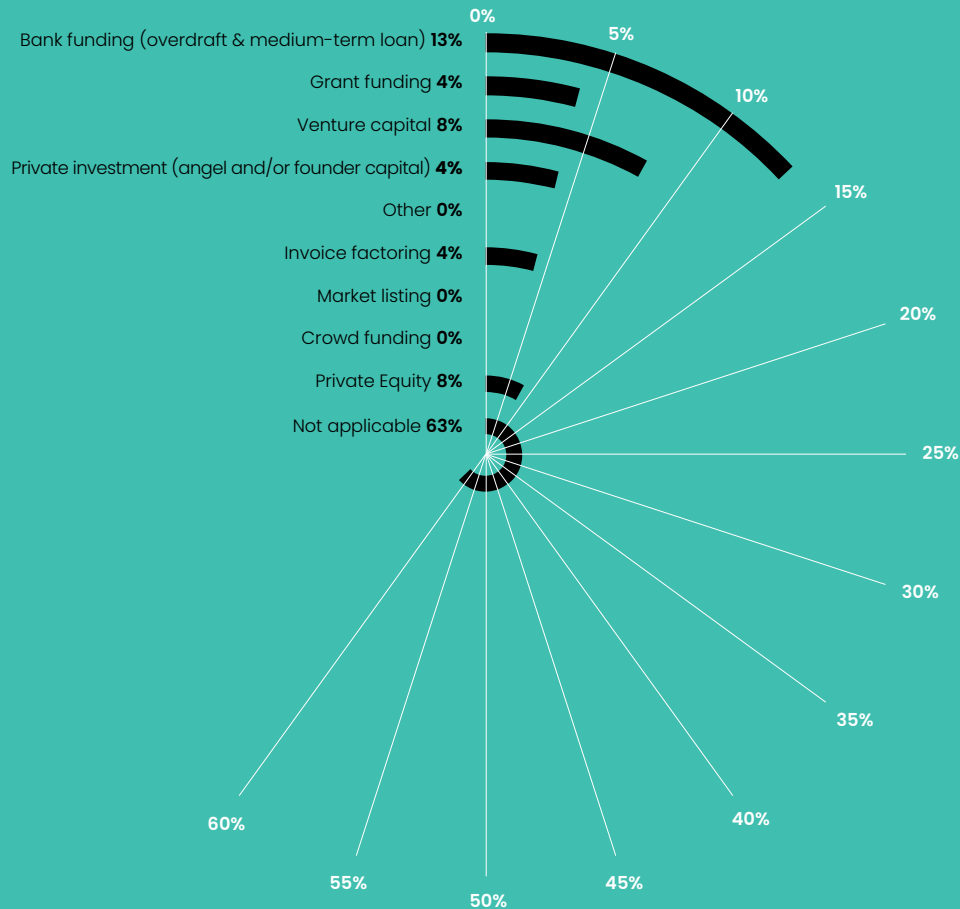
## Financial environment

The 2026 medium-sized company respondents are mostly mid-to-upper revenue businesses, with the largest groups in the £20.1M–£50M (25%), £5.1M–£10M (17%), and £10.1M–£15M (13%) bands. Smaller businesses (<£1M) are minimally represented (7%), while the top-tier segment (£100M+) accounts for 8%. Compared with prior years, the sample of respondents show established, higher-revenue companies, with fewer smaller businesses, reflecting insights drawn primarily from medium and larger enterprises rather than micro or lower-revenue firms.



# Funding needs

The 2026 data shows that most medium-sized companies (63%) do not currently require external funding, reflecting a relatively self-sufficient, established cohort. Where funding is needed, bank loans (13%) and venture capital (8%) are the most common, while demand for grants, private investment, and other sources is low. Compared with prior years, reliance on traditional or equity funding has decreased, indicating companies are increasingly generating sufficient internal resources, with a minority seeking strategic investment to support growth or expansion.



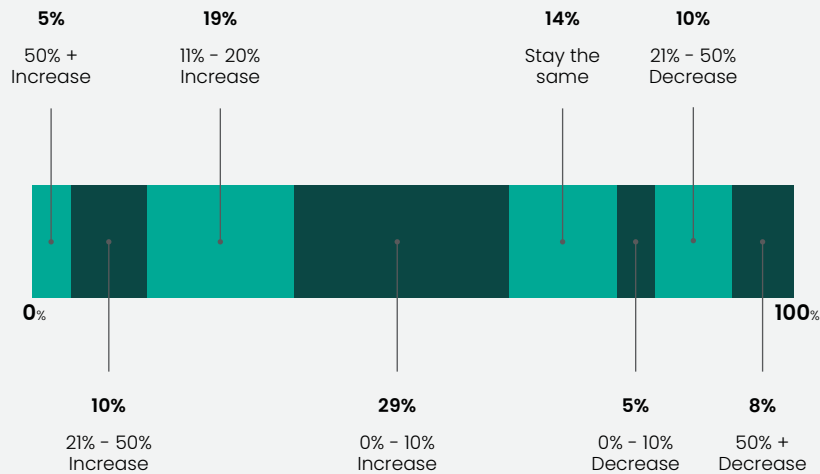
## Cashflow compared to last year

For medium-sized companies, cashflow in 2025 improved significantly compared with 2024. Only 5% reported “somewhat more difficult” conditions, down sharply from 32%, and 8% faced “substantially more difficult” cashflow, up slightly from 0%. Meanwhile, 48% experienced little change and 39% saw improvements (“somewhat” or “substantially better”). Overall, businesses reported more stable and positive liquidity, reflecting stronger cash management and healthier financial positions than the previous year.

## 2025 sales levels compared with 2024

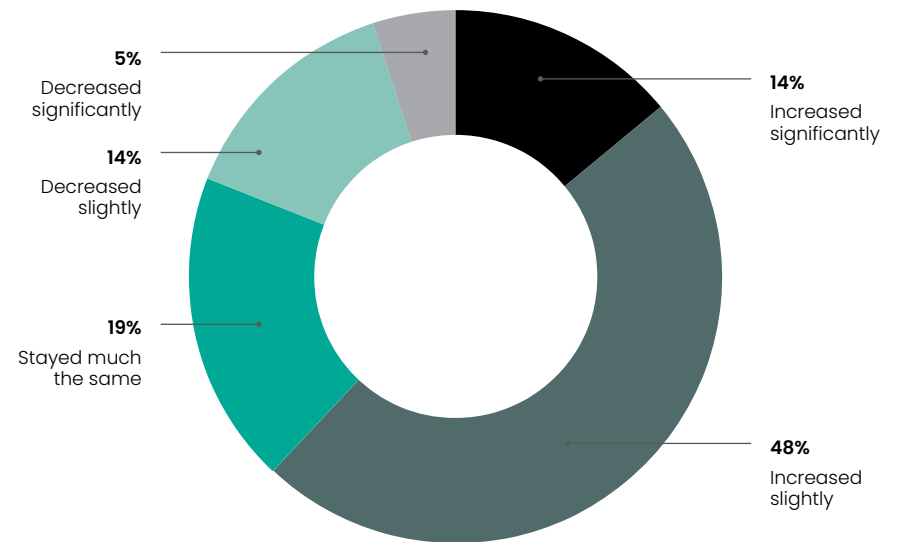
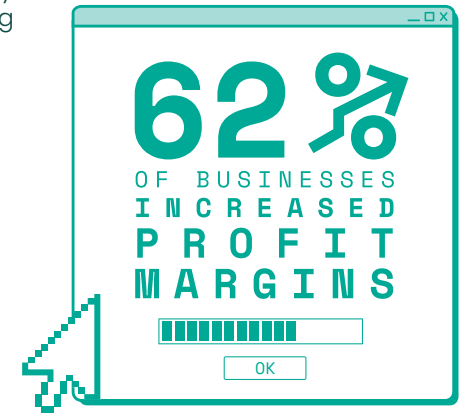
2025 sales levels show a mixed but slightly cautious picture compared with 2024. Strong growth (50%+ increase) appeared for 5% of respondents, while moderate growth (0-20%) remained the largest segment at 67%. The proportion expecting no change fell from 24% to 14%, and declines were reported by 23%, including larger drops (21-50% and 50%+) affecting 18%. Overall, while some companies achieved strong sales, a notable minority experienced decreases, suggesting optimism is tempered by variability in market conditions.

**67%**  
 ARE REPORTING A  
**GROWTH**  
 IN SALES



## Profit margins

For medium-sized companies, profit margins in 2025 improved noticeably compared with 2024. Those reporting significant increases rose to 14% from 3%, and slight increases grew to 48% from 35%. Fewer companies experienced declines, with slight decreases falling from 35% to 14% and significant decreases from 11% to 5%. Overall, respondents indicated stronger profitability, reflecting improved operational performance and more favourable market conditions than in the previous year.



# Benchmark 3:

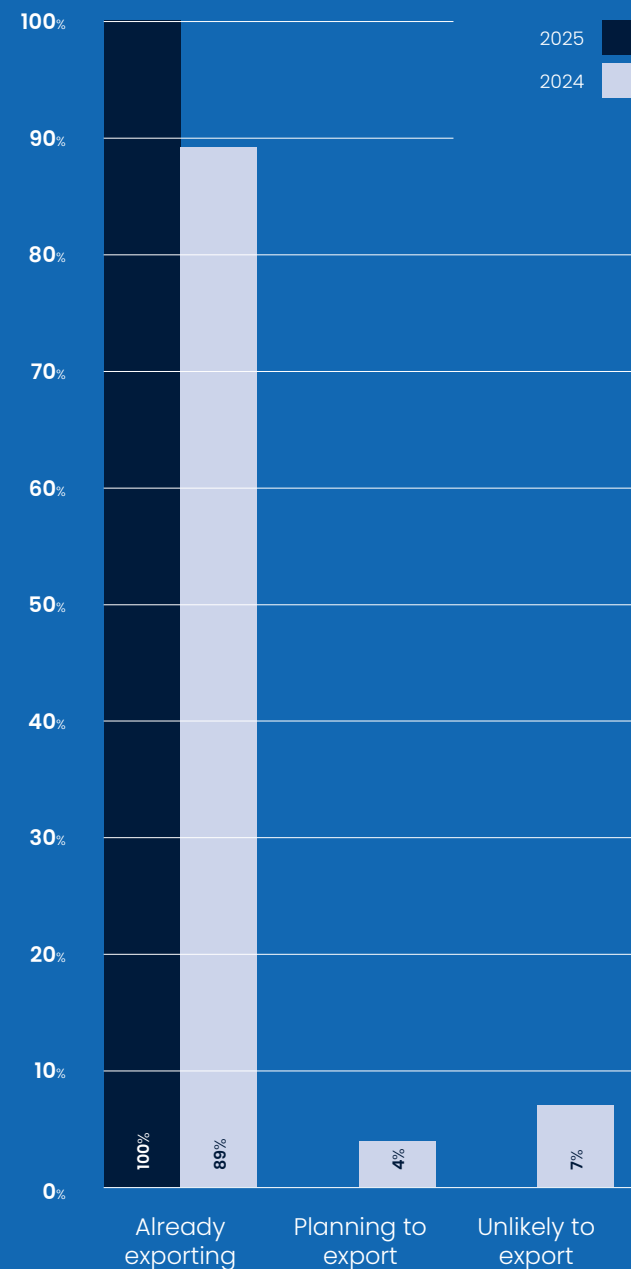
## Larger Companies (500+ employees)

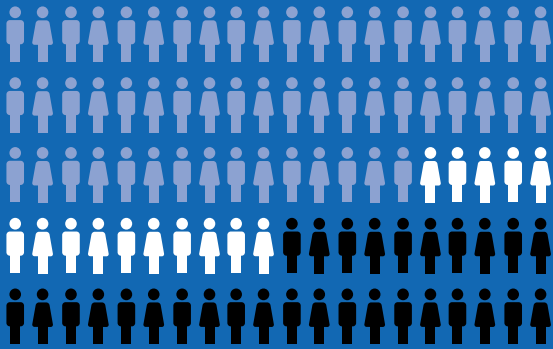
### Reflections on 2025

For large companies, reflections on 2025 are strongly positive, with 71% optimistic for 2026. Growth is being driven by opportunities in new markets, strong product offerings, and fresh investment backing. Priority areas for expansion are AI/ML (87%), data analytics (64%), cyber security (50%), and cloud (43%), highlighting a focus on advanced digital capabilities. Market challenges include economic conditions (79%) and competition (50%), but cashflow was largely healthy, with 78% reporting stability or improvement through 2025. Overall, large companies enter 2026 with strong confidence tempered by awareness of economic and competitive pressures.

### International sales

Exporting in 2025 was extensive, with 100% already exporting, up from 89% in 2024. Domestic sales accounted for 18%, while 56% of customers were outside the UK, highlighting strong international reach. Key markets were the Rest of the UK (79%), Europe (86%), North America (50%), and Asia (50%), reflecting a broad global presence. No companies were planning to start exporting or were unlikely to export, indicating that international trade is already embedded in their business strategies.





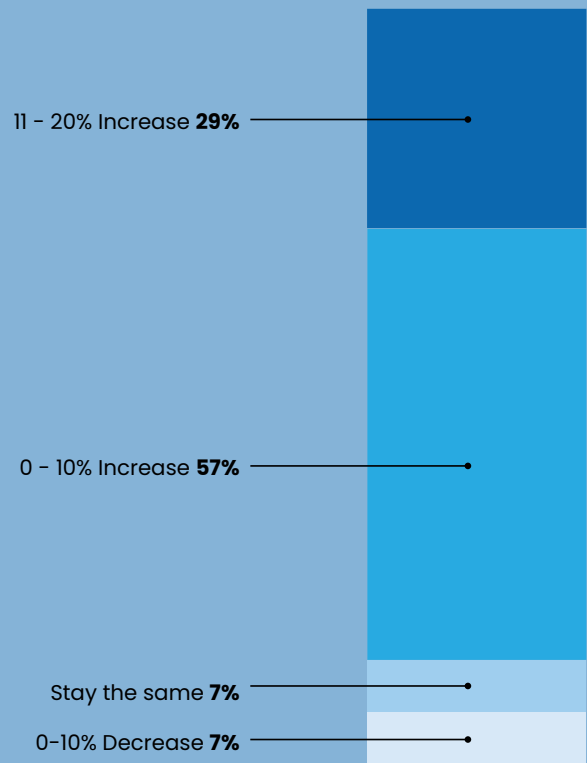
- Recruit more staff **55%**
- Stay the same **15%**
- Decrease in staff **30%**

## People and skills

For large companies in 2026, 55% plan to recruit more staff, though 30% anticipate reductions, reflecting targeted restructuring alongside growth. Talent pipelines focus on university graduates (54%), college graduates (20%), and long-term student placements (42%). Only 31% of new hires are expected from Scotland, with 46% sourced internationally. Key skills for growth are AI/ML (76%), data analytics (69%), and sales & marketing (64%), highlighting the continued emphasis on advanced digital capabilities and commercial expertise to drive strategic expansion and maintain global competitiveness.

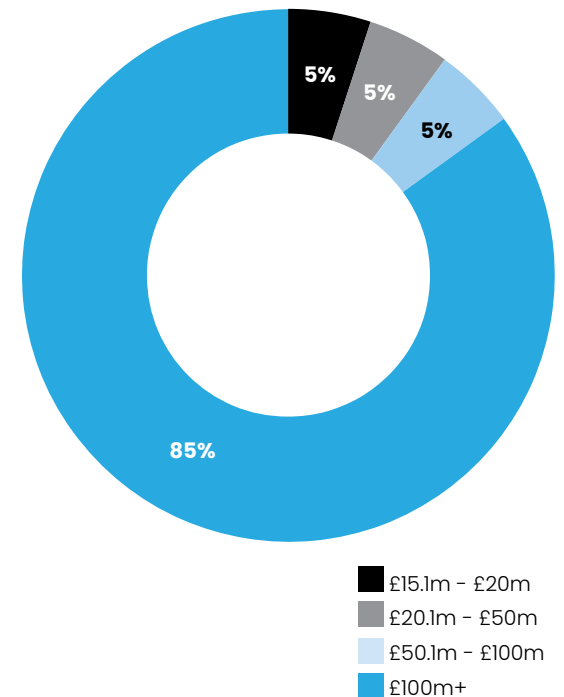
## Sales outlook for 2026

Most large companies expect moderate growth, with 57% anticipating 0–10% increases and 29% forecasting 11–20% growth. Very strong growth (21%+) is not expected, while only a small minority (7%) foresee slight declines. Overall, companies anticipate steady, incremental sales gains rather than dramatic expansion, reflecting optimism tempered by market conditions and competitive pressures.



## Financial environment

Large companies are heavily weighted toward the highest revenue bracket, with 85% reporting £100M+ in 2026, up from 79% in 2025. Smaller revenue bands represent only a tiny fraction of respondents, confirming that insights are drawn from very high-revenue enterprises. Overall, respondent data highlights that large companies are predominantly global or national leaders with substantial financial scale, and the composition has shifted slightly toward even larger turnover compared with previous years.

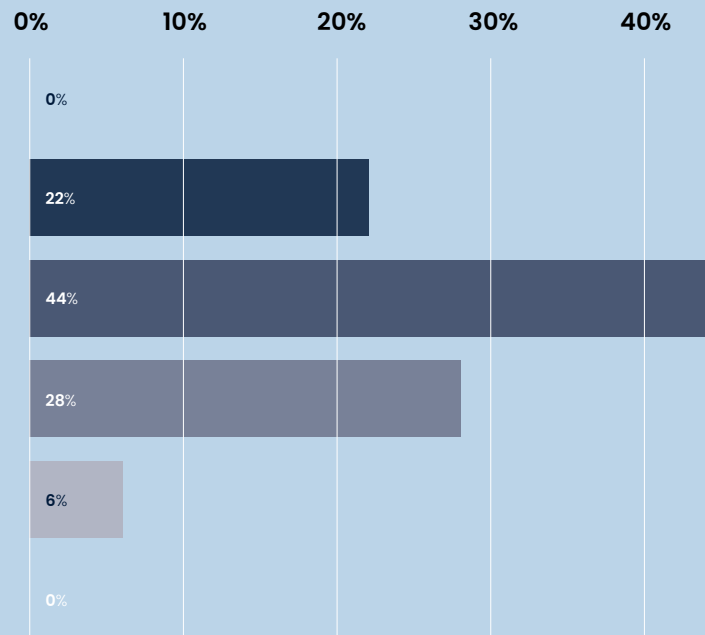


## Cashflow compared to last year

Cashflow in 2025 was generally stable compared with previous years. 44% reported little change, similar to 48% in 2024, while 28% saw somewhat better cashflow, unchanged from 2024. Challenges were limited, with 22% experiencing “somewhat more difficult” conditions, up from 14% in 2024. Substantial improvements or difficulties affected only small proportions. Cashflow remained largely healthy and predictable in 2025, reflecting financial resilience despite modest increases in short-term pressures.



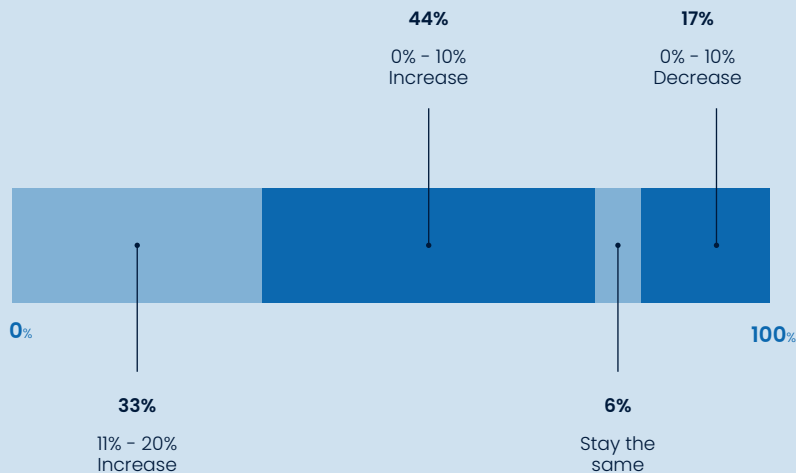
I M P R O V E D  
C A S H F L O W



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

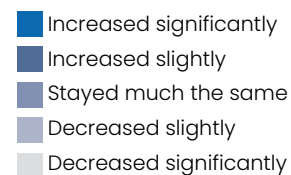
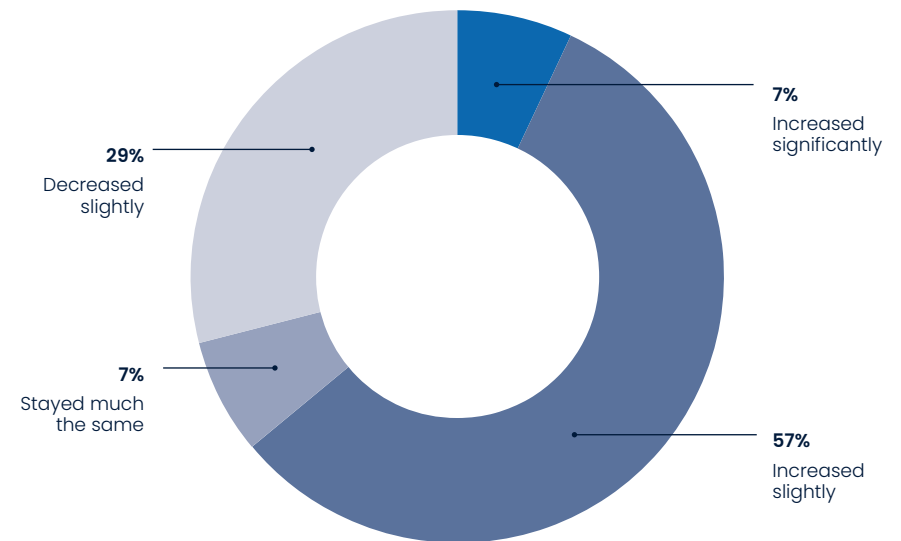
## 2025 sales levels compared with 2024

For large companies, sales levels in 2025 were generally stable with moderate growth compared with 2024. 44% reported 0–10% increases and 33% saw 11–20% growth, up from 43% and 24% respectively, while only 6% reported no change. Declines were limited but slightly higher than 2024, with 17% experiencing 0–10% decreases. Reported sales performance shows moderate, steady growth, reflecting cautious optimism and resilience, though some companies faced minor reductions amid market pressures.



## Profit margins

Profit margins in 2025 were generally strong, with 57% reporting slight increases and 7% seeing significant growth, up from 45% and 10% in 2024. Only 29% experienced slight decreases, indicating that most companies maintained or improved profitability.





# ScotlandIS commentary

The 2026 ScotlandIS Industry Technology Survey highlights a sector that is continuing to grow in scale, confidence and strategic importance to Scotland's economy, while navigating an increasingly complex operating environment.

Artificial intelligence (AI) and machine learning (ML) remain central to this transformation. Adoption has progressed significantly over the past year, with businesses moving beyond early experimentation towards more practical, embedded use cases. While organisations recognise AI as a key driver of productivity, innovation and competitive advantage, this shift is accompanied by a more measured and responsible approach, with concerns around data security, governance and regulatory compliance shaping adoption strategies.

More broadly, the sector continues to demonstrate resilience and ambition. Companies report steady demand for digital products and services, alongside a growing emphasis on scaling and internationalisation. However, persistent skills shortages remain a critical constraint. Demand for AI, data and wider digital capabilities continues to outstrip supply, underlining the need for sustained investment in skills development and workforce expansion.

The survey also points to a maturing ecosystem, where businesses are increasingly focused on sustainable growth, operational efficiency and long-term value creation. Engagement with emerging technologies, cyber resilience, and evolving customer needs is driving innovation, but also requiring organisations to adapt quickly to changing markets.

ScotlandIS will continue to play a central role in supporting the sector through this next phase of growth. This includes strengthening collaboration across industry, government and academia, championing investment in digital skills and talent pipelines, and providing targeted support to help businesses adopt emerging technologies safely and effectively. ScotlandIS will also continue to advocate on behalf of its members to ensure that policy, regulation and funding frameworks enable innovation while addressing key challenges such as cyber resilience, responsible AI adoption and access to international markets.

Overall, the findings reinforce the strength of Scotland's digital technology sector as a key economic driver, while highlighting the importance of addressing skills gaps, supporting innovation, and maintaining a competitive, forward-looking business landscape.

# 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 2026 was conducted between 1st December 2025 and 14th February 2026 through an online survey platform. The survey received 347 responses in total, of which 251 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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