



University of
Strathclyde
Glasgow

Fraser of Allander Institute

Scottish Business Monitor Q3 2024:
Scottish Government's Relationship with
the Business Community

October 2024

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The Fraser of Allander Institute

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Disclaimer

The analysis in this report has been conducted by the Fraser of Allander Institute (FAI) at the University of Strathclyde. The FAI is a leading academic research centre focused on the Scottish economy.

The analysis and writing-up of the results was undertaken independently by the FAI. The FAI is committed to providing the highest quality analytical advice and analysis. We are therefore happy to respond to requests for technical advice and analysis. Any technical errors or omissions are those of the FAI.

Executive Summary

Last year, we asked businesses about their opinion on their relationship with the Scottish Government, against the backdrop of the ‘New Deal for Business’.

In our latest [Scottish Business Monitor](#) (SBM), we revisited these same questions to track progress and understand what has changed, aiming to help understand the Scottish Government's performance over the past year – as we committed to do in our [previous report](#).

The survey sampled over 350 firms in August and September from across the Scottish economy.

We asked Scottish firms the following three questions, identical to those asked last year –

- To what extent do you agree or disagree with the following statements?
 1. The Scottish Government understands the business environment in Scotland.
 2. The Scottish Government engages effectively with my sector if it is considering policies that may affect my business.
 3. If I wish, I know an effective route to influence Scottish Government policy if new announcements are likely to affect my business.

For the second consecutive year, only 9% of surveyed firms agreed or strongly agreed that the Scottish Government understands the business environment in Scotland, while 62% disagreed. The net balance for this question improved by 1 percentage point compared to last year.

There was a slight decrease in the percentage of firms that believe the Scottish Government engages effectively with their sector, dropping from 8% in 2023 to 6% in 2024. This resulted in a net balance of -62.

While a stable 19% of firms agreed that they know an effective route to influence policy, disagreement on this issue rose from 39% in 2023 to 46% in 2024. Consequently, the net balance for this question worsened from -21 to -28, indicating increased dissatisfaction among responding firms.

We also find that construction and finance firms were more likely to disagree with the first two statements, whereas firms in the professional and administrative sectors were most likely to agree.

Overall, these results indicate that the business community remains unconvinced that the ‘New Deal for Business’ has improved their relationship with the Scottish Government. Across all three areas—understanding, engagement, and routes to influence—there has been little to no meaningful progress. Instead, these findings indicate that this relationship has either stagnated or deteriorated further.

The Fraser of Allander Institute will continue to ask businesses these three questions once a year, providing the Scottish Government and business community with an annual update on how the New Deal for Business is going.

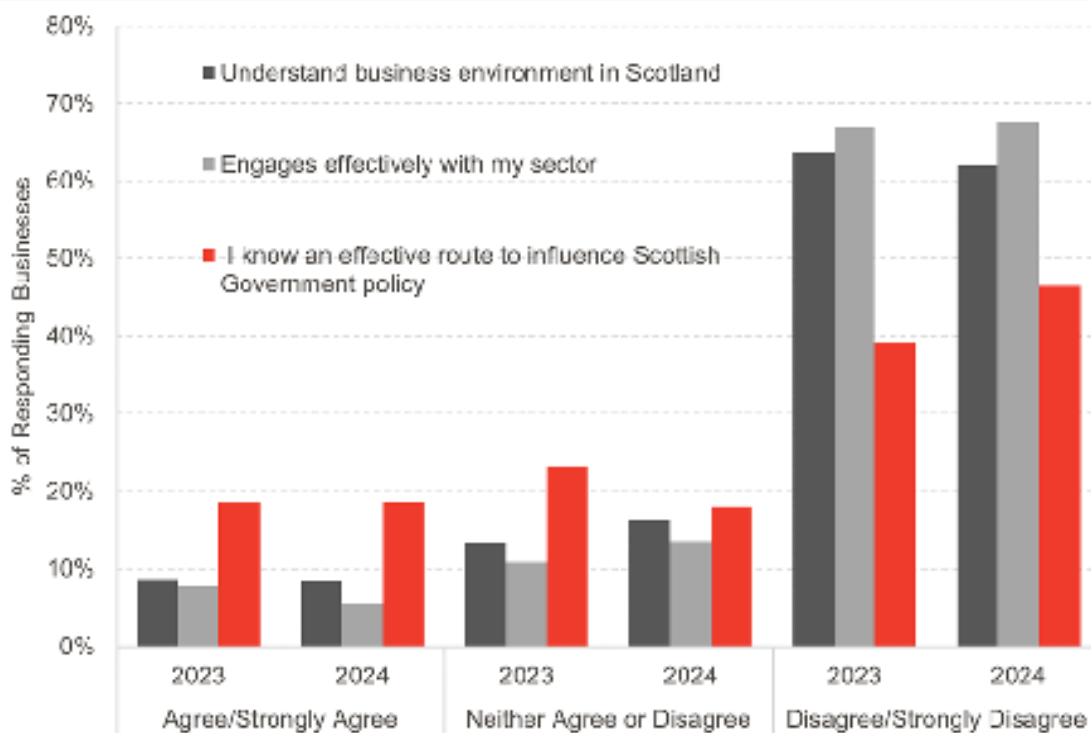
This report is outlined as follows –

- **Section 1** highlights the key results of these three Scottish Government questions, with firm-size and sectoral analysis; and,
- **Section 2** sets out how the Scottish Government and business community can use the Institute’s SBM as a vehicle for tracking progress against the ‘New Deal for Business’.

Section 1: Key Results

- Only 9% of surveyed firms agreed or strongly agreed that the Scottish Government understands the business environment in Scotland, while 62% disagreed or strongly disagreed. This is the same share of agreement as the previous year, but a slight improvement from 64% disagreement reported previously.
- Just 6% of businesses agreed or strongly agreed that the Scottish Government engages effectively with their sector, with 68% disagreeing or strongly disagreeing. This is a deterioration from 8% agreeing and 67% disagreeing last year.
- 19% of firms agreed or strongly agreed that if they wish, they know an effective route to influence Scottish Government policy if new announcements are likely to affect their business. 46% of firms disagreed or strongly disagreed. This is consistent agreement from the previous results, but a rise in those disagreeing from 39% last year.

Chart 1: Scottish Government’s relationship with businesses, Q2 2023 vs Q3 2024



*Some businesses responded N/A; therefore, percentages may not sum to 100%

Source: Scottish Business Monitor

Section 2: Sector Results

Does the Scottish Government understand the business community in Scotland?

- While some sectors were more negative than others, across all sectors most firms disagreed or strongly disagreed.
- Businesses in the professional, scientific, and technical activities were most positive about the Scottish Government's understanding of businesses, with 12% of businesses in this industry agreeing or strongly agreeing.
- The construction and finance, insurance and communications sectors had the most firms reporting that they disagree or strongly disagree; 72% and 71%, respectively.

Does the Scottish Government engage effectively?

- As with the previous question, across all sectors, the majority of firms disagreed or strongly disagreed that the Scottish Government engages effectively with their sector.
- Again, the professional, scientific, and technical activities (10%) and the admin and support services (8%) sectors had the highest proportion of firms reporting that they agree or strongly agree
- As the same in the previous question, the construction (83%) and finance, insurance and communications (79%) sectors were most likely to disagree or strongly disagree, followed by wholesale and retail trade (75%).

Do businesses know an effective route to influence Scottish Government policy?

- Across all sectors, results for this question are more mixed – but still favour disagreement amongst most firms.
- Firms in the professional, scientific, and technical activities (24%), non-manufacturing & transport (24%), and wholesale retail & trade (21%) sectors were most likely to agree or strongly agree.
- On the other hand, firms in construction (48%) and the admin and support services (52%) sectors were most likely to report disagreeing or strongly disagreeing.

Section 3: Monitoring Progress

While the latest Scottish Business Monitor results may be disappointing, they provide a valuable benchmark for the Scottish Government to track its progress.

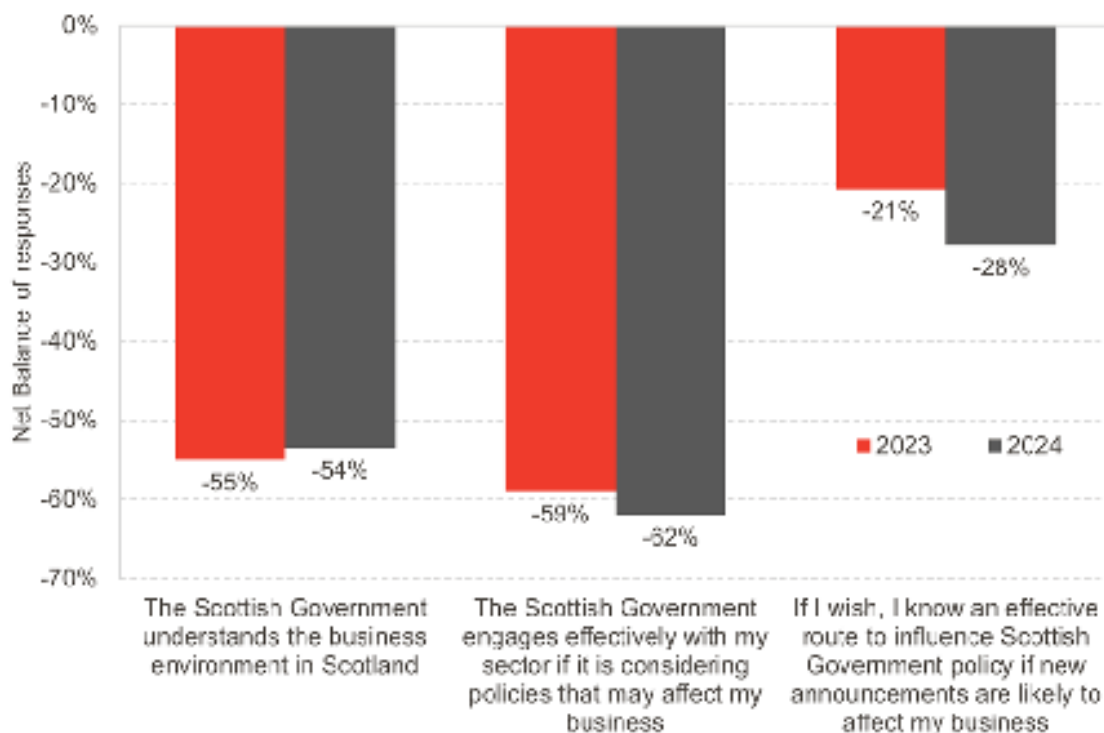
The Fraser of Allander Institute will continue to survey businesses on these key questions annually, giving both the Government and the business community an updated view of the ‘New Deal for Business’ each year.

Examining the net balances—calculated by subtracting the percentage of businesses who disagree or strongly disagree from those who agree or strongly agree—it is clear that significant work is required to elevate these figures above the positive line. Currently, the average net balance across the three questions stands at -48, as illustrated in Chart 2.

However, the findings also highlight important differences between sectors, with some firms feeling the impact more than others. It is also worth noting that this year’s smaller sample size could have influenced the results.

These results should serve as a moment of reflection for the government regarding the past year and a call to action for the year ahead. While the findings are disappointing, they provide a clear mandate for the Scottish Government to address the concerns raised by the business community. By addressing the concerns raised, there is an opportunity to strengthen relationships with businesses and improve understanding, engagement, and influence.

Chart 2: Scottish Government’s relationship with businesses, net balances (%), Q3 2024



Source: Scottish Business Monitor

Annex A

Table 1: To what extent do you agree or disagree with the following statements?

	Agree/Strongly Agree		Neither Agree nor Disagree		Disagree/Strongly Disagree	
	2022	2024	2023	2024	2023	2024
The Scottish Government understands the business environment in Scotland	9%	9%	13%	16%	64%	62%
The Scottish Government engages effectively with my sector if it is considering policies that may affect my business	8%	6%	11%	14%	67%	68%
If I wish, I know an effective route to influence Scottish Government policy if new announcements are likely to affect my business	19%	19%	23%	18%	39%	46%

**Some businesses responded N/A; therefore, percentages may not sum to 100%*

Fraser of Allander Institute

University of Strathclyde
199 Cathedral Street
Glasgow G4 0QU
Scotland, UK

Telephone: 0141 548 3958

Email: fraser@strath.ac.uk

Website: fraserofallander.org

Follow us on Twitter via [@Strath_FAJ](https://twitter.com/Strath_FAJ)

Follow us on LinkedIn: [FAI LinkedIn](https://www.linkedin.com/company/fraser-of-allander-institute/)

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