



Leadership Talent Attraction, Retention and Development in Scotland

Final Report

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Executive Summary

Introduction

This report presents the findings of review undertaken by O’Herlihy & Co. Ltd into leadership talent attraction, development and retention in Scotland. The review engaged 19 consultees – Investors (4), PRM Firms (5), GlobalScots (5), Recruitment Specialists (2) and Representative Organisations (3).

The current image of Scotland

Where leadership is concerned, Scotland was considered to have a strong image. It has strong societal values (honesty, fairness, respect for others, humility) in areas that are considered to be contemporaneously important for those early in the careers.

Scotland can be viewed as having limited opportunity – it does not have the volume of opportunities that other locations have (for example the South East of England or the greater Dublin area of Ireland). This can increase the perceived risk to someone locating here as they can be deterred by the risk of the move to Scotland not working out as planned. The question of opportunity is also a question for spouses and family members – it is not limited to the principal position nor to employment. The decision can be influenced significantly by the availability of suitable education provision for children.

Scotland is considered to have an excellent environment and wealth of outdoor amenities. Edinburgh and Aberdeen are positive assets – Edinburgh for its cultural, heritage and educational provision, Aberdeen for the concentration of Oil & Gas Services and associated Energy firms there. The attractiveness of more rural locations appears to be weaker – this is primarily due to the level of commercial opportunity being lower in these areas (for all family members).

Scotland is considered to have a very good education sector at secondary and tertiary levels (apart from in the Highlands and Islands).

Strengths and Weaknesses of Scotland as a location for leaders

The table below summarises the strengths and weaknesses identified by consultees.

Strengths

- Technical skills
- Attitude
- Education
- Culturally adaptable
- Humble/humility
- Openness to experience
- Scotland punches above weight given size of its population
- (for young people) Ethically aware, moral values (Corporate Social Responsibility)

Weaknesses

- While technically strong, Scots lack successful commercial exploitation experience
- Low absolute number of opportunities for high calibre personnel
- Limited career progression within Scotland
- Opportunities are very narrowly sectorally defined
- Scots lack non-Scottish experience
- A lack of appropriately qualified commercially experienced mentors
- Weak engagement by Scotland based Universities in Leadership development.

The key issues are that Scotland has a strong supply of people with leadership potential but there is a limited number of opportunities for this “population” to pursue. The opportunities tend to be limited to a comparatively small number of sectoral/commercial disciplines. It could be said that there is an over-supply of raw talent.

Leadership is a skill that needs to be refined and developed through practice. Thus, many of those with leadership ambitions choose to move elsewhere to realise their aspirations. In so doing, they are also likely to extend their leadership capabilities through experiencing other cultures.

Scotland's comparative approach to talent attraction

Scotland was considered to have physical and cultural assets that are attractive and has specific opportunities in Energy related fields that are globally attractive.

“Ireland” was cited as a competing location but, apart from the role of lower corporation tax in stimulating business growth, those interviewed did not have opinions on how Ireland and Scotland compared in terms of leadership talent. However, Ireland was viewed as having more opportunities in “new” sectors.

Role of HQs in attracting/retaining/building talent

The role of headquarters functions were viewed as being important historically, especially in Engineering and more recently Oil & Gas and Energy Services and the banking segment of Financial Services. However, their influence was considered to be declining.

Headquarters appear to be a significant attractor of leaders in the Energy sector but less so in other areas.

SMEs, notably those in the Engineering sector, were cited as a group that were increasingly adopting and exhibiting sophisticated leadership skills. This reflected an increase in their competitiveness.

The role of strong/vibrant clusters and "global brand companies" in attracting talent

The role of global brand companies attracting leadership talent is subtle. The perceived lack of such companies in Scotland has resulted in Scotland being unattractive to the highest performing leaders. For this group, Scotland was considered to have nothing to offer in terms of their commercial/organisational career development.

The perceived lack of presence amongst these firms in Scotland was also felt to encourage less experienced leaders, specialising in sectors in which Scotland did not have a strong global presence, to leave Scotland and gain experience elsewhere.

How does Scotland's talent pool compare nationally and internationally.

Scotland was felt to be well served in Research & Development, Technical Development and Financial and Operational Management.

However, there is a specific gap in the provision of commercially experienced entrepreneurs who have successfully launched technology based businesses and who can join promising Scottish start-ups or early stage growth companies.

Opportunities/Recommendations

New Media Networking and Mentoring

There is a specific and growing constraint in the availability of start-up teams that have commercial experience of taking a product idea to market in new media sectors.

Scotland's position is notably in contrast with London which has seen a significant enhancement in its profile notably clustered around Google's Campus. The Google Campus hosts a monthly forum where investors and companies can come together which was deemed to be particularly effective in stimulating a positive dynamic between investors and opportunities. There was felt to be a clear opportunity to create something similar in Scotland.

Separately, investors in early stage technology firms noted that the reduction in supply of commercially capable teams in Scotland over the past five years was mirrored by a parallel withdrawal from the market of a significant group of very experienced serial entrepreneurs

who have historically provided mentoring support to promising new businesses. It was felt that there was an opportunity to re-engage a similar group of experienced personnel who could provide young technology-based firms, which have good product ideas, with access to people who have successfully taken similar products to market.

School of International Leadership

Several consultees cited the weak provision of Scotland-based leadership training of an international standard. Based upon this feedback, we feel that there is an opportunity for Scotland to enhance its local provision of high quality leadership skills training.

Scope to engage GlobalScots

Two of the GlobalScots offered to provide further input to Scottish Enterprise in its thinking in this area and we feel that this could be followed up.

1 Introduction

This report presents the findings of research undertaken by O’Herlihy & Co. Ltd. into leadership talent attraction, development and retention in Scotland. The assignment was undertaken on behalf of Scottish Enterprise (SE) with the research being completed during spring/summer 2013.

The specific objectives of the review were to:

- Understand the current image of Scotland to leaders and decision makers.
- Identify Scotland’s strengths and weaknesses in this area.
- Understand how Scotland’s approaches to talent attraction compare, nationally and internationally
- Examine if the existence of headquarters (HQs) or head offices are important in attracting/retaining/building talent
- Examine the importance of strong/vibrant clusters and ‘global brand companies’ in attracting talent
- Understand how our talent pool compares nationally and internationally

1.1 Method

The approach to completing the exercise was defined in Scottish Enterprise's Invitation to Tender which stated that the findings should be based upon interviews with representatives from key industry groups, namely:

- Recruitment specialists
- Fund managers/investors
- High-growth (potential) firms based in Scotland
- Industry representative bodies

Thus, the study was conducted through consultation only. There was no desk research undertaken as we understand that SE has undertaken a considerable amount of research in this area previously and now want qualitative feedback.

Our methodology aimed to capture different perspectives through targeting discrete groups, namely:

- Firms

- Scotland only
- International firms with a Scottish base
- Investors (Business Angels and Venture Capitalists)
- Business representative bodies
- Recruitment specialists.

The invitation to tender suggested the consultations should number between 15 and 20. Our sample comprised 19 interviews and included a cross section of people based in Scotland and abroad with the latter group comprising GlobalScots. Those consulted included:

- Investment firms
 - Archangels – John Waddell
 - Pentech – Craig Anderson
 - Scottish Equity Partners (SEP) – Calum Paterson
 - Maven Capital Partners – David Milroy
- PRM Firms
 - Aggreko – Angus Cockburn
 - Weir Group - Gavin Nicol
 - Aquamarine - Mervyn Jones
 - Wood Group - Bob Keiler
 - BIP Solutions - Simon Burges
- Global Scots
 - IBM - Gary Kildare
 - GE - John Lynch
 - FMC Global - David Currie
 - ABB - Gary Steele
 - GE - Alan Kelly
- Recruitment specialists
 - Hudson - Senior Executive Team
 - Livingston James - Jamie Livingston
- Representative organisations
 - SFE - Owen Kelly
 - Scottish Engineering - Bryan Buchan
 - Institute of Directors - David Watt

Survey approach

The survey was structured around a set of Aides Memoir that were prepared for each of the target groups above and included questions that were designed to capture consultees' perspectives on the six principal objectives that are set out above.

We would note that while we asked interviewees detailed questions on these topics, their answers are based upon the issues that were most relevant to their businesses. They provided limited feedback on selected topics (such as the role of Scotland's global brand companies in attracting talent) that were not core to their businesses currently or where they did not feel sufficiently knowledgeable to provide a response.

1.2 Report Structure

The next chapter presents our survey feedback. It is followed by a chapter that develops key Conclusions and Recommendations.

2 Interview Feedback

2.1 Introduction

Before considering the individual responses of the groups we interviewed, there was a common introductory discussion that we had with virtually everyone we consulted. This was the difference between Leadership skills and Management skills. Interviewees felt that this was an important differentiation on which to be clear before considering the relative provision of leadership talent in Scotland.

2.2 The difference between Leadership and Management

There was a majority view that there is a difference between leadership and management skills. Not everybody identified this as a key issue but most did. The view was that managers tend to manage the status quo or current situation. They excel in getting the best out of existing resources and maximising efficiency and effectiveness.

Leaders are different. Leadership involves setting a direction or vision for the future and showing staff the route they can follow in order to achieve this vision. Leadership involves empowering and encouraging the team to outperform in order to get to a new place. It builds on the assumption that you can lead an organisation to success.

For those who did not differentiate explicitly between leadership and management skills, there was a predominant view that good managers had to have an element of leadership competence. These respondents suggested that the current operating conditions for firms meant that it was essential to employ senior staff who had an eye both on the future of the business and its current position.

Several of those consulted who represented larger, global, organisations seemed to struggle to source leadership development programmes or training that matched their specific requirements. As a consequence, these firms developed their own in-house programmes, sometimes built around a specific college or in-house "university".

2.3 Identifying leaders

The identification of potential leaders was considered to be a notable challenge. In addition to the functional skills and specialisms mentioned earlier, the personal traits of a good leader is someone who can:

- provide an horizon/vision/perspective of the future
- describe what the future will look like when you reach it

- describe what it will feel like when you're operating within it
- identify the individual steps on the journey that are required to get to the desired position from your current starting point.

2.4 Functional expertise and good leadership

Good leaders usually have strong functional expertise. Functional knowledge is required to understand the nature of the business and to build appropriate visions for the future. It is also necessary to establish credibility with your colleagues/teams and to give them the confidence that the direction you're setting is an appropriate one for them and their organisation.

Those organisations with a global presence whom we consulted strived to identify strong technical personnel who could be given a fast-track learning process to help them to acquire broader business, personal, leadership and management knowledge in a shortened timescale. One firm described it as aiming to give their staff five years experience in two years.

2.5 Individual responses by Group

For the remainder of this chapter, we present the perspectives of individual consultees. We have grouped these according to:

- The current image of Scotland
- Scotland's strengths and weaknesses
- Scotland's comparative approach to Talent Attraction
- Role of HQs in attracting/retaining/building talent
- The role of strong/vibrant clusters and "global brand companies" in attracting talent
- How does Scotland's talent pool compare nationally and internationally.

We consider the feedback relevant for each of these themes below.

2.6 The current image of Scotland

Overall, the image of Scotland in terms of its provision of leadership talent is very positive. It is considered to have a good supply of leaders who are strong interpersonally and "travel well". Scotland's secondary and tertiary education sectors were considered to be strengths as they contributed to the development of rounded individuals.

Respondents identified a number of factors that contributed to Scotland's position. These included:

- The supply of potential leaders
- Quality of Scotland-based talent
- The ability of Scots to set a coherent vision
- Openness of Scots to new experiences and cultures.
- political stability
- a reputation for honesty
- a positive work ethic
- strong graduate supply.

Humility was a frequently cited personal characteristic that was a strength of Scots. It was also suggested that Scots don't have the historical imperial baggage of some other nations and that this helps them integrate quickly and build working relationships.

Financial Services (principally Investment, Pensions, and Administrative Services) and Energy (in particular Oil & Gas) were identified as being ones in which Scotland has a global presence.. but London leads on these and all of the other principal Financial Services market segments. However, while Financial services in Scotland used to be viewed as being professional and prudent, recent difficulties encountered by the sector (in particular banking) were felt to have tarnished Scotland's positive image. Historically, the sector relied on its strong image to attract top-flight people. Now it must work harder. It is also looking for different skills with a greater emphasis being placed on communication (to a broad range of stakeholders, especially the general public).

With the exception of Energy related sectors, the sample felt that the South East (London) offers a much larger number of opportunities to a capable and aspiring executive, higher financial reward, and a greater scale of opportunity than can be made available in Scotland. Consequently, it is comparatively difficult both to retain and attract top-flight personnel to locate here although we identify below the "career stages" across which Scotland seems well placed to attract personnel.

Investors use UK-wide networks to attract non-Executive Directors (NXD), Managing Directors or Financial Directors to Scotland. It appears to be a comparatively "easy sell" *providing the opportunity is commercially attractive and offers personal and professional growth potential.* Investors felt that Scotland had a number of attractiveness assets, especially for those living elsewhere in the UK. These assets comprise:

- Attractive outdoor environment and sporting facilities (notably Golf)
- Good cultural amenities (especially Edinburgh)
- Good educational opportunities for family members

In addition to Scotland's strong image for outdoor amenities (mountains and Golf) two cities were singled out in the feedback as being attractive to mobile leaders – Edinburgh and Aberdeen. Edinburgh was considered attractive for its secondary and tertiary education institutions, its culture and heritage while Aberdeen was viewed as being unique in terms of its position in the global Oil and Gas services market. There was a neutral response on the attractiveness of Glasgow while Dundee and the Highlands were viewed less positively. In terms of the latter, the principal constraints appear to be a combination of a lack of follow-on opportunities, lower salaries, and limited opportunity for spouses and other family members to gain appropriate employment or access to higher education.

While the overall view was particularly positive, some constraints or deficiencies were cited:

- the most frequently mentioned negative factor was that Scotland has a scale/critical mass constraint with regards to available opportunities – there is a finite number of high profile opportunities in a small number of key sectors so those locating to Scotland may ask themselves "What if the job fails to deliver or I outgrow it - where do I go then?" and decide to relocate elsewhere
- one firm noted that emerging/growth economies such as Brazil, Russia, India and China (BRIC) countries offer a key opportunity but suggested that younger Scottish staff tend not to be willing to spend long times away from home (in a way that their parents' generation did)
- The same firm also noted that professional staff in particular can be quite "comfortable" - operative/technical staff are more open to challenge and are more mobile
- Scots have a tendency to stay within their own social/professional group - this can make it harder for people relocating here to break into Scottish professional networks.

When compared to other parts of the UK, those engaged in recruiting personnel felt that it was comparatively hard to attract high quality leaders to Scotland. There are two principal factors: fewer appropriate opportunities exist in Scotland; lower salaries prevail in Scotland.

Harsh weather was viewed as being the most significant "environmental" factor that influenced the attraction of people to Scotland.

2.7 Scotland's Strengths and Weaknesses

Reiterating the views above on Scotland's image, Scotland's strengths were deemed to include:

- It has a good supply of capable leaders
- Scots have a good work ethic - although it was noted that there has been a cultural shift (throughout USA and Western Europe) where younger professionals are less likely than their parents' generation to place the company ahead of personal, family and other non-work interests
- Scotland's culture complements a greater global emphasis on non-commercial factors or "ethical" factors (e.g. Corporate Social Responsibility) amongst those entering the labour-market which influences their choice of potential employers - (young) Scots, through their education and societal values, were considered to be well grounded in ethical principles, positioning them well to lead such organisations in the future
- Scots have excellent technical/functional skills (not just technology skills) that were considered to be important - leaders must have sound functional and commercial knowledge if they are to have credibility with colleagues who need to have confidence that their leaders understand the reality of their day-to-day jobs and the challenges they face when implementing change
- Scotland builds strong Research and Development, Technical Development, Chief Financial Officer Leaders
- Sectorally, Scotland is strong in Energy, IT, Financial Services, the public sector
- Scotland has very strong professional networks - those seeking to fill positions can find who they might need very quickly if that person is based in Scotland and is open to an opportunity.
- Scotland has a strong presence of high quality leaders within Engineering SMEs in particular - this was viewed as being part of a trend towards enhanced competitiveness of Engineering SMEs over the past 10 years
- The Saltire Foundation was cited as a particularly valuable recent creation, especially by those who had engaged Saltire Scholars and Fellows to undertake projects.

Key weaknesses can be summarised as follows:

- While Scotland is good at creating an environment that instils core leadership competencies within people, it is weaker at creating opportunities for leaders to apply these skills and thereby grow "locally" - the finite opportunity is also pertinent for retaining those who have been attracted here - this was a recurrent theme throughout the interview programme.

- Scots tend to lack confidence, especially when they remain in Scotland in the early stages of their careers
- Scotland has comparatively few experienced people who have a track record in taking a software/new media product to market and of raising investment
- Scotland has a lack of market-facing leaders (who have strong selling skills coupled with leadership skills).
- Scotland is weak in Risk Management (Financial Services) and senior positions with high profile brands and has fewer opportunities (and weak supply for those) in Marketing roles
- There is a limitation in the provision of Leadership education in Scotland - firms felt Scotland's specialist institutions and Universities were not competitive with those elsewhere in UK/EU (only one University was cited as being comparable)
- For firms having significant export/overseas portfolios, there is a reluctance by professional staff in particular to embrace long term positions abroad (this links to the point above regarding the shifting values of young people).
- Scotland has comparatively few leadership opportunities for females
- Scotland was felt to have a limited volume of top flight leaders in Financial Services (due to the recent upheaval in the sector, the shift in activity to London and London's increased profile as a "globally leading" location).

There is a link between the limited volume of market opportunity, the attractiveness of Scotland as a location for ambitious leaders and investors' activity in the Scotland market. This "circle" was felt to contribute to a particular constraint in the supply of opportunities being presented to those investing in early stage business - firms are coming forward with good *product* ideas but with limited appreciation of how to make them commercially successful. The low numbers of viable opportunities coming forward is in contrast with London/South East where there is a large pool of people who have both good product ideas *and* the experience of raising capital and growing a successful business. Specifically, for those investing in technology start-ups and early-stage businesses, a critical factor is the strong supply of experienced (12-15 years) business leaders in their target sectors.

For ambitious leaders, the fewer opportunities to grow tends to result in a perceived need to leave Scotland. This was considered to be a double-edged sword as it is often by leaving Scotland that Scots excel which reinforces the leader's view that opportunities lay elsewhere. The link between emigration and increased confidence was made by several of the interviewees.

Opportunities

Several areas of opportunity were identified by consultees:

- Opportunity to create a new forum in Scotland and link mentors more effectively to new start technology firms with experienced commercial mentors (identified by investors to early stage businesses)
- Potential to develop a leading internationally recognised school for Leadership development (suggested by firms who sought leadership skills development)
- Scope to engage key stakeholders in the development of leadership development in Scotland (with specific offers being made by GlobalScots we consulted).

2.8 Scotland's comparative approach to talent attraction

Firms were generally surprised to find that Scotland had an approach! Global firms felt that there were good opportunities within their Scottish subsidiaries for those with talent. Firms generally did not have a problem attracting suitable talent. In fact, most (although not all) felt they were privileged to have access to such good supply of Scotland-based personnel.

The factors that attract key talent to Scotland are constantly evolving. Scots' values and non-work factors (community, environment, culture) were considered to be more important than before and in a positive way.

Where opportunities for partners/spouses are a factor for relocating leaders, Ireland was cited as being more overt in its approach to providing a "rounded package" (but consultees could not provide details). Ireland's Corporation Tax rate was cited as being more favourable than the UK for business expansion in general. Ireland appears to have been effective in attracting key personnel over the past five years despite its economic problems. It has a larger critical mass of firms in growth sectors (for the relocating leader, should an opportunity fail to live up to expectations, they are less likely to have to move to relocate again in order to find a suitable alternative). It also seems to be able to offer incentives to key personnel.

Comparative factors cited by consultees mirrored those they mentioned elsewhere and included:

- The fundamental requirement for the opportunity to be professionally and commercially rewarding
- The need for follow-on or wider career/business opportunities to exist
- Qualitative factors for example
 - Living in Edinburgh
 - Education opportunities for family members

- Golf and the outdoors/environment.

As mentioned above, consultees frequently caveated their responses within the context of Scotland having comparatively few top flight opportunities for aspiring leaders. They felt that industry could take a lead in helping to strengthen the economy but that this must be led by the private sector (with support or facilitation from public sector bodies).

2.9 Role of HQ's in attracting, retaining and building leadership talent

Headquarter functions were deemed to be important to the retention and development of appropriate leadership talent. Headquarters attract people to Scotland and also provide an opportunity for Scots to gain expertise abroad while maintaining a link with and being part of a Scottish commercial entity. Effectively, there are stronger ties to Scotland retained by those who are part of the headquartered company and who travel abroad than amongst those who move from Scotland and become leaders independently. Intuitively, there is more likelihood of those who are part of a headquartered company returning to Scotland. In addition, headquarters tend to stimulate and strengthen supply chain linkage which in turn have a positive effect on leadership skills development within the value chain.

But, while the role of HQ functions was appreciated to be important, they were not viewed as being the sole or indeed principal driver in the development, attraction or retention of talented leaders in Scotland. Some consultees considered that the role of headquarters was, to an extent, overplayed and reiterated the observation above that the principal constraint in Scotland is a lack of opportunities of scale - there is a dearth of significant high calibre positions that would attract top-flight leaders to locate here. Globally recognized leaders struggle to find suitable positions that are commensurate with their current roles and career aspirations in Scotland.

The role of HQs was explicitly mentioned by the business representative organisations, notably the Financial Services sector and its associated Professional Services sectors, although their influence in recent years was considered to have reduced. Staying with Financial Services, there is a specific gap in the availability of senior personnel with Risk Management experience. This is likely to be a constraint in the short term as graduate supply in appropriate disciplines should place Scotland in a comparatively strong position compared to other locations in the future.

In manufacturing, headquarters functions have historically played a role both in attracting and retaining talent in Scotland. However, there were felt to have been key structural changes over the past 5-8 years that have seen manufacturing SMEs' competitiveness improve. This has had a

parallel impact on leadership competencies. In many ways, these SMEs have adopted more progressive leadership styles than some of their larger counterparts.

Across sectors, the firms consulted considered that there were good opportunities for leaders to develop within their own companies. This will usually involve travel/secondment but would not necessarily involve a permanent move or lengthy immersion.

In terms of sectoral coverage, headquarters were considered to be strong for Oil and Gas and for Renewable Energy and some Engineering segments (built around the presence of individual firms). Coverage was viewed as being weaker for Financial Services and other sectors.

2.10 The role of “vibrant clusters” and global brand companies in attracting leadership talent to Scotland

This was not a significant issue for most respondents as they did not consider that Scotland had a presence of global brand companies.

Investors commented on the role of strong and vibrant clusters but only within the context of those relating to new media, technology/web based products. They noted that while highly motivated Scots develop good technical ideas in these areas, they do not have the commercial experience, contacts or understanding to exploit these to their full potential. This is due to a lack of “connectedness” to defined clusters that support the commercial exploitation of their products. They also noted that investment activity in Scotland had declined over the past four years which was in contrast to the situation in the South East of the UK. The investors we consulted noted specifically that Scotland has lost ground over the past 5 years in new media and on-line businesses.

Although not a cluster in the conventional sense, recruitment firms noted that the public sector is considered to be particularly strong in Scotland and there is a good supply of talented leaders for these opportunities. However, the constraints on public spending over the past five years have had an impact on the movement of personnel from the private sector to public sector roles.

2.11 How does Scotland's talent pool compare nationally and internationally

The feedback on this issue has been covered by the different aspects of the feedback above. The key points can be summarised as:

- strength of Scotland's talent pool was considered to compare very favourably to international competitors. Scotland was viewed as having one of the best supplies of good business leaders per capita:
- Firms felt that Scotland punched above its weight in this regard
- Firms cited Scots' historical and, to an extent, contemporary presence on the international market as visionary leaders.
- Scots were considered to:
 - Be well educated
 - Have strong technical/functional skills (essential for building credibility with those they lead)
 - Be ambitious
 - Have excellent interpersonal skills.
- Consultees noted that Scots were often seen to be excellent leaders when they leave to take positions elsewhere.
- Specifically for Financial Services, it was felt that Scotland compares well to other locations in terms of the current "stock" of talent.

There were mixed views on the need for foreign experience and how it can best be gained. Some firms felt that it was essential for staff to be immersed in a foreign culture through a long term position (more than two-three years). Others (including those with large non-UK footprints) considered that a foreign placement was helpful but not necessarily essential for a person to be a competent leader of an organisation that had significant export activity. All felt that the key competence required of the leader was their ability to understand different business cultures, in particular those in their target export markets. On balance, it was not felt essential to be immersed in a foreign country in order to acquire this understanding. This experience can be gained by short-term placement or by tailored training.

Mentoring was raised by several of the GlobalScots. They observed that while the traditional view of mentoring is that it is *from* the more experienced commercially person *to* the less experienced, they noted that it is not in fact the case. Mentoring programs can be:

- top-level to top-level (sharing experience where the leaders operate in very different and non-competing sectors)
- top-level to young/aspiring leader (the traditional model)

- Young/aspiring leader to top-level (this was considered to be particularly helpful for more experienced leaders to gain insights into new business models and handling new media channels – “I am now visible 24/7 and I find I have nowhere to hide”).

The key factor was that all levels could benefit from engagement with others to bring new perspective and competencies.

2.12 Leadership development must constantly evolve

It was striking in our consultations how organisations constantly review their strategy, operations, and market positioning. This constant review is driven by the rapid change in market dynamics which requires firms constantly to re-evaluate the areas on which their Leadership Development programmes focus and the attributes or skills which they use both to select leaders and which they aim to develop in those whom they are training. That said, the overarching view is one where a leader must set the direction for others, be flexible, have excellent communication skills, be inspiring and be visionary.

The response timescales are short – strategies may have to be changed significantly within six to twelve months of being prepared.

From a different perspective and reflecting the reference to “being visible 24/7 above”, GlobalScots in senior leadership positioned identified the importance of understanding the influence of social media. They noted the significant number of their peers who had encountered (in some cases severe) difficulties through their inappropriate use of a social media channel (e.g. Facebook) or through members of the public broadcasting an informal remark made by leaders at small public events. In some cases, social media ended otherwise very successful careers. Consultees’ conclusions were that *all* leaders had to understand the influence of social media in a modern commercial environment in all aspects of their daily lives.

2.13 The influence of remuneration on the talent pool

There are two characteristics that define the talent pool:

- attraction of talent to Scotland from outside
- the retention and development of talented (potential) leaders from within Scotland.

Remuneration is a key factor affecting Scotland’s indigenous talent pool. For “like for like” positions, salaries in Scotland are generally lower than those elsewhere in the UK. Typical salary levels were provided by a recruitment consultee:

- £50k-£55k for senior positions (general)
- £70k-£75k for IT posts (with up to £120k being offered to key positions)
- circa £110k for Financial Risk Management.

Demand for those who understand Financial Risk and general Risk Management is growing within the UK. This provides both an opportunity and a threat for Scotland as those who are based here with the appropriate skills may be attracted elsewhere by higher salaries. Lower salaries in Scotland also make it more difficult to attract top class talent from outside.

Senior positions (general) elsewhere in the UK attract salaries circa £60k-£90k.

These differentials lead to:

- people leaving Scotland for higher salaries elsewhere
- people coming to Scotland for *developmental roles* in companies here.

For those attracted to developmental roles there is an opportunity to take on a new challenge at an earlier stage in their career than they would do elsewhere – this is what a move to Scotland can provide. Implicitly, this means that the person is likely to move again once they have succeeded in achieving their short and medium term career goals

2.14 Indigenous growth versus bought-in expertise

Implicitly, if the leadership pool is "shallow", the principal mechanism for increasing the provision of leaders is to "buy-in" people with appropriate skills. As mentioned earlier, consultees suggested that one reason why Scotland may lack talented indigenous leaders in specific sectors is that its economy is relatively narrowly defined in terms of competitive global activity – this necessitates buying-in experience that does not naturally exist here. Areas where indigenous leadership talent is in good supply include Oil and Gas and Renewable Energy. Historically Scotland was relatively dominant within specific segments of Financial Services within the UK and abroad, but this was considered by consultees to have changed (and weakened) over the past five years. Specialist Engineering sectors were also deemed to be well served.

For attracted leadership talent to remain in Scotland, there must be opportunities beyond the position that attracts them if they are to base themselves here. There was an emergent view that there is only so far that most people can progress with their corporate careers if they wish to remain in Scotland long term and are active in sectors other than those in which Scotland has a global lead.

2.15 The need for foreign experience

Buying-in expertise provides quick access to individuals who possess both commercial and cultural experience of working elsewhere. Consultees felt that it is harder to develop an international perspective from a position in Scotland - it's beneficial to spend time abroad. Feedback from a small number of consultees indicated that it was comparatively difficult to encourage professional personnel (notably those from accounting and legal disciplines) to leave Scotland for opportunities abroad once they had gained their professional qualifications – family and friends prove a very strong anchor. Those with technical skills tend to be more open-minded and mobile as do those at the lower skills levels (e.g Technical/Operative). This lack of professional mobility is considered to be a negative constraint. The frustration voiced by those consultees who desired their staff to relocate abroad appeared to be driven by the fact that Scotland is comparatively well represented with professional skills that serve international leaders well. However, leadership competencies have to *be built* from this foundation – they are not developed spontaneously or passively.

A contrasting view expressed by other consultees was that a foreign placement is helpful but not always necessary. Someone with good leadership potential can gain the global perspective very quickly through short term placement abroad.

One consultee commented on language. They noted that while it was important to have very basic language skills in whatever country you are working, it was more important to be culturally sensitive to the norms and values of that location than to have a thorough grasp or be fluent in the local language.

In new and emerging markets, consultees suggested that “your ego has to be left at the door” as there are a large number of extremely smart and capable people working in these locations. Scots are very good at integrating in these situations, and for giving recognition, as they come from a small country and therefore have less “baggage”.

[Leadership development for indigenous SMEs](#)

For indigenous SMEs, the challenge is how do their leaders and managers gain the international experience and cultural exposure that are necessary to acquire for their businesses to grow into new, foreign markets. Foreign/overseas trade is deemed to be essential for growth given the comparatively small size of the Scottish market – like people, firms have to look elsewhere for growth. If firms cannot offer their staff the opportunity to move abroad, it is difficult to see how they can gain the necessary expertise. It points to the opportunity of creating an International Apprenticeship in Leadership.

2.16 Strong technical skills – weak experience of commercial exploitation

In technologically emergent sectors (e.g. Social Media) the availability of personnel who have commercial experience of successfully taking a product to market was considered to be limited. Teams in Scotland may have technical skills for developing new product offerings within the new media sector, but they do not have the experience of taking those products forward in a commercially successful way. This was considered to be a critical gap at present and was also viewed as characterising a notable difference between the performance of a technology sector in Scotland and that elsewhere in the UK (most notably, London).

2.17 Is there a shortage of skilled Leaders in Scotland.

The responses of consultees were split on this topic question. The majority said there was not a shortage. However, this feedback tended to be from those who were resident outside Scotland. Proportionately more of those who were based in Scotland identified a shortage of appropriate supply here of *experienced* leaders.

Consultees considered that the availability of "raw talent" is presently relatively good. People have the right attributes to become successful leaders and they also have been imbued with positive cultural attributes (outward looking, rounded education, humility). General educational attainment was viewed by most, if not all, to be important.

2.18 Approaches to Leadership Development

Two examples to leadership development are provided below.

ABB deploy a globalised model of leadership that is applied across all of its operating plants in 75 countries. The company focuses on identifying employees' strengths in five key characteristics:

- *intellect* - bright people, with good emotional intelligence rather than IQ
- *Courage* - to make difficult decisions
- *agility* - willingness to move from a position when it is clear that it is not where you thought you were going to be
- *curiosity* - always seeking to find new perspectives and new angles
- *humility* - self awareness that it is not because you are clever but because it is the right course of action and recognising that others need to be brought with you.

ABB have put 55,000 employees through leadership programme

FMC Global has had a historic growth rate of circa 30% p.a.. The company is committed to increasing this significantly. It felt that it needed tailored leadership development if it is to respond to increased employee numbers (19,000 at interview) and changing market conditions.

It established the FMC University to meet this challenge. The FMC University covers Financial Planning, Project Management and Leadership. The Leadership programme has a three-level curriculum:

- Management effectiveness
- Management leadership programme
- An executive leadership programme

The company seeks people with 5-10 years experience and a mix of engineering and management skills. The University aims to give younger but capable staff five years experience through a two-year intensive programme.

The first physical facilities were opened in mid 2013 and these are supported through distributed on-line provision

It was noticeable when conversing with GlobalScots in particular that their organisations had identified key characteristics they sought to develop within their leadership pool and that they had comprehensive leadership development programmes in place to embed a positive culture throughout their global presence. These organisations identified a range of attributes (in addition to those identified in the box above) that included:

- directness
- entrepreneurialism
- willingness to travel
- well educated
- charisma
- commitment
- quality
- persistence
- ability to recognize the contribution of others
- ability to acknowledge the contribution of others.

Consultations with firms in Scotland did not identify programmes that were as structured as those of GlobalScots firms above. However, they did have clearly stated organisational values which guided their strategy. An example of the latter would be Aggreko whose guiding principles are *Pace, Passion and Performance*.

2.19 The availability of leadership talent to grow indigenous Scottish businesses

There is a specific stage of business growth where skills and experience were viewed as being absent in Scotland. The nature of the gap is dependent upon both the sector and stage of development of the firm.

For technology-based new start businesses, those with commercial experience who have successfully taken a business from idea through to successful growth trading are largely absent. There are teams in Scotland who do come forward with relatively novel Social Media products, but they tend to have no experience or knowledge of how to take them forward in a financially successful way. These businesses need appropriate commercial input that can be provided in one of two ways.

First, a chief executive/managing director can be recruited from elsewhere (typically London). This can be a challenge as the (follow-on) opportunities for on-going career development are more limited in Scotland than elsewhere. An alternative (second) approach is to nurture/hothouse leadership talent that is here through mentoring and one-to-one coaching by those with *relevant* skills and *experience*. These people do exist, but appear to have withdrawn from the market over the past five years (largely since the economic downturn 2008).

The following chapter presents our concluding observations and recommendations.

3 Concluding Observations & Recommendations

3.1 Introduction

This chapter summarises the key findings from the review whose aims were to gain feedback on:

- The current image of Scotland
- Scotland's strengths and weaknesses
- Scotland's comparative approach to Talent Attraction
- Role of HQs in attracting/retaining/building talent
- The role of strong/vibrant clusters and "global brand companies" in attracting talent
- How does Scotland's talent pool compare nationally and internationally.

We consider each of these factors below.

3.2 The current image of Scotland

Where leadership is concerned, Scotland was considered to have a strong image and good cultural values. It has strong societal values (honesty, fairness, respect for others, humility) in areas that are considered to be contemporaneously important for those early in the careers.

Scotland can be viewed as having limited opportunity – it simply does not have the volume of opportunities that other locations have (for example the South East of England or the greater Dublin area of Ireland). This can increase the perceived risk of someone locating here as they can be deterred by the risk of a relocation to Scotland not working out as planned – will they have to emigrate again to find a suitable alternative? Unsurprisingly, many of those locating to Scotland for leadership posts are “returning” Scots. The question of opportunity is also a question for spouses and family members – it is not limited to the principal position nor to employment. The decision can be influenced significantly by the availability of suitable education provision for children.

Scotland is considered to have an excellent environment and wealth of outdoor amenities. Edinburgh and Aberdeen are positive assets, although for different reasons – Edinburgh for its cultural, heritage and educational provision, Aberdeen for the concentration of Oil & Gas Services and associated Energy firms there. The attractiveness of more rural locations appears to be weaker – this is primarily due to the level of commercial opportunity being lower in these areas (for all family members). Top flight and ambitious aspiring leaders follow commercial

opportunities and those that strengthen their careers. Rural locations may be very attractive to those who include other life factors in their relocation decision.

Scotland is considered to have a very good education sector at secondary and tertiary levels (apart from in the Highlands and Islands).

3.3 Strengths and Weaknesses of Scotland as a location for leaders

The table below summarises the strengths and weaknesses identified by consultees.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Technical skills • Attitude • Education • Culturally adaptable • Humble/humility • Openness to experience • Scotland punches above weight given size of its population • (for young people) Ethically aware, moral values (Corporate Social Responsibility) 	<ul style="list-style-type: none"> • While technically strong, Scots lack successful commercial exploitation experience • Low absolute number of opportunities for high calibre personnel • Limited career progression within Scotland • Opportunities are very narrowly sectorally defined • Scots lack non-Scottish experience • A lack of appropriately qualified commercially experienced mentors • Weak engagement by Scotland based Universities in Leadership development.

These points have been developed in depth in the body of the report. The key issues are that Scotland has a strong supply of people with leadership potential but there is a limited number of opportunities for this “population” to pursue. The opportunities tend to be limited to a comparatively small number of sectoral/commercial disciplines. It could be said that there is an over-supply of raw talent.

Leadership is a skill that needs to be refined and developed through practice. Thus, many of those with leadership ambition choose to move elsewhere to realise their aspirations. In so doing, they are also likely to extend their leadership capabilities through experiencing other cultures.

3.4 Scotland's comparative approach to talent attraction

Consultees generally struggled to comment specifically on Scotland's comparative performance. They were also not clear on what currently comprised Scotland's approach to attracting talent (if it has one).

Scotland was considered to have physical and cultural assets that are attractive to a certain group of people. It has specific opportunities in Energy related fields (both conventional and renewable energy sectors).

“Ireland” was cited as a competing location but, apart from the role of lower corporation tax in stimulating business growth, those interviewed did not have opinions on how Ireland and Scotland compared in terms of leadership talent. However, Ireland was viewed as having more opportunities in “new” sectors and anecdotally a number of respondents reported that they had heard that it managed to put attractive packages together for couples/spouses, but these observations lacked detail.

3.5 Role of HQs in attracting/retaining/building talent

The role of headquarters functions were certainly viewed as being important historically, especially in Engineering and more recently Oil & Gas and Energy Services and the banking segment of Financial Services. However, apart from the Energy related firms, the influence of HQs was considered to be declining in Scotland. Specifically, the Professional Services and IT sectors had been significantly affected by the contraction of the Financial Services sector but they were considered to have diversified considerably in recent years and appear to be reasonably robust at present.

Headquarters functions of Energy related firms do attract leadership talent to Scotland. These firms also noted the very good supply of leaders here. Headquarters in non Energy related sectors do not appear to be a key attractant although it was recognised that they were a draw historically.

SMEs, for example those in the Engineering sector, were cited as a group that were increasingly adopting and exhibiting more sophisticated leadership skills. This reflected an increase in the competitiveness of this grouping in Scotland.

3.6 The role of strong/vibrant clusters and "global brand companies" in attracting talent

The role of global brand companies attracting leadership talent is a subtle one as far as Scotland is concerned. The perceived lack of such companies in Scotland has resulted in Scotland being unattractive to the highest performing leaders. For this group, Scotland was considered to have nothing to offer in terms of their commercial/organisational career development.

The perceived lack of presence amongst these firms in Scotland was also felt to encourage less experienced leaders, specialising in sectors in which Scotland did not have a strong global presence, to leave Scotland and gain experience elsewhere.

3.7 How does Scotland's talent pool compare nationally and internationally.

Scotland was felt to be well served, especially for leaders in areas of Research & Development, Technical Development and Financial and Operational Management. This may explain the observation that there is a good supply of strong technical ideas to investors.

However, this technical strength is mirrored by a gap in the provision of people with the skills, experience and know-how in raising finance and taking good technical ideas to market. There is a specific gap in the provision of commercially experienced entrepreneurs who have successfully launched technology based businesses and who can join promising Scottish start-ups or early stage growth companies.

Opportunities/Recommendations

New Media Networking and Mentoring

As explained in Sections 2.7 (p.9), 2.10 (p.12) and 2.16 (p.17), there is a specific and growing constraint in the availability of start-up teams in new media sectors that have commercial experience of taking a product idea to market. This was identified by the investment community – those dealing with start-up and early stage technology businesses identified it explicitly while those dealing with more established firms observed that it was not an issue for their target group but was an issue for early stage technology firms.

This contraction of the market in Scotland has occurred at a time when there has been a significant enhancement in the profile of London as a location for new media start-ups (notably clustered around Google's Campus) - this sector of the UK market has changed fundamentally in recent years. The Google Campus hosts a monthly forum where investors and companies can come together which was deemed to be particularly effective in stimulating a positive dynamic between investors and opportunities. There was felt to be a clear opportunity to create something similar in Scotland.

Separately, investors in early stage technology firms noted that the reduction in supply of commercially capable teams in Scotland over the past five years was mirrored by a parallel withdrawal from the market of a significant group of very experienced serial entrepreneurs. These individuals traditionally would have been available to provide peer mentoring support to new start businesses. It was felt that there was an opportunity to re-engage a similar group of

experienced personnel who could provide young technology-based firms, which have good product ideas, with access to people who have successfully taken similar products to market. The mentors must be knowledgeable of new media sectors and have had experience both of raising finance and engaging with financial networks. Their role would be to provide hands-on, strategic support to firms with opportunities deemed by investors to offer the greatest chance of commercial success.

School of International Leadership

This opportunity is derived through addressing a weakness (Section 2.7, p9) cited by several consultees and relating to the weak provision of locally available leadership training of international standing. While it was suggested there are many leading and recognised providers of leadership education at a European level, high quality provision in Scotland was considered to be weak. It was suggested that there is just one potential provider of leadership skills to an international standard based in Scotland. Based upon this feedback, we feel that there is an opportunity for Scotland to enhance its local provision of leadership skills training.

Scope to engage GlobalScots

Two of the GlobalScots engaged in the review indicated that they would be very happy for Scottish Enterprise to engage them in developing its leadership development activity further. We feel that is a generous suggestion and one that Scottish Enterprise could usefully follow-up.