



# EKOS IMPACT REPORT

COMMISSIONED BY THE HUNTER FOUNDATION **2020**



## FOREWORD ABOUT SCOTTISH EDGE

Scottish EDGE is a funding competition aimed at identifying and supporting Scotland's innovative, high growth potential entrepreneurial talent. Previously run by Scottish Enterprise for four rounds, the competition was spun out in Autumn 2014 to the private sector led Scottish EDGE C.I.C funded by the Hunter Foundation, the Royal Bank of Scotland, the Scottish Government, Scottish Enterprise and private donors.

Delivered twice per year, the competition has supported 395 early stage Scottish businesses with over £15m in award funding.

Scottish EDGE consists of three competition categories: Scottish EDGE, Young EDGE and Wild Card EDGE and five special awards within the Scottish EDGE category for a Science, Technology and Engineering focused businesses, Higgs EDGE, a creative business, Creative EDGE, a social enterprise, Social Enterprise EDGE, a circular focused business, Circular Economy EDGE and a commercial product based business, STV Growth EDGE.

All companies that apply and meet the eligibility criteria will be entered in to and assessed for the main Scottish EDGE competition. Companies that subsequently meet the criteria for Young EDGE and Wild Card EDGE will also go forward and be assessed in these categories.

**Scottish EDGE - We give Entrepreneurs the EDGE. We discover, invest in and nurture their ideas, which transform lives and build a stronger Scotland.**

“ I cannot stress how straightforward the process was from start to finish, made possible by the helpful, supportive and energised team who run it all ”

Over **£15M**  
awarded to  
**EDGE**  
winners  
since 2013



In total, EDGE has helped to boost  
**395**  
individual  
businesses  
with **436** awards!

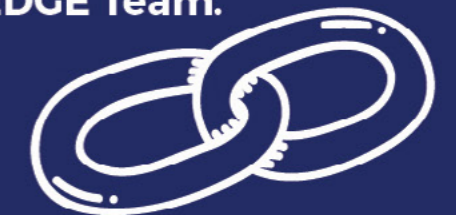


“ The EDGE staff are extremely approachable and really want to support applicants and build networks ”

**EDGE generates**  
a return for the public sector of  
**£7.30 to £8.50**  
in net additional GVA  
**for every £1**  
of public sector  
investment

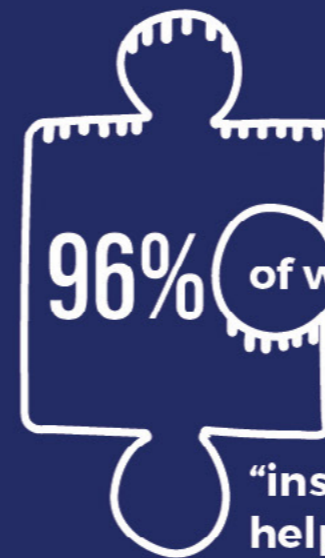


**96%** of EDGE winners state that they are very satisfied or satisfied with the approachability of the EDGE Team.



“ Scottish EDGE is arguably the best source of non-dilutive investment available in Scotland ”

**96%** of winners that have started-up since winning reported that EDGE was “instrumental” in helping them achieve this outcome



**94%** reported that **EDGE** had met or exceeded their expectations and many viewed an EDGE win as a “**Badge of Honour**”



“ As a bootstrapped start-up, EDGE helped us unlock capital early helping us get the product to market without dilutive investment - putting us in a stronger position to grow and attract further funding ”

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## EXECUTIVE SUMMARY INTRODUCTION

This Executive Summary provides an overview of the key findings and messages from an evaluation of Scottish EDGE undertaken by EKOS Ltd (September 2019 – January 2020).

Further detail is available within the main report which is available here ([insert hyperlink in due course](#)).

# RATIONALE AND CASE FOR INVESTMENT

Scottish EDGE was developed with a specific goal of addressing a fundamental gap in the market (provision of funding and wraparound support) where the private sector were not able or willing to operate. The availability of funding and the intensive wraparound support offered through Scottish EDGE represented a new and bold approach to stimulating and pump priming the start-up enterprise and entrepreneurship ecosystem in Scotland.

While progress has been made in addressing the gaps in the market, there are a number of well documented cultural and structural challenges that still persist relating to the availability of finance and the private sector's appetite for risk.

In addition, there are observed market failures within both the supply and demand side relating to information asymmetry that are constraining activity. For example, it is challenging for lenders to distinguish between high and low risk entrepreneurs without incurring significant costs. The default position is generally to lend based on collateral and track record, rather than the economic viability of the business or opportunity for economic growth.

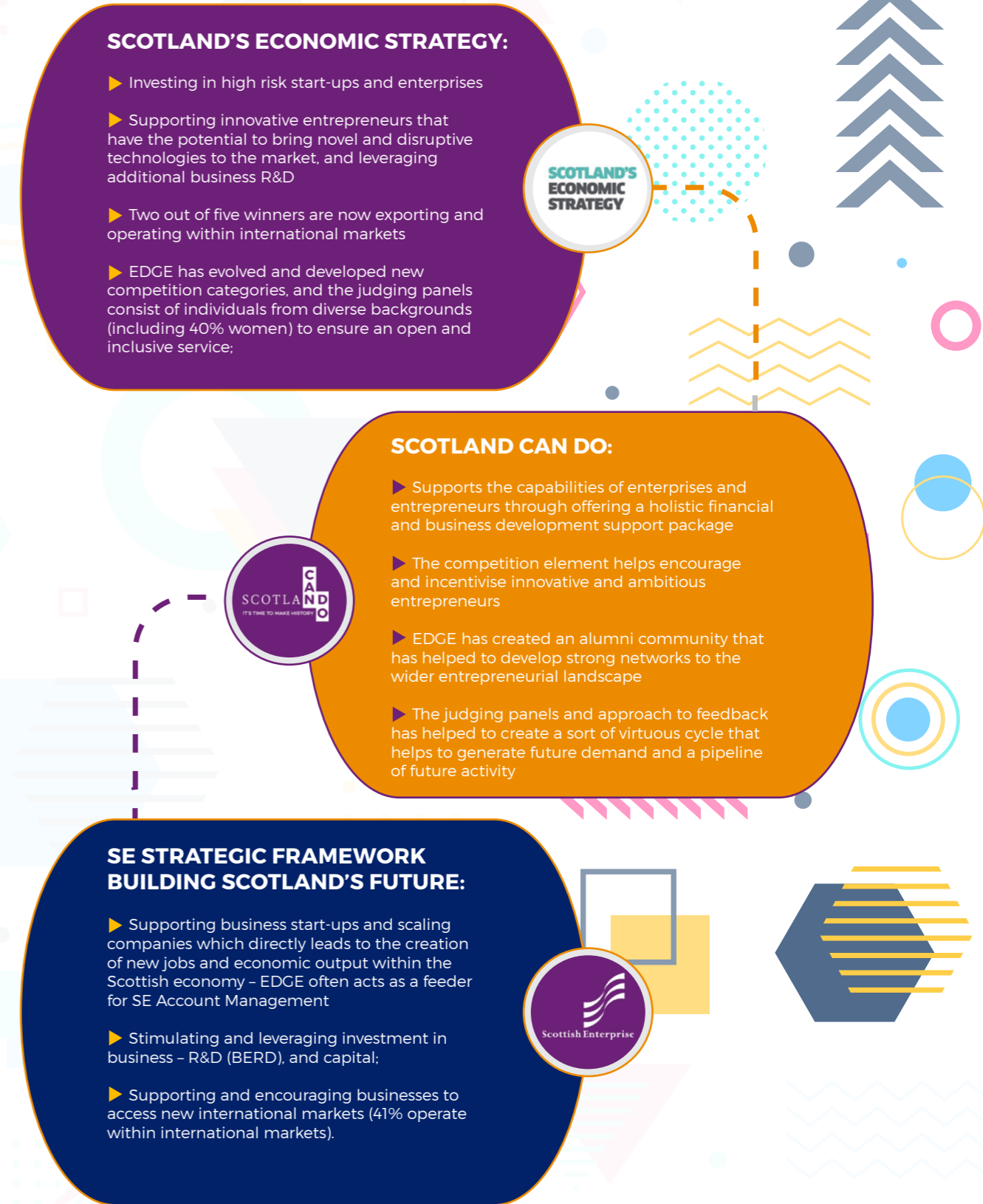
The evaluation has concluded that there remains a strong rationale for Scottish EDGE intervention to support higher risk enterprises with the potential for scale through the provision of debt funding and wraparound support.

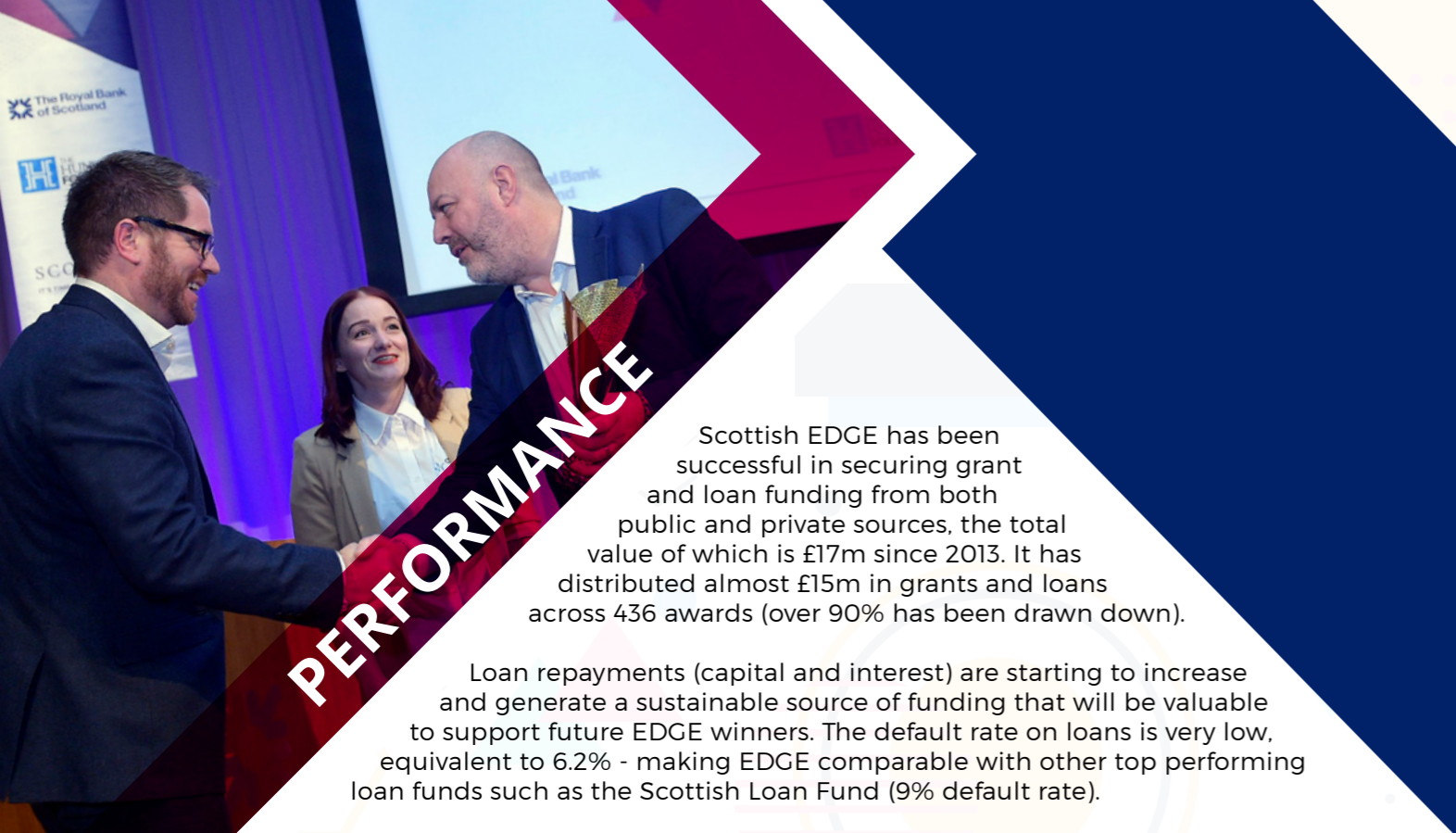


*- EARLY ROUND EDGE WINNERS -  
2013*

# STRATEGIC FIT AND CONTRIBUTION

Scottish EDGE continues to make a strong and measurable contribution to relevant economic development, innovation and enterprise policy priorities, summarised below:








# PERFORMANCE

Scottish EDGE has been successful in securing grant and loan funding from both public and private sources, the total value of which is £17m since 2013. It has distributed almost £15m in grants and loans across 436 awards (over 90% has been drawn down).

Loan repayments (capital and interest) are starting to increase and generate a sustainable source of funding that will be valuable to support future EDGE winners. The default rate on loans is very low, equivalent to 6.2% - making EDGE comparable with other top performing loan funds such as the Scottish Loan Fund (9% default rate).

EDGE-winning businesses also survive. After one year 100% are still trading, 85% are still trading after three years and 77% after five years.

While not captured in the financial records, EDGE has been successful at leveraging in-kind support from partners and stakeholders, including:

-  The judging panel contributes **162 days (equivalent to c. 1,300 hours)** every round to assess applications, business plans and video pitches
-  The costs associated with the assessment days are met by in-kind contributions, **equivalent to over £4,000** in room rental and catering every year
-  Royal Bank of Scotland provide additional in-kind support to host and cater the Scottish EDGE Grand Finals' days and Awards Dinner and provide free office space which is **equivalent to around £50,000** per annum

In terms of representation, the location of winners is broadly representative of the business base. It is, however, slightly skewed towards larger urban metropolitan areas within the Central Belt, and two out of every five winners operates within the wider Technology and Engineering sector - possibly reflecting EDGE's focus on innovative entrepreneurs and enterprises.

The alumni training courses and events have attracted a high participation rate - and as shown through the survey, these are well regarded and deliver added value.

*"We applied once before and didn't make it past the first round. However, the feedback was the best we'd received for any application before Scottish EDGE. When applying for the second time one of our motivating factors was that even if we didn't win, we knew we would get valuable feedback"*



*- ROUND 15 LIVE FINAL JUDGES -  
2019*

# WINNER FEEDBACK

The evaluation gathered feedback **from 129 past winners and finalists** and overall, feedback was **very positive**. Some of the key findings to note include:



EDGE staff add value to the application process through building positive relationships with applicants (**96% very satisfied/satisfied with the approachability of staff**). The application process was also viewed as clear, straightforward and accessible.



**94% reported that EDGE had met or exceeded their expectations** – a very high return. In part this is down to the wraparound support which is viewed equally as important as the availability of funding.



The in-kind support of the judges contributes to the success of EDGE and clients reported that the **feedback for successful and unsuccessful applications was useful/very useful (82% of respondents)**. This also helped develop a pipeline of activity - never a hard “no” and the feedback helps clients improve their business plans and applications for future rounds.



Past winners reported that the **balance between grant and loan is about right** and the total value of the award (and repayment terms/conditions) are more important than the split.



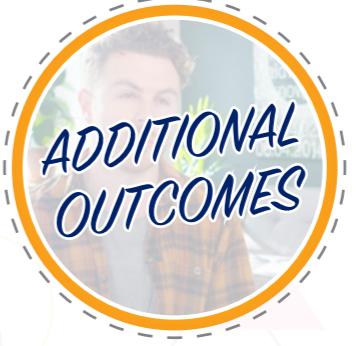
**Over 90% reported that they were confident that they will pay back the loan within the agreed timescales** – indicating that the loan fund is likely to continue its strong performance.



**Over 80%** of clients rated the various alumni training and events as **good/very good**.



Although a relatively new addition to the EDGE service, **the relationship managers are adding value to the service - 93% very good/good**



The support generated a number of additional outcomes such as inspired entrepreneurial spirit, networking contacts and opportunities, and helped raise their profile - **winning EDGE is seen as a “badge of honour”**



**96%** of winners that have since started up reported that **EDGE was “instrumental”** in helping them achieve this.



**The future outlook of supported businesses looks positive** with **87%** aspiring to achieve significant levels of growth in the next few years



**The main motivation for approaching EDGE was to access finance** (three-quarters of respondents)

Areas of strength were noted as:

## Funding Approach



Access to non-dilutive funding with flexible terms and conditions for early stage (higher risk) businesses – the EDGE offer is viewed as unique in the ecosystem

## Community



Creating a community of like-minded entrepreneurs.

## Support



The EDGE team provide a comprehensive wraparound support service and informal support (e.g. act as a sounding board), and the judges also add value to the service.

*"It has made me more ambitious through seeing other alumni's successes and hearing from highly successful entrepreneurs at the alumni events. I feel I have grown a great network of like-minded people through EDGE to share the ups and downs with"*



*- EDGE ALUMNI GLOBAL SCOTS EVENT -  
SCOTLAND HOUSE, LONDON, 2019*



## ECONOMIC IMPACT

EDGE has helped generate 860 net additional jobs and GVA of £67.9m. The survey identified that only 5% of businesses would have achieved the same level of impact in the absence of EDGE support - demonstrating high levels of 'additionality'. Therefore, these impacts can be considered additional to the Scottish economy and directly attributable to the EDGE support.

EDGE generates a return for the public sector of £7.30 to £8.50 in net additional GVA for every £1 of public sector investment and a cost per net additional job of £9,000 to £12,000. A review of other enterprise support initiatives such as Scottish Enterprise's R&D Grants Programme(s) shows that EDGE is delivering returns in line with other public sector supported projects.

**This is a significant accomplishment if we consider the wider context:**

- ▶ To avoid any double counting we have only estimated the impact of EDGE over five years (comparable interventions have been measured over 10 years);
- ▶ EDGE has an operational budget of £400,000 per annum and seven staff; and
- ▶ The (mean) average value of awards across all competitions is only £34,000

**The effectiveness of EDGE to generate (measurable) additional economic activity was supported through feedback with past winners and finalists which identified that:**

- ▶ 97% reported that EDGE was "very important" (79%) or "important" (18%) in supporting the business to start-up;
- ▶ Almost three-quarters of winners (70%) reported that EDGE has had a direct positive impact on helping the business to grow or protect employment and/or turnover; and
- ▶ Nine out of ten businesses had plans/aspirations to "significantly grow" the business over the coming years - further anecdotal evidence that EDGE is reaching and engaging with the "right" type of entrepreneurs and businesses with high growth ambitions.

# AREAS FOR FURTHER CONSIDERATION

The evaluation has identified a number of areas that are worthy of further consideration to support the future delivery of EDGE. These have been informed through consultation with key funding and strategic partners: Scottish Government, Scottish Enterprise, Highlands & Islands Enterprise, Scottish Development International and Royal Bank of Scotland.

## ADJUSTING THE RATIO OF GRANT TO LOANS

While the absolute value of the awards is pitched at an appropriate level, EDGE should undertake a scenario modelling exercise to better understand the potential implications and outlook from adjusting the grant to loan ratio (65/35 or 70/30 split).

**Adjusting the ratio of grant to loan could generate a number of positive benefits, including:**

- ▶ Reducing the ongoing dependency for Scottish Government funding support – contributing to sustainable public sector spending;  
  
Supporting the longer term commercial sustainability of EDGE by capitalising a greater financial return for the investment that can be recycled into the loan fund;
- ▶ Offering businesses additional private-sector (non-dilutive) debt funding which can be utilised to ‘match-fund’ other grant schemes, where appropriate; and
- ▶ There is a trend toward public sector utilising Financial Transactions (FT) and blended funding models (grant, debt, equity) to support enterprise and innovation activity. EDGE has been operating a successful FT model for a number of years (as demonstrated by the comparatively high return on investments and low rate of loan defaults), and can act as a good practice leader to other delivery bodies.

While adjusting the grant and loan ratio may have a minor negative knock-on effect on the demand pipeline (i.e. reduce the number of applicants), the evaluation identified that it is the access to finance and total value of the award (with flexible terms and conditions), the wraparound support provision and active alumni community that were the key drivers for their participation. The funding split was deemed less important (although the grant element was identified as beneficial).

## CONTRIBUTING TO EMERGING POLICY PRIORITIES

EDGE already makes a measurable contribution to key national policy in areas such as economic development, enterprise and innovation. Nevertheless, EDGE recognises the responsibility and commitment to respond to Scottish Government evolving policy priorities which have a stronger focus on outcomes and added value.

We have identified three areas where EDGE should implement actions to enhance its fit with, and contribution to, emerging “horizontal themes” and policy priorities:

- ▶ **Fair Work agenda** includes the Real Living Wage, inappropriate use of zero hours contracts and reducing the gender pay gap.

The Scottish Business Pledge is a values-led partnership between Government and business that is based on boosting productivity, competitiveness through fairness, equality and sustainable employment. The Pledge asks businesses to sign up to a minimum of five pledges.

- ▶ Scottish EDGE should encourage winners to sign up to the Scottish Business Pledge and could form part of the appraisal and judging panel process (i.e. businesses need to demonstrate how they will address the three core issues of the Fair Work agenda;
- ▶ **Place based approaches** - delivering inclusive economic growth and redistributing both wealth and opportunity is a key priority. EDGE should work with partners (e.g. HIE, the new South of Scotland Agency and emerging Regional Economic Partnerships) and consider the potential opportunities to develop regional calls and/or creation of further competitions, e.g. rural EDGE that specifically targets businesses that operate in rural areas; and
- ▶ **Sustainability** (net zero carbon) - the climate emergency has meant that now, more than ever decarbonisation is a national priority and Scottish Government has ambitious targets to achieve net zero carbon by 2050.

EDGE has partnered with Zero Waste Scotland (ZWS) to develop the Circular Economy EDGE competition. It is recommended that EDGE considers opportunities to develop/strengthen strategic partnerships with ZWS and other relevant bodies/organisations (for example the Carbon Trust and Resource Efficient Scotland).



- CIRCULAR ECONOMY EDGE LAUNCH -  
WITH ZERO WASTE SCOTLAND, 2019



- TURING TRUST: SOCIAL ENTERPRISE EDGE -  
WITH THE POSTCODE INNOVATION TRUST, 2018



## COLLABORATION

One of the key challenges is that EDGE as a social enterprise (quasi-public/private) operates in an ecosystem that is primarily supported by the public sector. To some extent EDGE's position in the wider ecosystem is more fluid and this has led to cross-over and duplication of activity. That being said, interestingly, this private-public operational model was also identified as a strength of the organisation as it allows the organisation to be flexible and represents a different approach to service delivery.

This is not to say that there has been no collaboration between partners, for example, key partners sit on the EDGE Advisory Board and Scottish Enterprise has seconded a business advisor to EDGE.

Nevertheless, there is scope for EDGE and other strategic and funding partners to develop a closer and more strategic partnership to ensure that enterprises and would-be entrepreneurs are able to access a well-connected and streamlined support provision.

### This could include:

- ▶ A strategic development session with senior members of relevant stakeholders and partners where EDGE confirms and communicates the aims and goals and provides details of activities for the year. This could allow an opportunity for invited stakeholders to feed into, and help develop, the EDGE model. For example, how can EDGE support partners deliver against their priorities;
- ▶ Informal "good practice" information sharing sessions, for example, the EDGE loan fund has been successful and retains a very low default rate. As partners seek to integrate and roll out FT more widely this could provide valuable insights;
- ▶ Networking events and sessions with business advisors;
- ▶ Developing a more formalised referral and "handover" mechanism between relevant organisations; and
- ▶ Promotion and greater recognition of the role partners play.

## OPERATIONAL AREAS FOR DEVELOPMENT

The evaluation has identified two operational areas where EDGE could improve and develop its service, these include:

- ▶ Undertaking additional monitoring with supported companies to ensure EDGE's performance framework aligns with the reporting requirements of Scottish Government. This could include metrics relating to economic development and wider outcomes. We would, nevertheless, note that this should be proportionate to the resources available i.e. EDGE is a small team and resources should be (primarily) focused on service delivery; and
- ▶ Feedback from past winners and finalists suggests that further impact and benefit could be generated through the development of a more comprehensive and integrated mentoring network that matches up past winners and appropriate mentors.

*"Having an idea and a passion is one thing but translating that into a successful business is something else and by going through the EDGE process, the 'dream' is challenged in a commercial forum and all your business skills are put to the test. When you hear your name called out as a winner it gives you confidence that others believe in your business too, so much so they will invest money"*



*"Not just a competition, it's a full support network!"*

**With thanks to our Primary Funding Partners...**



**our Advisory Board Members...**



**our Special Award Supporters...**



**and our Support Package Partners**






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