Royal Bank of Scotland

From Innovation to Impact: Scotland

Growing Together

Scotland's commercialisation opportunity

Scotland is home to **1,737 innovative businesses, 1,027 recipients of public innovation grants** and **367 academic spinouts**. Scottish grant-backed businesses have attracted more than **£6.4 billion in follow-on equity investmen**t, reflecting the country's strengths in research, entrepreneurship and innovation-led growth.

The largest concentrations of innovation activity are found in the West of Scotland (558 innovative businesses) and East of Scotland (511), while Aberdeen is home to 280 innovative businesses and Tayside to 254. The Highlands and Islands, despite its smaller population, is home to almost 100 innovative firms, demonstrating that innovation activity is present across all parts of the country.

These strengths are reflected in commercialisation outcomes. Almost 31.1% of Scottish grant-backed firms have secured follow-on equity investment, compared with 26.4% across the UK as a whole. Scotland's grant-backed firms have also secured one of the highest levels of follow-on investment outside London and the South East.

However, Scotland's innovation challenge mirrors the central finding of NatWest Group's 'From Innovation to Impact' report. While Scotland performs strongly on many measures of innovation, there remains an opportunity to help more businesses translate innovation into commercial growth. Our analysis identifies 358 businesses that continue to trade and innovate but have not yet secured follow-on investment, achieved an exit or demonstrated a scale-up signal. We describe these firms as the untapped innovation cohort. They are not failed businesses. Rather, they represent innovative companies that have yet to convert innovation into measurable commercial growth.

At 34.9% of Scottish grant recipients, Scotland's untapped innovation cohort is smaller than the UK average of 38.1%, suggesting Scotland performs relatively well at supporting commercialisation.

Nevertheless, the scale of the cohort demonstrates that there remains significant potential to generate additional growth from existing innovative businesses.

This challenge is already reflected in [Scotland's National Innovation Strategy], which places a strong emphasis on commercialisation, innovation-led entrepreneurship and cluster development. Alongside supporting research and innovation, the strategy recognises the importance of helping businesses access investment, develop new markets and scale successfully.

Turning innovation into economic growth

Scotland's approach increasingly focuses on the conditions that help innovative businesses grow. Across sectors such as energy transition, life sciences, advanced manufacturing and digital technologies, policymakers have sought to strengthen links between businesses, universities, investors and support organisations. This reflects a growing recognition that economic value is created not only through new discoveries, but through the successful commercialisation and adoption of innovation.

The findings of NatWest Group's wider report suggest there is value in continuing this focus. Strengthening access to growth capital, supporting commercialisation pathways and helping innovative firms build the capabilities needed to scale could help more businesses move beyond the research stage and achieve sustainable growth. The presence of a substantial untapped innovation cohort shows that Scotland is already generating innovative firms. The challenge is ensuring more of them can access the finance, networks, talent and commercial opportunities needed to grow.

For Scotland, the opportunity is therefore not simply to create more innovation, but to help more innovative businesses achieve commercial scale. Doing so would support productivity, investment and skilled job creation across the country while advancing Scotland's ambition to become one of the world's most innovative small nations.

For the full analysis and policy recommendations, scan the QR code to read NatWest Group's 'From Innovation to Impact Report.

Scotland by numbers[1]

1,737
innovative businesses across Scotland.

1,027
recipients of public innovation grants.

367
367 academic spinouts, third out of the UK's 12 nations and regions and only surpassed by London and the South East.

31.1%
of grant-backed firms have secured follow-on investment (UK average: 26.4%).

358
businesses sit within Scotland's untapped innovation cohort.

34.9%
of Scottish grant recipients are in the untapped innovation cohort (UK average: 38.1%).

£6.4 bn
in follow-on equity investment attracted by Scottish grant-backed firms.

Scotland's innovation regions

- **West of Scotland:** 558 innovative businesses; 328 grant recipients.
- **East of Scotland:** 511 innovative businesses; 366 grant recipients.
- **Aberdeen:** 280 innovative businesses; 120 grant recipients.
- **Tayside:** 254 innovative businesses; 129 grant recipients.
- **Highlands & Islands:** 98 innovative businesses; 67 grant recipients.
- **South of Scotland:** 36 innovative businesses; 17 grant recipients.

The untapped innovation cohort refers to businesses that remain active but have not yet secured follow-on investment, achieved an exit or demonstrated a recognised scale-up signal.

(1) Source: Beauhurst. Please see next page for further information.

Additional information

The analysis of UK public innovation grants in this report was provided by Beauhurst. The underlying dataset covers UK companies that have received at least one publicly disclosed innovation grant since 2011 that have received at least one publicly disclosed innovation grant, including Innovate UK funding. The analysis examines 12,381 grant recipients and tracks their subsequent commercial outcomes using Beauhurst's company-level data.

Companies were classified into one of five mutually exclusive categories: Exited (acquired, listed or sold to new owners), Follow-on Equity (secured additional equity investment), Scaling (identified as achieving high growth without a recorded equity event), untapped innovation cohort (still trading but with no recorded exit, follow-on equity or scale-up signal), and Ceased (no longer operating). Outcomes were applied in that order, ensuring each company was counted once.

Regional analysis is based on companies' registered addresses. Follow-on equity figures include all equity investment raised by grant recipients and should be interpreted as an association rather than a direct measure of grant impact. Throughout the report, the term "Untapped Innovation Cohort" refers to firms that remain active but have not yet demonstrated a tracked commercialisation outcome.

Disclaimer

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NatWest Group's Public Policy Insights Unit

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With customers and colleagues in every nation and region of the UK, we provide insights that help national, devolved, regional and local policymakers better understand the opportunities and challenges facing the real economy.

For any queries or further information, please contact publicpolicyinsights@natwest.com.

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