



What do business and investment leaders bring to Team Scotland?

September 2021

Background

The David Hume Institute is an independent Scottish think tank which continually challenges itself and others to ensure the future is prosperous, inclusive, sustainable and fair. The Institute regularly tracks the diversity of Scotland's top leaders, including those of Scotland's leading businesses.

This paper analyses the educational, gender and professional diversity of the leaders of Scotland's top businesses and investment sector, expanding the data sample from our 2020 paper, [Does Team Scotland have the right players?](#)

Context

The COVID-19 pandemic and EU-Exit created unprecedented change for Scotland's businesses of all sizes. Accompanied with the challenges posed by climate change, all business leaders are under immense pressure as they adapt to the rapidly changing world.

Lockdown restrictions had a significant impact on consumer behaviour. Research from the David Hume Institute as part of the Action Project showed that Scots intend to emerge from the pandemic being kinder, prioritising nature and making more conscious choices with money. As restrictions eased, early signs show that consumer behaviour is returning in part to pre-lockdown habits, however structural and behavioural changes will require further adaptation by businesses.

There is significant change happening in the business sector. [Data from Companies House](#) shows that although voluntary dissolutions have increased year on year in 2021, so has the rate of company formation. For example, in the four weeks leading up to 30th July 2021, 29,118 more companies were formed than closed in the UK. This continues the trend seen in Scotland throughout 2020.¹

The triple disruption of COVID, EU-Exit and climate change give Scotland's businesses an opportunity to reimagine their operations and business models. Early movers in new markets and adopters of new technology are likely to gain advantage.

As business leaders balance demands in ever-changing environments, the need to ensure diversity of thought in leadership teams has never been more pressing. Companies with greater gender diversity were 25% more likely to outperform financially, and 27% more likely to create superior value. Diversity of thought increases resilience of organisations, including the ability to adapt to new risks.²

1 Inform Direct, 2021. <https://www.informdirect.co.uk/company-formations-2020/scotland/> [Accessed 10/8/2021]

2 McKinsey & Company, 2020. [Diversity wins: How inclusion matters.](#)

Key findings


90%
 Male


10%
 Female


1%
 People
 of colour


51%
 Elite university
 alumni

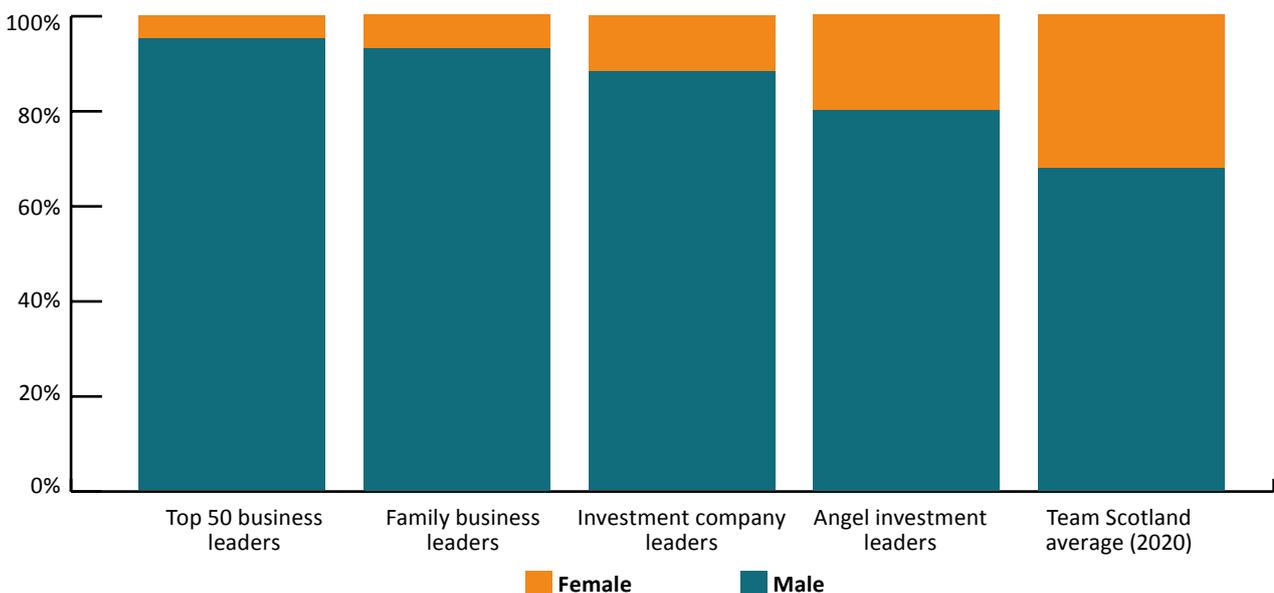
Gender diversity

Just 10% of the business leaders analysed were female, compared to 32% of the top leaders analysed in the 2020 *Team Scotland* report. Action to improve this is urgently needed if organisations are to benefit from diversity of thought.

One key step to improving diversity in the wider business sector is improving the diversity of the top decision makers in the investment industry.

Wider diversity for investment industry leaders has potential to broaden the perspectives that influence organisational priorities. Up to £250 billion of new value could be added to the UK economy if women’s new businesses were invested in and scaled up at the same rate as men’s.³ If women’s participation rates matched men’s there would be the potential of c.35,000 more direct jobs in the Scottish economy.⁴

Figure 1: Gender diversity across business leaders



³ UK Government, 2019. *The Alison Rose Review of Female Entrepreneurship*.

⁴ Scottish Government NACWG, *Women entrepreneurs: What we already know*. Accessed 28/07/2021

Angel investors⁵ showed higher levels of gender diversity than the other groups analysed. This may be due to the consistent strategic work of organisations like [Investing Women Angels](#) and [Women's Enterprise Scotland](#) which have been key players since 2014 in the Scottish Government cross-sector Policy Framework and Action Plan. However there is still a long way to go to improve the diversity of investment leaders and entrepreneurs.

Once a start-up is growing, entrepreneurs find themselves pitching to venture capital funds (VCs) who deploy large amounts of capital from seed to later stage investments. Some of the larger Scottish angel investors are moving into VC territory but the market in Scotland is limited and many companies look outwith Scotland for scale-up investment. Research shows that female entrepreneurs are more likely to face bias in the VC pitching process, with male entrepreneurs being asked different questions which typically lead to greater investment.⁶

In the UK for every £1 of venture capital investment, all-female founder teams get less than 1p. All-male founder teams get 89p, and mixed-gender teams 10p.⁷ In percentage terms, less than 1% of UK venture funding goes to all-female teams equating to just 4% of deals.⁸ This is despite the data showing female entrepreneurs bring in 20% more revenue with 50% less money invested.⁹

The [UK Treasury Investing in Women Code](#), aims to change this by encouraging a commitment by financial services firms to improve female entrepreneurs' access to tools, resources and finance. It is part of a wider [Women in Finance Charter](#) encouraging more gender balance across financial services following the 2016 review *Empowering Productivity: Harnessing the talents of women in financial services* by Dame Jayne-Anne Gadhia. The recent 5-year review showed firms that had committed to the Charter had made more progress than those who had not. Lack of pipeline and low turnover in senior roles were highlighted as two of the biggest issues affecting faster progress.

5 Angel Investment companies and syndicates typically invest amounts up to £100,000 mostly in start-up companies.

6 Harvard Business Review, January 2020. [How the VC Pitch Process Is Failing Female Entrepreneurs](#). Accessed 28/07/2021

7 British Business Bank, 2019. [UK VC & Female Founders report](#).

8 UK Treasury, 2019. [The Alison Rose Review of Female Entrepreneurship](#).

9 The Entrepreneurs Network, 2017. [Untapped Unicorns: Scaling Up Female Entrepreneurship](#).

Age diversity

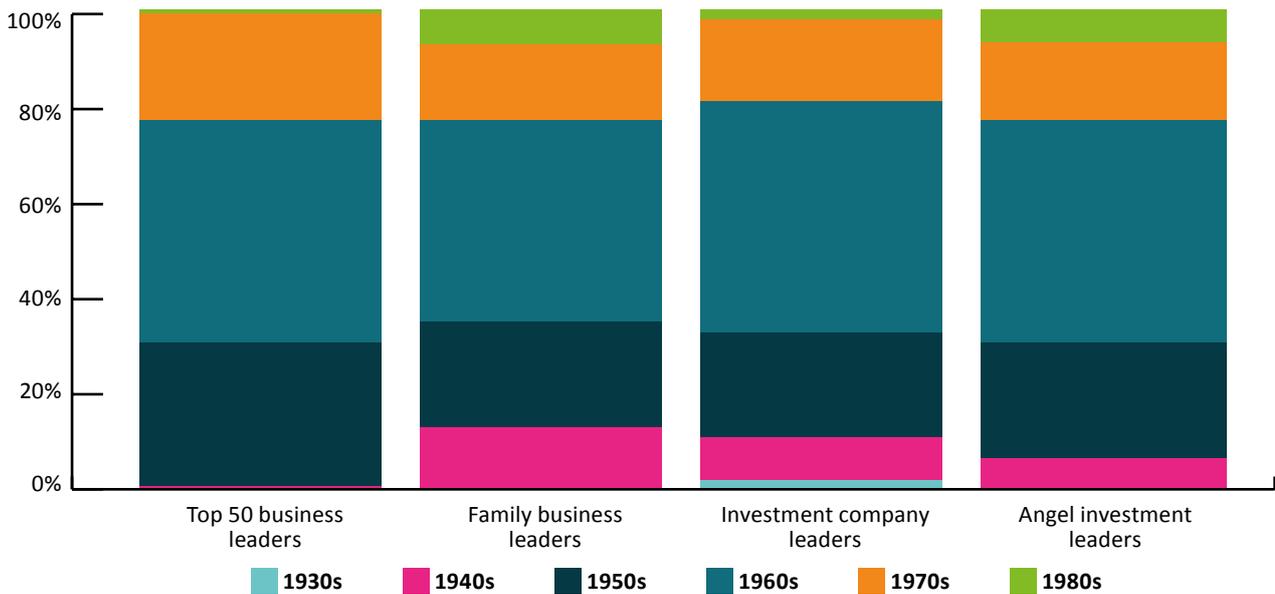
Diversity in age is limited across the business sector, with 46% of business leaders across all sectors born in the 1960s.

Only 1% of the top 50 business leaders were born in the 1940s. For the top Scottish family businesses, the 1940s cohort is significantly larger at 13%, reflecting the tendency for family business leaders to stay involved longer.

Angel investment and family business leaders have more younger leaders born in the 1980s (7%) compared to just 1% of the top 50 businesses. Investment leaders are on average the oldest, being the only group to have leaders born in the 1930s (1%).

Although it might be expected that senior leaders are older as they have gained experience throughout their careers, age is an important characteristic to consider because it can influence diversity of thought, understanding consumer behaviour and future planning.

Figure 2: Age diversity across all business leaders



Ethnic diversity

Business remains a poor performer in terms of ethnic diversity of its leadership, with 1% Asian British, <1% Asian International and no representatives of Black British communities in the 2021 data set. Targeted and consistent action is needed at all levels of an organisation if ethnic diversity is to improve at the top. Entrepreneurs from minority ethnic backgrounds are affected by similar challenges regarding access to capital as women. Difficulties in accessing finance was cited as the reason for stopping work on their business idea by 39% of Black entrepreneurs and 49% of Asian and other ethnic minority entrepreneurs.¹⁰ Talent scouts for some targeted VC funds are attempting to redress the balance but there is still much work to do.

A recent report (July 2021) from the [Bank of England](#) on its own practices shows that barriers exist at multiple levels for people from a minority ethnic background, where they were more likely to leave the Bank earlier and have slower career progression, and programmes to improve diversity lacked clarity.

¹⁰ British Business Bank, 2020. [Alone, together: Entrepreneurship and Diversity in the UK.](#)



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Higher Education

14% of all business leaders attended Oxbridge at undergraduate level, compared to 5.8% in the 2020 Team Scotland analysis. 50% of all business leaders attended an elite University. We classify elite institutions as Oxbridge, the four Scottish Ancient Universities, and other Russell Group Institutions (not including Universities of Edinburgh and Glasgow which are included in the Scottish Ancient category).

31% of all business leaders analysed hold a postgraduate degree. The most commonly attended institutions are University of Strathclyde (11%), Harvard Business School and INSEAD (both at 8%).

39% of all postgraduate qualifications are an MBA. Arts, Humanities and Social Sciences is the leading faculty at 77% (see Fig 4).

This figure is likely to increase in future years as there has been a rapid rise post-pandemic in postgraduate education applications, with the highest number being in Business and Administration.¹¹

Postgraduate alumni have, on average, a 20% increase to their income, indicating more senior positions. Women have a bigger boost to their earnings following postgraduate study, earning 28% more than women with only undergraduate degrees – the comparable figure for men is 12%. But women with postgraduate qualifications still earn 14% less on average than men with the same level of qualifications.¹²

Rising applications and tuition fees mean there is potential for self-funded postgraduate education to shut out those from low income backgrounds.¹³ Businesses committed to guaranteeing long-term diversity of thought should prioritise support for postgraduate study for future leaders from diverse backgrounds.

Figure 3: Postgraduate education across all business leaders

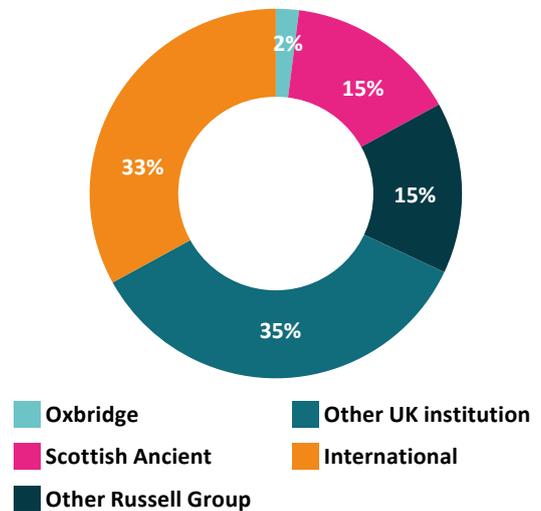
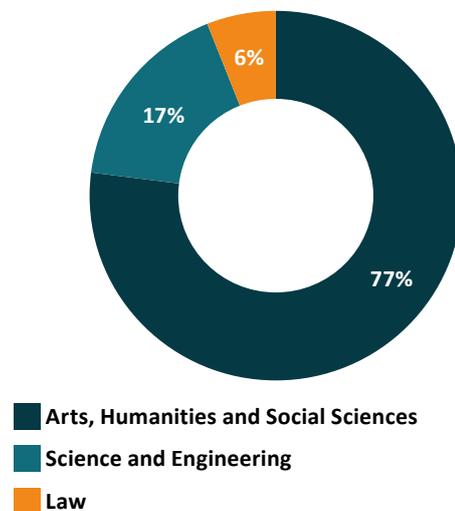


Figure 4: Postgraduate study faculty



11 The Higher Education Policy Institute, 2020. [Postgraduate Education in the UK](#) by Dr Ginevra House.

12 The Higher Education Policy Institute, 2020. [Postgraduate Education in the UK](#) by Dr Ginevra House.

13 The Sutton Trust, 2021. [Inequality in the Highest Degree?](#) by Paul Wakeling, José Luis Mateos-González.

Expanded data set

This paper expands the Team Scotland 2020 sample by analysing the top 50 businesses, top 40 investment companies, top 25 family businesses and angel investment companies in Scotland.

The top 50 businesses in Scotland by turnover were identified through the Institute of Directors' database. The top 25 family businesses were identified using the Scottish Business Insider Index, which is ranked according to turnover. Investment companies were identified using the Scottish Business Directory. Scottish angel investment companies were identified online through the member organisation [LINC Scotland](#) and the legal blog [Seed Legals](#).

For each organisation, we analysed the education background of the CEO and Chair where these positions existed. Not every organisation had both positions, so in total 223 leaders were analysed as part of this dataset. Data was found through public sources including company profiles, Companies House, FTSE100, LinkedIn and news articles. Where this data was unavailable we contacted individuals directly. We are grateful to all of those who responded. A breakdown is available at the end of this report.

In all calculations we aim to identify a minimum of 70% data. It was not possible to complete the analysis of school education to this reporting threshold. School background was identified for 43% of the sample (of these, 62% of business leaders attended a fee paying school).



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More detail on each data segment

Leaders of top 50 businesses in Scotland

The expanded sample size displays more diversity than our smaller 2020 business leader sample. 44% of leaders in the sample attended an elite university (16% Oxbridge, 8% Scottish Ancient University and 18% other Russell Group). See Fig 5.

23% of this segment attended an international institution at undergraduate level, reflecting the global nature of this group (where 19% are White/International).

Arts, Humanities and Social Sciences is the largest faculty at undergraduate level (58%), including 44% with a finance or business management degree. Engineering degrees were the second most represented subject, with 34% having degrees split across civil, industrial, mechanical and electrical engineering. See Fig 6.

31% hold positions at other companies on boards or as non-executive directors. One in four (26%) have held positions at four services companies (Accenture, EY, McKinsey, PwC). The leading career before becoming a top leader is finance (41%) (see Fig. 7).

Gender diversity in this segment is low, with more leaders who are called John than there are female leaders (7% and 5% respectively).

Diversity in age is limited across the business sector, with a high number of leaders born in the 1960s and so approaching normal retirement age. Just 1% of the Top 50 business leaders were born in each of the 1940s and 1980s.

Ethnic diversity is poor amongst the group. Some of the organisations have wider diversity elsewhere in the leadership teams or boards, however the low number of top leaders from ethnic backgrounds shows further progress needed.

Figure 5: Undergraduate education by institution

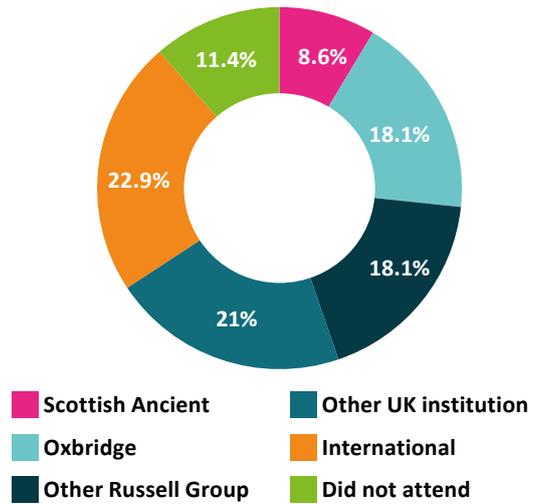


Figure 6: Undergraduate degree by subject area

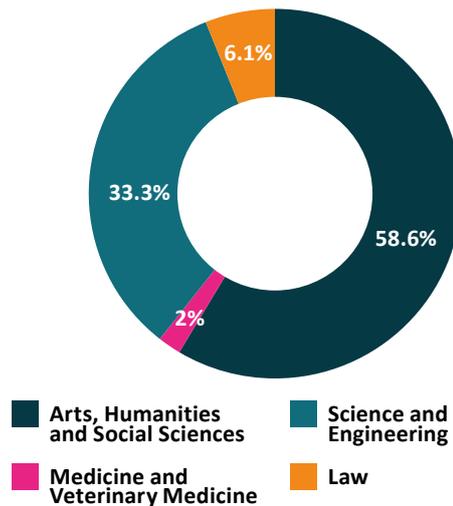
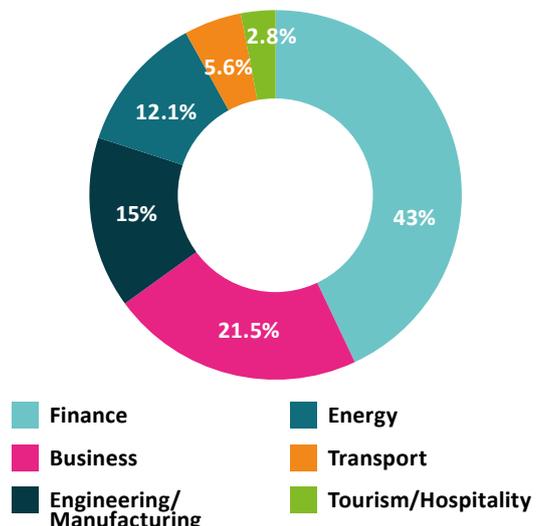


Figure 7: Professional background of leaders



Top family businesses

We have not previously analysed top family business leaders, however as they are an important part of the Scottish economy we were interested to compare them with the wider sample.

36% of top family business leaders attended an elite university (4% Oxbridge, 20% Scottish Ancient University and 12% other Russell Group).

Family businesses had the highest number of leaders who did not attend university (36% compared to 10% of overall business leaders). There is also a lower number with postgraduate qualifications (13% compared to 40% business leaders).

Arts, Humanities and Social Sciences is the largest faculty area studied at undergraduate level. 18% have a business degree.

Investment company leaders

65% of investment company leaders attended an elite university with 1 in 5 of these attending Oxford or Cambridge (19% Oxbridge, 35% Scottish Ancient University and 11% other Russell Group).

34% of investment company leaders analysed had a postgraduate qualification, 83% of which are in the faculty of Arts, Humanities and Social Science.

Professional backgrounds include finance (83%) and law (7%), business (7%), and armed forces (2%). 9% of investment company leaders are female, and 2% of leaders come from a minority ethnic background (2% Asian British, 85% White British, 13% White International).

Gender diversity falls behind the UK average for investment company leaders: only 9% of those included in our analysis were female, compared to the UK average for investment company and VC leaders of 13%.¹⁴ Investment companies are failing to capitalise on the benefits of more diverse thinking and exposing themselves to unnecessary risk.

Figure 8: Undergraduate education by institution

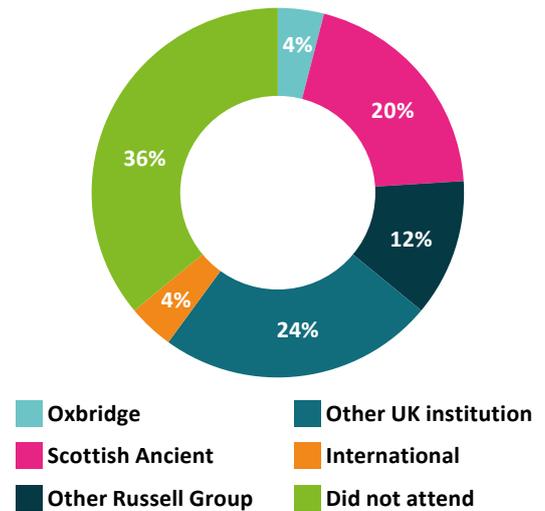
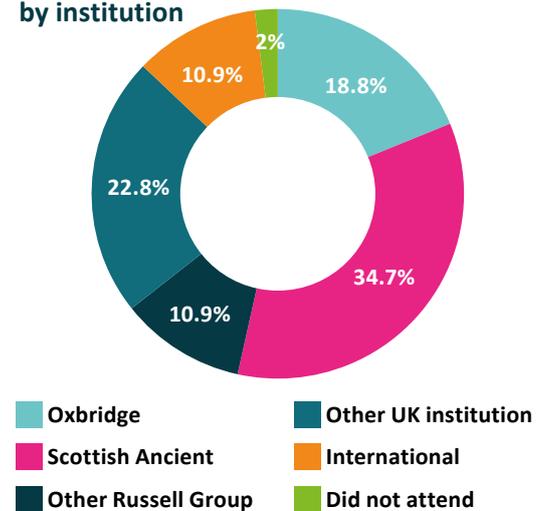


Figure 9: Undergraduate education by institution



14 British Business Bank, 2019. UK VC & Female Founders report.

Angel investment leaders

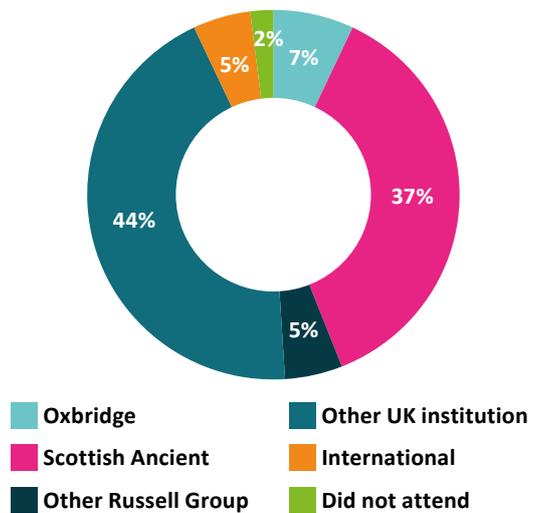
Angel investors provide capital to startups at the early stages, typically before traditional investment companies invest. They are included in this study because of their potential to drive faster change by funding more diverse business leaders in Scotland.

49% of angel investment leaders attended an elite university (7% Oxbridge, 37% Scottish Ancient University and 5% other Russell Group). See Fig 9.

Angel investors have the most diverse range of professional backgrounds across the business sector, and includes finance (44%), business (27%), healthcare (10%), software development (7%), energy (7%), and media (5%).

Scottish angel investors display far higher gender diversity than others in the business sector, with 20% of angel investors female. 96% of leaders are White British, 2% Asian British, and 2% White/ International.

Figure 10: Undergraduate education by institution



Angel investors provide capital to startups at the early stages, typically before traditional investment companies invest.

Conclusion

This analysis measures gender, ethnic, age and education diversity as proxy measures for diversity of thought and experience. The expanded 2021 data set shows there is some progress, however the broader picture continues to highlight the distance the business sector must travel before there is greater diversity of thought in its top leaders.

The data shows there is a narrow recruitment pool with one in four leaders of the top 50 businesses having held positions at just four services companies (Accenture, EY, McKinsey and PwC). A good understanding of finance is important for leaders but if the pipeline is limited we are unlikely to see increased diversity of thought higher up.

Ensuring workspaces are inclusive to everybody is critical in improving and maintaining diversity, as it can prevent loss of talent which often stops progression to the top leadership roles. This means getting to the root cause of any issues, not as reported recently like one large company trying to fix their own internal practices by providing free golf lessons to women.

In recent years, there have been policy interventions from both the UK and Scottish Governments to encourage the business sector to increase diversity. However, business leaders still have a long way to go before their organisations will realise the benefits of greater diversity of thought.

Our data analysis is new but the issue is not – leaders who read it without challenging their practices are complicit in maintaining the status quo. The business case for increasing leaders' diversity of thought has never been more stark than in responding to the challenges of the pandemic, EU-Exit and climate change. Faster action is needed on diversity of thought if Scotland's business sector is to rise to the challenges ahead.

For Scotland's economy to thrive we need everyone to be able to play their part. Availability of resources and connections should no longer define who is able to start and get on in business. It is time to level the playing field and embrace diversity as a solution to problems rather than as a problem to overcome.



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Recommendations

Creating the conditions for diversity of thought will vary across the sector. It is clear from businesses that have increased diversity that **what gets measured gets done**. Measuring and monitoring data is an important step, whilst developing specific strategies to increase diversity will help make faster progress.

Measurable objectives are crucial to holding companies to account, and transparent reviews of this progress will ensure continued focus. Every leader must challenge themselves to take responsibility and drive forward change.

For some family and smaller businesses their geographic location, demographics of the local workforce and low staff turnover rates limit the ability of organisations to set targets through recruitment or staff development. However there is still significant potential for considering how organisations of any size challenge themselves to realise the benefits of diversity of thought.

Inclusive cultures should be prioritised in the workplace, and listening to colleagues on what this might look like is crucial. This should include reviewing workplace practises and reforming them where necessary. When recruiting, companies should question the language used for potential bias. Wider inclusive practices should include assessment of parental leave policies and opportunities for flexible working. Access and support to continue career development and learning is important for both inclusion and diversity of thought, particularly through mentoring or further education.

Public online campaigns such as #NoWrongPath and #GenerationEqual, along with mentoring schemes are helping change mindsets and the pipeline of leaders.

With 31% of the top 50 business leaders also holding positions as non-executive directors of other organisations, they are in a powerful position to influence their own and other organisations.

Every leader can challenge themselves with basic questions on assumptions and choices. Every leader can find out how people from different backgrounds experience their organisation and find out how their own organisation is measuring progress. Every leader involved in recruitment can champion diversity of thought throughout the selection process.

Scotland needs all of our current top leaders to actively champion diversity and proactively provide the opportunities to ensure faster progress. More equal societies have higher productivity. And high productivity allows more investment to create more equal societies.

Appendix: Summary Data Table

	Average of all business analysed	Top 50 businesses	Family businesses	Investment companies	Angel investors
Gender					
Male	90%	95%	93%	88%	80%
Female	10%	5%	7%	12%	20%
Ethnicity					
White British	88%	80%	96%	86%	96%
White International	11%	19%	4%	12%	2%
Asian British	1%	0%	0%	2%	2%
Asian International	<1%	1%	0%	0%	0%
School education					
State school (exc unknown)	37%	44%	42%	20%	43%
Fee paying (exc unknown)	63%	56%	58%	80%	57%
Not known	58%	54%	73%	58%	51%
First degree Institution					
Oxbridge	14%	18%	4%	19%	7%
Scottish Ancients	24%	8%	20%	35%	37%
Other Russell Group	12%	18%	12%	11%	5%
Other UK institution	27%	21%	24%	23%	44%
International	13%	23%	4%	11%	5%
Did not attend	10%	11%	36%	2%	2%
Not known (exc from above)	17%	21%	26%	4%	10%

	Average of all business analysed	Top 50 businesses	Family businesses	Investment companies	Angel investors
Undergraduate subject area					
Arts, Humanities and Social Sciences	56%	58%	62%	57%	48%
Science and Engineering	27%	33%	23%	24%	33%
Law	6%	6%	15%	18%	15%
Medicine and Veterinary Medicine	11%	2%	0%	0%	3%
Second degree institution					
Oxbridge	2%	0%	0%	0%	7%
Scottish Ancients	15%	4%	33%	22%	20%
Other Russell Group	15%	22%	17%	11%	7%
Other UK institution	35%	15%	33%	44%	60%
International	33%	59%	17%	22%	7%
Did not attend	69%	61%	87%	66%	64%
Not known					
Postgraduate subject area					
Arts, Humanities and Social Sciences	77%	88%	83%	88%	40%
Science and Engineering	17%	12%	0%	0%	53%
Law	6%	0%	17%	12%	7%
Medicine and Veterinary Medicine	0%	0%	0%	0%	0%
Decade of birth					
1980s	4%	1%	7%	2%	7%
1970s	18%	22%	16%	17%	16%
1960s	46%	46%	42%	48%	47%
1950s	25%	30%	22%	22%	24%
1940s	7%	1%	13%	9%	7%
1930s	<1%	0%	0%	2%	0%



For further information:

David Hume Institute

 www.davidhumeinstitute.com

 enquiries@davidhumeinstitute.com

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