



ANNUAL CONFERENCE

London 21.11.16

Innovation Survey 2016

As the UK develops its economic role outside of the EU, we need an ambitious commitment to innovation to ensure we have a competitive, globally-focused economy that delivers prosperity for all.

The good news from our innovation survey is that more companies are choosing to respond to the UK's decision to leave the EU by increasing innovation expenditure than those who are planning to hold back. We now need to ensure that businesses' ambitions can be translated into positive outcomes.

"7 in 10 firms are planning to increase or maintain innovation spending in light of Brexit"

Our survey reveals areas of strength for the UK's innovation ecosystem – especially universities and the R&D tax credit – but companies are more likely to say the UK is a follower rather than a leader when it comes to innovation support.

At present, CBI members rank the UK in only 10th position globally for its "innovation ecosystem".

Our under-investment in R&D has long acted as a drag on the economy. UK public and private spend on R&D is currently just 1.7 per cent of GDP, far short of international benchmarks.

In order to support businesses' ambitions to make the UK an innovation powerhouse, there are three key areas for government to focus at the Autumn Statement:

- **Set an ambitious target on R&D spend** – aiming for 3% of GDP by 2025. Innovate UK should be the government's first port-of-call and we'd like to see its budget double.
- **Develop a funding roadmap for those areas currently covered by EU money.**
- **Make good on the commitment to a modern industrial strategy.** Businesses and government must work together to ensure the most promising technologies are developed and adopted across our key sectors and in all regions.

The innovation survey was in the field from the 3rd – 31st October, 2016. Over 800 companies were surveyed.

Strategic partners

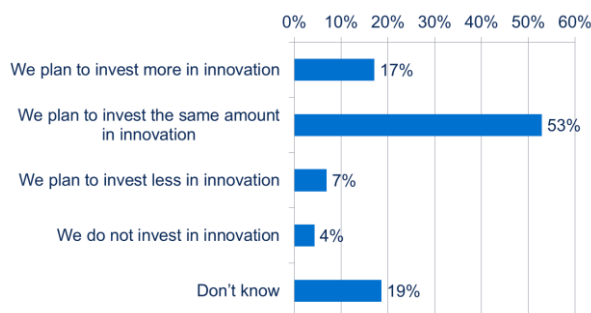
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More than twice as many companies plan to increase their innovation spend as those who plan to decrease it in light of Brexit

- 17% of companies plan to increase innovation expenditure in the UK in light of Brexit compared with just 7% who plan to invest less.
- For the most companies (53%) innovation plans will remain the same.
- The smaller the company, the less likely they are to be planning more innovation in light of Brexit. 14% of respondents with fewer than 50 employees say they plan to increase innovation in light of Brexit, compared with 19% of companies with over 1,000 employees.

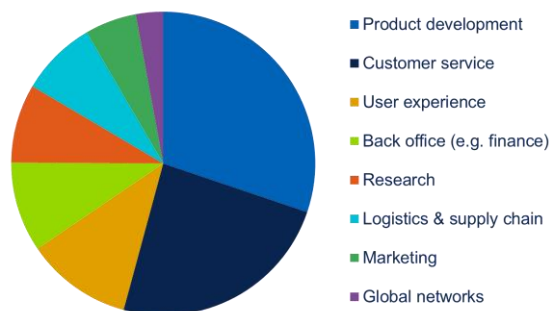
Exhibit A: The impact of Brexit on companies' innovation expenditure in the UK (% total respondents)



Businesses expect to benefit most from customer-focused innovation

- Businesses want to ensure their innovation delivers for their customers. New products (30%) and customer service (24%) top the list of areas which respondents thought could benefit most from innovation, with user-experience in third place (11%).
- In contrast, back office functions (10%), and areas such as logistics (8%) and marketing (5%) were seen as less likely to benefit from innovation.

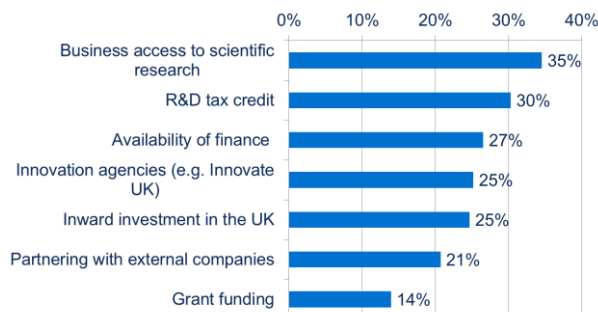
Exhibit B: The area of a business that would benefit most from innovation (% of respondents)



Companies think the UK innovation landscape lags behind international leaders

- The UK is not seen as a world leader when it comes to the overall landscape for innovation support. On average, companies ranked the UK in tenth position for its innovation ecosystem. There was little variation by size of company.
- Business access to scientific research and the R&D tax credit are the areas where businesses are most likely to rate the UK as world class.
- Companies were least likely to rate UK grant funding as world leading, reflecting low levels of funding for Innovate UK.

Exhibit C: Companies who rank the UK as world leading by area of innovation support (% total respondents)

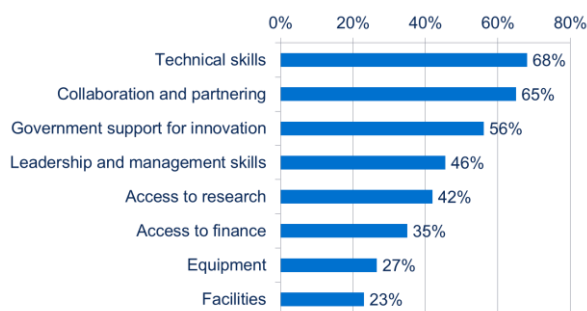


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Access to technical skills and collaboration top companies' list as areas for improvement

- Whether it's the skills of a company's workforce or the skills of their external partners, businesses say access to expertise is critical to increasing their ability to innovate.
- While these priorities are consistent across size of business, larger companies are more likely to want increased opportunities for collaboration, while smaller companies say that increased access to expertise within their own business would have the bigger impact.
- Increased government support for innovation comes third in companies' list of priorities, reflecting concerns over low levels of grant funding compared with international competitors.

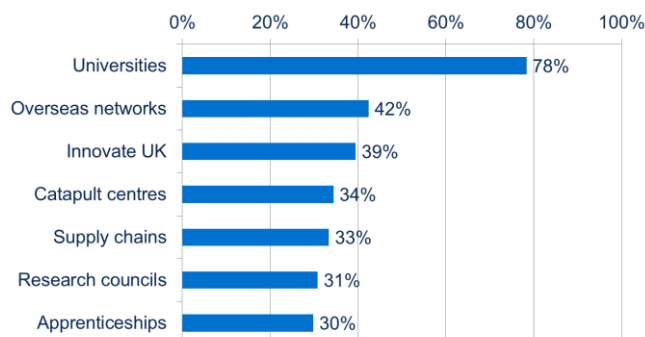
Exhibit D: Areas where increased access would help companies to innovate (% total respondents)



Universities play a vital role in the innovation ecosystem

- Reflecting companies' needs for expertise and collaborative partners, eight in ten businesses rank universities as important for the UK's innovation landscape, well ahead of other institutions.
- Highlighting the value of international collaboration, overseas networks were rated as important by four in ten companies.
- There is low awareness for some aspects of the innovation landscape. For example a fifth of companies said they had not heard of Innovate UK and a quarter of companies said that they were unaware of Catapult centres.
- Excluding companies who were not aware of these organisations, Innovate UK was ranked as important by 39% of companies while over a third of companies saw Catapult centres as important.

Exhibit E: Companies who rate UK innovation institutions as important (% of respondents, excluding not aware)



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