



Department
for Business
Innovation & Skills

BIS PERFORMANCE INDICATORS

Proportion of firms who are
innovation active

OCTOBER 2014

Proportion of firms who are innovation active

Why is this indicator important?

Innovation is the application of new knowledge to the production of goods and services. It is at the core of business productivity growth, and therefore at the core of economic growth overall. There is a large body of evidence to support this.

It is important to note that innovation comes in many forms and from many sources, from the development of a new technology to a refinement in product design or an improvement in a management process. Innovative businesses are vital to drive growth through the development of skills, financial commitment and corporate strategy-making through which knowledge is put to work.

How are we performing?

Table 1 shows the shares of businesses engaging in the main types of innovation. These show notable improvements on most of the innovation activities that businesses had engaged in throughout the reference period of 2010 to 2012. It is inevitable that economic conditions have an impact on the way businesses behave. In the last survey, the economic conditions were much more unfavourable and this had been reflected in the findings of the 2011 survey which had the reference period of 2008 to 2010.

Table 1: Enterprises engaging in innovation activity, by type of activity	2011 %	2013 %
Innovation active	37	44
Product innovator	19	18
Process innovator	10	10
Wider innovator	31	37
Abandoned innovation activities	4	4
Incomplete innovation activities*	7	14

* Partly reflects the change in wording of how 'innovation activities which were not yet complete' were defined in the questionnaire from 'incomplete' to 'still on-going at the end of 2012'.

An enterprise is defined as innovation active if during the 3 year period 2010 - 2012 it engaged in any of the following:

1. Introduction of a new or significantly improved product (good or service) or process
2. Engagement in innovation projects not yet complete or abandoned
3. New and significantly improved forms of organisation, business structures or practices and marketing concepts or strategies

44 per cent of firms were innovation active during the period 2010 - 2012. On comparison with the previous survey, this represents an increase of seven percentage points when 37 per cent of UK enterprises were innovation active during the period 2008 - 2010. This partly reflects the change in wording of how 'innovation activities which were not yet complete' were defined in the questionnaire from 'incomplete' to 'still on-going at the end of 2012'.

The share of firms with a product innovation was 18 per cent and the share of firms with a process innovation 10 per cent during the 3 year period 2010 - 2012. Both broadly unchanged compared with the previous period 2008 - 2010. Nearly half of product innovations and a quarter of process innovations were 'leading edge' or novel.

Two fifths (41 compared to 47 per cent in the last survey) of all firms that had some innovation activity (Innovation active and/or engaged in innovation related activities) cooperated on their innovation projects.

Further details are available in the BIS publication: [First findings from the UK Innovation Survey 2013](#)¹.

What will influence this indicator?

Innovation is not a simple phenomenon. Businesses do not innovate in a vacuum but depend on the wider institutional, regulatory and infrastructural framework (the 'innovation system') to create the conditions for innovation.

The proportion of innovative firms can be influenced by a large number of factors including the links between businesses and the science infrastructure (universities, research and development institutes), access to finance, access to appropriate skills (both in terms of research and technical skills and those of management and organisation), existing physical infrastructure (including high communication networks), Intellectual Property and competition frameworks etc.

What is BIS's role?

BIS provides funding for the research, through the Higher Education Funding Council and the Research Councils, and sets the strategic priorities framework within which the specific spending decisions are made. This framework, [Investing in world-class science and research](#)²,

¹ <https://www.gov.uk/government/collections/community-innovation-survey>

² <https://www.gov.uk/government/publications/allocation-of-science-and-research-funding-2011-12-to-2014-15>

is intended to protect national capability and international competitiveness and to maximise the economic and social benefits of research, it thereby provides a foundation on which innovation can be built.

BIS also influences the wider innovation system by promoting linkages and knowledge transfers between the research base and businesses, for example, through the creation of Technology and Innovation Centres, and through the intellectual property system, which has recently been independently reviewed to ensure that it supports growth and innovation.

BIS promotes access to equity markets and venture capital for innovative businesses, for instance through the Enterprise Investment Scheme, the Enterprise Capital Funds and Venture Capital Trusts.

Indicator definition

Innovation is defined as a new or significantly improved product (good or service) introduced to the market or the introduction within an enterprise of a new or significantly improved process and includes those with ongoing and abandoned activities. It can also be new and significantly improved forms of organisation, business structures or practices and marketing concepts or strategies. Innovations are based on the results of new technological developments, new combinations of existing technology or the utilisation of other knowledge acquired by the enterprise. Innovations may be developed by the innovating enterprise or by another enterprise. However, purely selling innovations wholly produced and developed by other enterprises is not included as an innovation activity. Innovations should be new to the enterprise concerned.

For product innovations they do not necessarily have to be new to the market and for process innovations the enterprise does not necessarily have to be the first one to have introduced the process.

Methodology

This indicator is based on results from the UK Innovation Survey. The UK Innovation Survey is funded by the Department for Business, Innovation & Skills (BIS). The survey was conducted on behalf of BIS by the Office for National Statistics (ONS).

The UK Innovation Survey is part of a wider Community Innovation Survey (CIS) covering European countries. The survey is based on a core questionnaire developed by the European Commission (Eurostat) and Member States. This is the Eighth iteration of the survey (CIS 8). CIS7, covering the period 2008 to 2010, was carried out in 2011; CIS6, covering the period 2006 to 2008, was carried out in 2009; CIS5, covering the period 2004 to 2006, was carried out in 2007; and CIS 4, covering the period 2000 to 2004, was carried out in 2005.

The UK Innovation Survey 2013 sampled 28 thousand UK enterprises and data were collected through postal questionnaires and telephone interviews, and achieved 14,487 responses.

Full details on the Innovation survey, the questionnaire used, and further details on methodology can be found on the [BIS community innovation survey webpages](#)¹

Who are our partners?

There are a large number of partners in the innovation infrastructure. It includes universities and institutions supporting public goods information such as the British Standards Institute, The UK Accreditation service, the National Measurement Office and the National Measurement Institutes, the Design Council etc. Key BIS partners are:

HEFCE

RCUK

Innovate UK

IPO

NESTA

Related indicators

[Expenditure on Research and Development performed in Higher Education](#)³

[The UK share of highly cited papers](#)³

Status

Last updated: 20 October 2014

³ <https://www.gov.uk/government/publications/bis-performance-indicators-knowledge-and-innovation>

© Crown copyright 2014

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. Visit www.nationalarchives.gov.uk/doc/open-government-licence, write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

This publication available from www.gov.uk/bis

Any enquiries regarding this publication should be sent to:

Department for Business, Innovation and Skills
1 Victoria Street
London SW1H 0ET
Tel: 020 7215 5000

If you require this publication in an alternative format, email enquiries@bis.gsi.gov.uk, or call 020 7215 5000.