

# INNOVATION INVESTMENT:

## Key findings summary for policymakers

Business innovation, from cutting-edge R&D to the adoption of new technologies across the economy, is core to driving up productivity and economic growth.

The CBI has brought together business insights from over 400 businesses across sizes, sectors, and levels of innovation intensity, on how and why they invest in innovation, and the barriers they face to investing more in the UK.



47%

**of businesses believe they are investing optimally in innovation.** So there is a huge opportunity for business and government to work together to unlock greater innovation investment in the UK.

**Over half of businesses said the UK is a less competitive site for innovation investment** now than it was three years ago.



56%

Innovation is inherently risky. But many innovators told us that their **greatest risk is not early stage R&D or technological development**, but the slow pace of taking innovations through to market in the UK.

## Policy shifts to unlock innovation investment for growth

### 1. Make innovation for growth a whole-of-government responsibility

Innovation investment decisions are shaped by policy far beyond DSIT or DBT: from tax to planning, to skills or public procurement. In many areas, the direction of travel from government is positive. But increasing costs of doing business are squeezing funds available for investment and impacting UK competitiveness. A joined-up, whole-of-government approach will build confidence that the UK is serious about innovation and growth.

High taxation, National Insurance Contributions, etc. [are] restricting funds available for R&D investment.

**Survey respondent**



### 2. Shift gear from strategy to delivery, fast

Businesses value the government's innovation strategies and policies, but friction in the system is pulling against intent. HMRC delays undermine the value of R&D tax credits. Innovate UK's processes remain administratively burdensome. And regulatory reviews lag behind international competitors'. The government should be laser-focused on improving delivery of committed policy to ensure the benefits of good strategy are delivered on the ground.

Applications require a lot of work and effort, but feel like they waste the resources of so many start-ups like us, diverting their attention and resources away from customers, innovation, and core business development.

**Taha Ouertani, Co-founder and CEO, MindBay Technologies, mental health digital solutions**



### 3. Build the UK's market for innovation

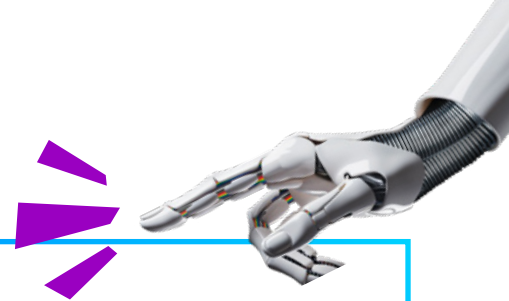
Market demand is the single biggest driver of business innovation investment. But UK public procurement too often fails to scale promising technologies. And private-sector adoption, especially among SMEs, lags behind international competitors'. Expanding the market pull for innovation in the UK will ensure new technologies can be developed and deployed here.

76% innovators said that market demand has a significant impact on where they invest in innovation, the highest of all factors listed.

We are a medical device start-up with a revolutionary, economic, scalable, approved, regulated product for complex neurodevelopmental disorders. Our technical risk is zero, but our UK commercial risk is huge because there is only one customer, the NHS, whose procurement processes are unknown, by everyone!

**Survey respondent**





## AI and innovation

- 27% of businesses said that more widespread availability of AI has already increased their overall innovation investment.
- There is a clear difference between large and small businesses: two-thirds of large businesses (250+ employees) believe AI will boost their investment in innovation over the next three years, compared to less than 40% of small businesses.
- Adoption of AI is risky and challenging, especially for small businesses. Many cannot see clear examples of ROI from comparator businesses, meaning they are having to increase their risk appetite and adjust their approaches to innovation investment.
- Barriers to the effective adoption of AI across businesses include: access to finance, skills and expertise, and getting the underpinning data management systems right.
- Government could increase its support for business technology adoption: a small shift in innovation policy would have a significant impact on productivity growth in the UK, as well as improving the UK market for tech innovators.



It's easy to deliver the product. The difficult bit is actually making sure that the systems and new ways of working are actually adopted in the business day-to-day. That's why we're very focused on developing our learning and development activity to really help people on the journey.

**Steve Cresswell, EMEA COO and CFO, Avison Young**



[Read the full report and recommendations.](#)

And find suggested AI prompts to tailor insights for you.

