

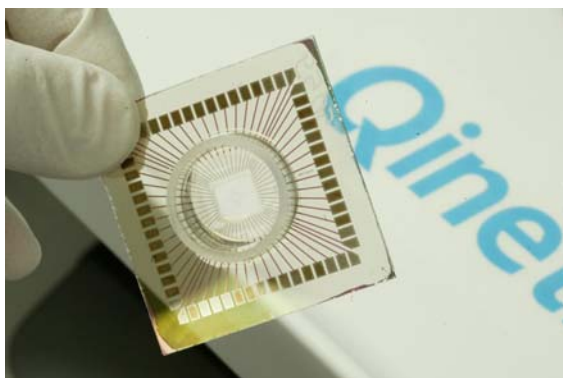
**MORI**



# **INNOVATION SURVEY 2005**

## **EXECUTIVE SUMMARY**

### **RESEARCH STUDY CONDUCTED FOR THE CBI/QINETIQ**



**November 2005**

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# Introduction

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This report presents the findings of a survey among CBI members. The research was conducted by MORI (Market & Opinion Research International) on behalf of the CBI (Confederation of British Industry) and QinetiQ.

## METHODOLOGY

1,400 CBI members were contacted by letter on 18 August 2005 and asked to participate in this survey; 196 indicated their willingness to take part and were approached by MORI. Two respondent types were targeted – CBI member companies and CBI University members. 173 interviews were achieved (88% success rate), 162 from the ‘Main/Business’ sample (where job titles range from Chairman to CEO to Director to Group Head); 11 from the ‘University’ sample (where job titles range from Vice Chancellor to Director of Research).<sup>1</sup>

Interviews were conducted by telephone, using CATI (Computer Assisted Telephone Interviewing) between 12<sup>th</sup> September and 7<sup>th</sup> October 2005.

## REPORTING

In the graphs and tables, the figures quoted are percentages. The size of the sample base from which the percentage is derived is indicated. Note that the base may vary – the percentage is not always based on the total sample. Caution is advised when comparing responses between small sample sizes.

As a rough guide, please note that the percentage figures for the various sub-samples or groups generally need to differ by a certain number of percentage points for the difference to be statistically significant. This number will depend on the size of the sub-group sample and the % finding itself - as noted in the appendix.

Where percentages do not add up to 100% this can be due to a variety of factors – such as the exclusion of ‘Don’t know’ or ‘Other’ responses, multiple responses or computer rounding.

## PUBLICATION OF DATA

Our standard Terms and Conditions apply to this, as to all studies we carry out. Compliance with the MRS Code of Conduct and our clearing of any copy or data for publication, web-siting or press release which contains any data derived from MORI research is necessary. This is to protect our client’s reputation and integrity as much as our own. We recognise that it is in no one’s best interests to have survey findings published which could be misinterpreted, or could appear to be inaccurately, or misleadingly, presented.

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<sup>1</sup> Due to the small base size the results from this survey are not contained in this report

## STATISTICAL RELIABILITY

Because a sample, rather than the entire population, was interviewed the percentage results are subject to sampling tolerances – which vary with the size of the sample and the percentage figure concerned. For example, for a question where 50% of the people in a sample of 162 respond with a particular answer, the chances are 95 in 100 that this result would not vary more than eight percentage points, plus or minus, from the result that would have been obtained from a census of the entire population (using the same procedures). The tolerances that may apply in this report are given in the table below.

<b>Approximate sampling tolerances applicable to percentages at or near these levels (at the 95% confidence level)</b>			
	<b>10% or 90%</b>	<b>30% or 70%</b>	<b>50%</b>
162 Main/Business sample	5	7	8
<i>Source: MORI</i>			

Tolerances are also involved in the comparison of results between different elements of the sample. A difference must be of at least a certain size to be statistically significant. The following table is a guide to the sampling tolerances applicable to comparisons between sub-groups.

<b>Differences required for significance at the 95% confidence level at or near these percentages</b>			
<b><i>Based on MAIN sample (162)</i></b>	<b>10% or 90%</b>	<b>30% or 70%</b>	<b>50%</b>
82 vs 54 <i>(UK Employees – ‘Up to 499’ vs ‘500-4,999’)</i>	10	16	17
<i>Source: MORI</i>			

# Summary of Findings

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## **INNOVATION IS CRITICAL TO CORPORATE SUCCESS**

Innovation is at the heart of business competitiveness. The successful exploitation of new ideas, whether it results in new products and services or new business processes, can give companies the competitive edge they are seeking. This is critical if they are to survive the challenges and seize the opportunities that today's global market presents.

Not surprisingly, the vast majority of companies (93%) rate innovation as important when it comes to business success. This is true for all sizes of company, but even more so for the larger companies, those with a turnover of over £500m or 5000 UK employees.

Interestingly, almost all innovation is funded internally, through profits (94%). Other sources such as government initiatives and grants were cited by only 25%, innovation partners by 17%, and banks by 17%. Comments made on the ease of access to external finance reinforce this finding as 50% of firms said that they found it 'fairly hard' or 'very hard' to access finance. The main problems cited, particularly by smaller firms, were complexity and bureaucracy. These findings are very significant because any additional tax burden that squeezes profits reduces the ability of companies to finance innovation work.

## **BUSINESS SPENDS 12% OF TURNOVER ON INNOVATION**

The average proportion of turnover a company typically spends on innovation activity each year is just over 12%. Looking at the range of companies taking part, that would convert into the following average cash spends:

- Small companies (turnover of up to £10m) – £432,000
- Medium-sized companies (turnover of £10m-£500m) – £18m
- Large companies (turnover of £500m+) – £352m

The DTI's R&D scoreboard of the top 750 UK companies equates R&D investment spend to approximately 2% of sales on R&D, that is around £17 billion. This survey suggests that companies are actually spending in the region of six times that amount on innovation related activities.

On average, companies spend more on external innovation - the development of new products and services – than on more inward looking projects involving new processes and business models. Forty-one percent report that they focus primarily on external innovation, 20% primarily on internal innovation and 38% equally on both.

Just over half of the companies who took part in the survey (56%) said that they intend to increase their innovation spend in the next 12 months, while 39% said that they expected their spending to remain the same.

## **DEVELOPING AN INNOVATION CULTURE**

Fifty-six percent of companies have said that the single most important source of ideas for innovation is from within the company. A significantly higher proportion of companies now report that they specifically train managers to identify and develop new ideas (67% now compared with 38% in the 2001 study). There also seems to have been a step-change in the proportion of companies that monitor and learn from the failure rates on innovation projects (79% now compared with 38% in the 2001 study). The use of strategic market assessments to spot opportunities is also on the increase and 68% of respondents now undertake these.

When asked who took responsibility for company innovation, responses ranged from the Board and senior managers (3%) to specific departments. Those departments mentioned most frequently were R&D, Technology and Engineering (36%) and Marketing/Sales (24%).

## **COMPANIES SELDOM INNOVATE ON THEIR OWN**

Increasingly, companies recognise that successful collaboration can enhance their innovation activity through access to additional knowledge, specialist skills and fresh thinking. Ninety-eight percent of firms are now collaborating with external organisations, compared with 75% in 2001. Eighty-five percent do so with other companies which are part of their supply chain, while around three quarters work with either universities (77%) and/or consultants (75%). Sixty-seven percent work with companies unconnected to the supply chain, while only 40% work with government research institutes.

## **SUPPLY CHAIN MANAGEMENT HAS WORKED BEST**

Collaboration may be commonplace but is not always successful. For just under half of companies (48%), the most successful collaboration work has been done with other companies which are part of the supply chain, and the net score between those citing this area of collaboration as most successful and least successful was +39%. The least successful collaboration activity, with 28% of respondents citing them, was with universities (28%) and with government research institutes (28%), and the net scores were -13% and -21% respectively.

When asked to assess the role of UK universities and academics in innovation, opinion is mixed. For example, 60% agree that university spin-outs are an effective means of taking new ideas to market, while just over half agree that universities are a good source of training for business (53%), and half either strongly or tend to agree that UK universities offer useful consultancy advice. Less positively, nearly three-quarters (74%) disagree that academics understand business needs.

In a separate complementary survey, University respondents acknowledge that they do not fully understand the needs of business, but do view business as important customers and agree that they need to strengthen their links with business for mutual benefit.

## **UNDERSTANDING THE MARKET IS MORE IMPORTANT THAN PURE RESEARCH**

When asked to assess the importance of ten factors focused on adding value to the innovation in their company, eight factors were given a rating of 6<sup>4</sup> or above. Only 'access to pure research' (4.4) and 'access to applied research' (5.9) were awarded 'medium' importance scores. Those seen as most critical are 'understanding the market – having the right innovation at the right time' (8.8) and 'having a workforce that is able to identify, develop and adopt new ideas' (8.5).

Fifty-six percent agree that 'innovation is always market-driven'.

What is particularly interesting is company perceptions of R&D, with only 41% agreeing that 'investment in R&D is the best indicator of innovation activity' (50% of the sample were manufacturers and 35% service sector). Similarly, only 20% agree that all innovation is dependent on technology developments. Even when technology is an important factor, the value of social sciences in the context of innovation still achieved a rating of 52%.

Service sector innovation has always been more difficult to pin down, product innovation is so much easier to identify, but it is clear that 59% of service sector companies believe that social sciences are core to innovation in their sector. It may also have a major role for industrial sectors as information about demographics and social models could make new technological developments more acceptable and improve targeting and market penetration.

## **INNOVATION SEEN AS A SUCCESS STORY**

When judging the success of their innovation work, a third of companies say that they use their sales achieved figures to measure their accomplishments, while just over a quarter (27%) use their profitability/turnover data as a means of tracking their success.

The majority describe their innovation activity as successful – 84% overall, with one in three stating that their innovation work has been very successful.

Factors that have apparently compromised their level of innovation success are 'time pressures' (15%), various skills and technical issues (30%), market factors (20%) and costs (19%).

When asked to compare themselves to overseas competitors, almost two in five feel that they have an advantage when conducting innovation work, compared to 17% who feel that their company is at a disadvantage.

## **GOVERNMENT INVOLVEMENT IN INNOVATION**

Government is an important influence on business innovation through its role as a major purchaser of goods and services and through its legislative policies and business support initiatives.

### **GOVERNMENT PROCUREMENT**

Government purchasing power is very significant and currently amounts to £125 billion per year. To put this in perspective, the current total UK business spends on R&D is around £17bn a year.

The impact of government procurement is therefore critical. When assessing the impact of government procurement on business innovation, a large number of companies believe that current practices hinder the business innovation process.

- 69% – agree that government procurement skills are a major problem
- 79% – disagree that government supports innovation by acting as an early adopter of new ideas.
- 70% – do not believe government procurement processes foster innovation

An overall balance of -71% say that early adoption of new ideas is the area where greatest improvement could be made to support innovation.

The point at which government involves business in the procurement process is another area to address. Companies believe that this is the time when alternative solutions could be put forward. Sixty-two percent of companies disagree that government involves them at this procurement stage. The survey also highlights the difficulty government has defining the problem and the solution to be delivered through procurement. Sixty-four percent of companies disagree that government addresses these issues.

The overall impression of companies is that government fails to foster innovation through its procurement practices and does not maximise long-term value from its investments.

The top three departments that businesses most regularly work with are the MOD, Department of Health and the DTI. Slightly more companies work with local government (51%) than central government (42%).

## **ROLE OF RDAs**

Innovation is seen as important when it comes to raising regional economic performance.

If RDAs are to be the focus of facilitating business innovation in the regions, the survey suggests that much needs to be done.

Of the eight factors assessed when focusing on the effectiveness of RDAs only two are awarded higher effective than ineffective ratings. Around half agree that RDAs either attract private sector investment into the area (51%) or help business to

business networking (50%). The highest ineffective ratings are recorded when assessing the help that RDAs give companies to get better at selling their ideas to potential backers (53% not very/not at all effective), and the help that RDAs provided to companies in terms of links or advice to get the right technologies into their business (also 53% - not very/not at all effective). Forty-seven percent believe the RDAs are not very effective at co-operating with each other to meet the needs of business.

## **CBI OBSERVATIONS AND RECOMMENDATIONS**

Government continues to express strong high-level support for business innovation but virtually all of its efforts to date have been focused on the R&D technology end of the spectrum.

Little effort has been targeted towards the service sector, 70% of the economy. As it seems that more and more manufacturers are also placing more emphasis on the service elements of their businesses this needs to change.

A failure to address the needs and aspirations of the service sector and how innovation applies to them is a massive missed opportunity and if seized could help the UK realise its full innovation potential.

On the basis of this survey, the following recommendations have been made to government.

- Support and other initiatives aimed at stimulating innovation must better reflect the composition of the economy and recognise the needs of all sectors. It is also important to continue to invest in R&D technology for those sectors that depend on it.
- The quality of regulatory assessment must be driven up to ensure that the potential for innovation is not damaged.
- Action should be taken to equip central and local government to become early adopters of innovation. Public procurement needs to improve as a matter of urgency.
- Collaborative activity should be promoted and encouraged across a broad range of organisations. The role played by government research institutes needs to be reviewed.
- Innovation funding needs to be more clearly focused. This should include further improvement in the administration of the R&D tax credit and the possible widening of the credit to cover other elements of innovation work.



# Appendices

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## Innovation Survey Final Main Topline

- Topline results are based on unweighted data
- Interviews were conducted over the telephone between 12<sup>th</sup> September and 7<sup>th</sup> October 2005. This topline is based on 162 interviews with (non university) CBI members<sup>2</sup>
- All figures quoted are percentages, unless otherwise stated. An asterisk (\*) indicates a percentage of less than 0.5% but greater than zero. Where percentages do not add up to 100 this may be due to computer rounding, multiple responses or the exclusion of don't know categories
- All total figures are based on the whole sample unless otherwise stated

### SECTION 1: HOW INNOVATION WORKS IN THE COMPANY NOW

- Q1. **Thinking of this distinction in terms of your company, would you say that innovation is focussed more on NEW PRODUCTS AND SERVICES or more on internal PROCESSES AND MODELS, or are the two types equally prominent?**

	%
Strong focus on new products/services	41
Equal balance	38
Strong focus on <u>new processes and models</u>	20
Don't know	0

- Q2. **On a scale of 1 to 10, how important do you feel innovation is to your company's success, where 1 would be completely irrelevant and 10 is vitally important?**

	%
Completely irrelevant 1.	0
2.	0
3.	1
4.	1
5.	4
6.	2
7.	12
8.	25
9.	13
Vitally important 10.	42

<sup>2</sup> A shorter version of this questionnaire was used with 'University' CBI members – 11 interviews were achieved, over the telephone, during the same fieldwork period. The results from that group are shown separately

Q3 Which of the following is the **MOST IMPORTANT** source of ideas for innovation in your company?

	Most important %
From WITHIN the company?	56
From your CUSTOMERS?	20
From your COMPETITORS?	4
From OTHER external sources?	13
DON'T KNOW	8

Q4. Which department or unit takes **GREATEST** responsibility for innovation in your company?

	%
R&D, Technology, Engineering	36
Marketing/sales	24
All/across the board	11
Design	6
Management	4
Operations	3
Procurement	2
The board	2
Senior management	1
CEO/Chief executive officer	1
Other	9
Don't know	0

Q5a Roughly what proportion of turnover does your company typically spend on innovation activities each year?

	%
0	1
1-5	40
6-10	20
11-20	6
21-30	2
31-40	1
41-50	0
51-100	4
Don't know	27
	<i>12.28 mean</i>

Q5b Still thinking in terms of proportion of turnover, how is this broken down for:

	A. developing new products & services etc	B. developing new processes etc
(Base: All who able to estimate proportion, 119)	%	%
0	9	18
1-5	57	68
6-10	18	8
11-20	6	2
21-30	0	2
31-40	2	0
41-50	0	0
51-100	6	0
Don't know	2	3
	<i>9.74 mean</i>	<i>2.78 mean</i>

Q5c ...and do you plan to increase or decrease this spending on innovation in the next 12 months?

	(Base: All able to estimate proportion)	Increase	Stay the same	Decrease	Don't know
Total	(119) %	56	39	3	1
On developing new products & services etc	(117) %	56	38	2	4
On developing new processes etc	(116) %	43	47	5	4

Q6a What sources of funds do you use for your innovation activities. Is it . . . ?

Q6b Which of these is most important?

	Q6a		Q6b
	Yes	No	Most important (Base: TOTAL)
	%	%	%
Profits, funds generated internally	94	6	87
From innovation partners	17	83	2
New equity or stock issue	7	93	3
Bank finance	17	83	2
Government initiatives and grants	25	75	3
Venture capital	6	94	2
Other	5	95	1
Don't know	1	100	1

Q6c On a scale of 1-4, where 1 is extremely easy and 4 is extremely hard, how easy or hard is it to access external finance for innovation?

	%
Very easy	4
Fairly easy	15
Fairly hard	27
Very hard	23
Don't know	31

Q6d Why do you say that? (EASY)

(Base: All saying 'easy', 31)

	%
Easy to raise funds/Regularly raise funds	39
Company has a strong balance sheet	16
Too much bureaucracy involved	10
If you can show an innovative idea you'll get the support	10
Good relationship/Standing with our bank	10
We have a good track record/Reputation in business	10
Generally put up our own	6
Time consuming/takes too long	3
Availability of funds	3
Need to show a return	3
Information is accessible	3
Other	6

Q6d **Why do you say that? (HARD)**

(Base: All saying 'hard', 81)

	%
Difficult/complex to access funding	17
Too much bureaucracy involved	16
Because of stricter criteria	15
Hard to get funding due to the industry we are in	14
Time consuming/takes too long	12
Lack of knowledge/Knowing how to get it	11
Availability of funds	10
Lack of understanding	5
There is a lot of competition	5
Too high risk	5
Too much effort/Cost to get small amounts of money	4
Company too large	4
Too many restrictions	4
Generally put up our own	2
Need to show a return	2
Have to give a guarantee	2
If you can show an innovative idea you'll get the support	1
Information is accessible	1
Other	10

**Q7 I'm going to read out some statements which other companies have made about the way they manage innovation. Please tell me, for each one, how strongly you agree or disagree with it in terms of how your own company operates.**

		Strongly agree	Tend to agree	Neither agree nor disagree	Tend to disagree	Strongly disagree	No opinion
We monitor and learn from failure rates on our innovation projects	%	38	41	7	12	2	0
We have a formal process to generate and nurture new ideas	%	37	27	15	19	2	1
We use strategic market assessments to spot opportunities for innovation	%	35	33	11	14	5	1
We actively reward employees for seeking novel solutions	%	29	35	8	21	6	2
We train managers to identify and develop new ideas	%	31	36	16	12	4	0
We offer employees time and/or other resources to develop their own ideas	%	22	38	10	22	7	1
We involve customers and suppliers in our innovation work	%	47	37	6	9	2	0

## SECTION 2: SUCCESS OF INNOVATION

Q8 What measures or targets do you use to judge the success of your innovation work?

	%
Sales achieved	33
Profitability/Turnover	27
Return on investment	16
Customer satisfaction	15
Performance/Measuring methods	14
Productivity/New products	12
Financial	11
Other	9
Cost savings/Reduction	5
Growth/Development	4
Successful take up of ideas	4
Success of clients/Client feedback	4
Efficiency gains/improvements	4
Retention	3
Market share	3
Market penetration	2
Time	2
Value	2
None/Nothing/Don't have any	2
Economic advantage	1
Publicity/Press coverage	1
Increased profile/Good track record	1
Don't know	1
None	1

Q9 Would you describe your innovation activity as . . . ?

	%
Very successful	30
Fairly successful	64
Not very successful, or	4
Not at all successful	1
Don't know	1

Q10 What, if any, factors have compromised the level of success with your innovation activity?

	%
<b>No problems</b>	<b>10</b>
<b>Costs</b>	<b>19</b>
Prohibitive	2
Overran	2
Insufficient internal funding	12
Insufficient external funding	7
<b>Market</b>	<b>20</b>
Market did not take up innovation	12
We took too long	3
Wrong area of market	6
<b>Skills &amp; technical issues</b>	<b>30</b>
Technical problems	6
Managerial skills	6
Work force skills	13
Resistance from workforce	9
<b>Other</b>	<b>49</b>
Problems with suppliers, consultants, universities	2
Time pressures	15
Short term targets/goals	5
Strong regulatory environment	6
Competing market	2
Lack of focus	2
Insufficient understanding of customer needs/requirements	4
Not organised	1
Too many limitations/Constraints	2
Economic cycle	1
Justifying funding>Returns	1
Cultural	3
Expansion to global market	1
General complexity/Awareness of the market	2
Limited to the amount of innovation due to the industry we are in	2
Standardisation issues	2
Other	10
Don't know	1

Q11 I'm going to read out some general statements. Please tell me, for each one, how strongly you agree or disagree with it ...

		Strongly agree	Tend to agree	Neither agree nor dis-agree	Tend to disagree	Strongly disagree	No opinion
Innovation is always market driven	%	20	36	6	28	8	1
All innovation is dependent on technology developments	%	7	13	7	45	28	0
The only way for start-ups to grow in the UK is to be acquired	%	2	12	10	35	37	3
Design accounts for more innovation success than science and technology	%	9	29	27	21	8	6
Social sciences are as important to innovation as the other sciences and technology	%	17	35	11	27	4	6
Investment in R&D is the best indicator of innovation activity	%	12	29	10	32	17	0

Government is investing considerable monies in the science base. This next set of questions will explore your experiences of collaborating with a range of organisations.

**SECTION 3: COLLABORATION IN INNOVATION**

Q12a In your innovation work, do you ever collaborate with external specialists – individuals or organisations – with expertise in technology, R&D, creativity, design or innovation. Do you ever ...?

Q12b Which of those categories you have worked with has proved to be most successful?

Q12c Which has been least successful?

Q12d And would you say such collaboration, for your company, is increasing, decreasing, or remaining at about the same level?

	Q12a		Q12b	Q12c		Q12d			
	Yes	No	Most <i>(Base: TOTAL) %</i>	Least <i>(Base: TOTAL) %</i>		Increas- ing	Decreas- ing	Same level	D/k
... work with universities? %	77	23	15 <i>(Base: TOTAL) %</i>	28 <i>(Base: TOTAL) %</i>	(124) % <i>(Base: all working with each)</i>	46	11	42	1
... work with other companies which are part of the supply chain? %	85	15	48	9	(138) %	64	3	33	1
... work with other companies which are <u>not</u> part of the supply chain? %	67	33	17	18	(109) %	38	16	45	2
... work with consultants? %	75	25	17	21	(121) %	29	25	45	2
... work with government research institutes %	40	60	7	28	(64) %	22	25	48	5

**Q13 What are your main reasons for collaborating with other organisations or individuals?**

	%
To access further knowledge, specialist skills and ideas	78
To access their technology	17
To reduce costs	8
To share risks	6
Because we don't have the necessary experience of taking innovations to market	6
Their track record of successful innovation	4
To improve/speed up the implementation process	4
Mutual interest	3
To access funding that would have been unavailable without them	2
Increasing the efficiency of the supply chain	2
To improve customer services	2
Response to request from an innovative partner	1
Challenge/Provide a different perspective	1
Because we've failed when we've tried to do it on our own	0
Other	10
Don't know	0

**SECTION 4: GOVERNMENT INFLUENCE**

**This next short section looks at government's influence on business innovation.**

**Q14 Do the following help or hinder your innovation activity?**

		<b>Help</b>	<b>Hinder</b>	<b>Neutral</b>
Macroeconomic Stability	%	64	6	31
Employment Legislation	%	9	51	41
Environmental Legislation	%	38	22	40
Health & Safety Legislation	%	26	23	51
Business Tax	%	10	45	44
Planning Policy	%	8	36	56
Procurement Practices	%	16	36	48
Transport Policy	%	14	34	52
Education & Skills Policy	%	32	31	36
Intellectual Property Policy	%	28	10	61
Corporate Governance Policy	%	17	26	57

Q15a **Focusing on PROCUREMENT, is your company currently a supplier – or have you tendered to supply – to central or local or regional government?**

	%
Yes, central government	7
Yes, local government	16
Yes, both central and local government	35
No, none of these	40
Don't know	2

Q15b **Which departments do you work with?**

IF MORE THAN ONE MENTIONED

Q15c **And which department do you work with MOST REGULARLY?**

	<b>Q15b</b> <i>(Base: All working with central government, 68)</i>	<b>Q15c</b> <b>Most Regularly</b> <i>(Base: TOTAL)</i>
	%	%
Ministry of Defence (MoD)	50	15
Department of Health (DH)	46	15
Department for Education and Skills (DfES)	38	10
Department for Environment, Food and Rural Affairs (Defra)	31	7
Department for Transport (DfT)	29	4
Department of Trade and Industry (DTI)	29	12
Home Office	29	6
Office of the Deputy Prime Minister (ODPM)	28	3
Department for Work and Pensions (DWP)	21	9
Department for Culture, Media and Sport (DCMS)	13	0
Department for Constitutional Affairs	12	1
Revenue and Customs (HMRC)	12	3
Department for International Development (DfID)	10	1
Other	32	7
Don't know	2	2

**Q16 I'm going to read out some statements about the impact of government procurement on business innovation. Please tell me, for each one, how strongly you agree or disagree with it.**

	<i>(Base: All working with govt.)</i> (94)%	Strongly agree	Tend to agree	Neither	Tend to disagree	Strongly disagree	Don't know
Current Government procurement processes foster innovation	(94)%	2	14	10	38	32	4
Current processes allow government to maximise long term value from their investment	(94)%	1	12	16	36	23	12
Government tightly defines the problem and the solution	(94)%	1	16	14	43	21	5
Government engages us in defining the problem and developing novel solutions	(94)%	1	18	14	35	27	5
Previous procurement problems have made Government more risk averse	(94)%	26	41	9	11	3	11
Government supports innovation by acting as an early adopter of new ideas	(94)%	2	6	10	46	33	3
Government procurement skills are a major problem	(94)%	28	41	16	10	2	3
Current procurement processes pose threats to our intellectual property	(94)%	14	19	20	31	9	7

**Q17 In which areas do you think government needs to IMPROVE its support for innovation? Please use a 1-10 scale, where 1 means no need to consider improvement at all, and 10 means vitally important to improve.**

READ OUT AND ENTER 1-10 SCORE FOR EACH. ROTATE STATEMENTS

		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>D/k</b>	<i>Mean</i>
Increase the level of the R&D tax credit	%	1	1	4	1	12	7	10	28	7	24	4	7.56
Widen the R&D tax credit to cover more aspects of innovation work	%	1	1	3	1	9	5	15	20	9	33	3	7.90
Gearing the education system to produce more and better science and technology technicians and graduates	%	1	1	0	1	6	5	18	21	9	36	1	8.19
Rebalance funding to take account of the specific innovation needs of different sectors	%	3	2	1	5	22	10	18	19	6	12	3	6.66
Ensuring the RDAs work more closely together to get best value from their efforts	%	2	4	7	6	14	7	16	18	6	16	5	6.68
Fund more applied R&D	%	4	1	2	3	15	11	20	21	6	14	3	6.85
Use its procurement more strategically to stimulate innovative companies	%	4	1	4	4	13	10	16	23	7	15	2	6.94
Provide more extensive advice and support on innovation	%	9	4	9	6	20	9	17	14	4	6	3	5.58
Help all sectors understand what makes the UK's most innovative companies successful	%	5	3	8	3	14	8	15	19	6	17	1	6.61

Q18 **Turning to Regional Development Agencies (RDAs), how effective do you rate those you have come into contact with, in terms of helping you improve your competitive advantage?**

		<b>Very effective</b>	<b>Fairly effective</b>	<b>Not very</b>	<b>Not at all effective</b>	<b>Don't know</b>
Facilitating access to appropriate finance	%	6	27	25	19	25
Helping companies get better at 'selling' their ideas to potential backers	%	0	20	33	20	27
Helping to link business and academia	%	5	34	29	14	18
Helping business to business networking	%	6	44	25	11	15
Providing companies with links or advice to get the right technologies into their business	%	2	26	33	20	18
Attracting private sector investment into the area	%	4	47	17	11	20
Helping with access to national or local government customers	%	1	22	33	18	26
Co-operating with other RDAs to meet the needs of business on a national basis	%	2	16	30	17	35

## SECTION 5: ROLE OF UNIVERSITIES

Q19 **These next few statements relate to the role of UK universities and academics in innovation for business. How strongly do you agree or disagree with each?**

		<b>Strongly agree</b>	<b>Tend to agree</b>	<b>Neither</b>	<b>Tend to disagree</b>	<b>Strongly disagree</b>	<b>No opinion</b>
Stronger links between your company and academia would boost your competitive advantage	%	20	43	11	18	7	1
UK University research is too 'blue sky' to be of use to business	%	4	32	7	41	12	4
UK Universities offer useful consultancy advice	%	9	41	11	28	5	5
Universities are a good source of training for businesses	%	14	39	17	25	5	1
University graduates have the relevant skills for innovation in business	%	1	30	23	35	7	2
Academics understand business needs	%	1	15	10	48	26	1
Universities see business as an important customer	%	13	47	10	25	4	1
University spin-outs are an effective means of taking new ideas to market	%	12	48	10	22	4	4

**SECTION 6: MOST IMPORTANT FACTORS UNDERPINNING INNOVATION**

**Q20** How important, from your standpoint, are these factors in adding value to the innovation in your company? Please use a 1-10 scale, where 1 means 'unimportant', and 10 means 'critical'.

		1	2	3	4	5	6	7	8	9	10	D/k	Mean
Access to applied research	%	6	7	5	7	18	10	19	17	5	6	0	5.88
Access to pure research	%	14	12	14	9	17	15	9	8	1	1	0	4.38
Access to expertise from companies/sectors that innovate successfully	%	1	2	7	2	13	19	20	22	6	7	1	6.59
Access to the right partners – getting the collaboration right	%	1	2	1	3	7	7	16	23	15	23	0	7.73
Access to appropriate funding	%	4	2	7	4	15	10	9	16	9	23	0	6.94
Ability to communicate importance of ideas to financial backers	%	7	4	6	0	14	10	10	20	7	21	1	6.71
Ability to identify the best potential innovation projects at the outset	%	2	0	1	1	8	8	20	22	12	25	1	7.76
Having a workforce that is able to identify, develop and adopt new ideas	%	1	1	0	0	2	3	15	28	11	38	0	8.47
Understanding the market – having the right innovation at the right time	%	1	0	0	0	1	2	10	25	16	45	1	8.83
Learning from overseas competitors	%	2	2	4	6	7	16	15	27	6	16	0	7.06

**Q21** Finally, to what extent do you feel that your company is at an advantage or disadvantage when conducting innovation work, compared to competitors overseas?

	%
Strong advantage	15
Some advantage	23
Neutral	37
Some disadvantage	11
Strong disadvantage	6
Don't know	7

## SECTION 7: CLASSIFICATION

Q22 Apart from the UK, how many countries do you operate in?

	%
None	23
1-5	27
6-10	8
11-300	38
Don't know	4
	<i>22.43 mean</i>

Q23 What were your global revenues in the most recent financial year?

	%
Under £1m	10
£1 and under £10m	16
£10m and under £100m	22
£100m and under £500m	14
£500m and under £1billion	9
£1b and under £5n	14
£5bn and over	9
Don't know	3
Refused	2

Q24 What is your primary industry sector classification? SINGLE CODE

	%
Manufacture of industrial goods	14
Other services	11
Technology/media/telecoms	10
Financial services/banking	9
Manufacture of consumer goods	8
Construction	7
Services/retailing	7
Transport and distribution	6
Utilities	4
Other manufacturing	4
Engineering	4
Manufacturing unspecified	2
Leisure/entertainment	2
Defence	2
Mining, minerals, natural resources	1
Dot-com/Internet	1
Other	3

Q25a **How many employees do you have in the UK?**  
 Q25b **And how many do you have in your global operations?**

	Q25a	Q25b (Base: All with global operation, 123)
	%	%
1-99	26	18
100-499	25	16
500-999	12	7
1,000-1,999	9	8
2,000-4,999	12	7
5,000-14,999	9	13
15,000-24,000	3	7
25,000-49,999	2	6
50,000+	1	14
Don't know	1	4

Q26 **What percentage of revenue/profit will come from the UK?**

	%
0-10%	10
11-20%	10
21-30%	7
31-40%	2
41-50%	2
51-60%	3
61-70%	4
71-80%	7
81-90%	8
91-100%	37
Refused	1
DK	7

Q27 **Where is your UK head office located?**

	%
London	22
South East (excluding London)	17
West Midlands	14
Northern Ireland	7
East Midlands	7
South West	7
Scotland	5
North West	5
Yorkshire and Humberside	5
North East	4
Wales	4
East Anglia	3
No HO in the UK	1

Q28 Finally, can I just check your job title please?

	%
Other director	28
CEO	16
Managing director	15
Chairman	4
CFO/FD	2
Senior partner	2
Vice president	2
Group chief executive	1
Technical director	1
Managing partner	1
Company secretary	1
Marketing manager	1
Other	26

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Q29 All of your responses are of course confidential. But would you be willing for your name and/or company to be included in a list of those who took part in this survey?

	%
<b>Name</b>	
Yes	92
No	8
<b>Company</b>	
Yes	93
No	7

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Q30 As part of our quality control procedure, we sometimes need to re-contact respondents to confirm that the study was carried out to MORI company standards. If needed, would this be acceptable?

	%
Yes	100
No	0

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# Extract from verbatim responses

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## **Q6d. Why do you say that access to external finance for innovation is hard?**

Bureaucracy, there is an extremely complex network of research organisations which is not terribly efficiently organized, immense duplication and not good management of innovation infrastructure

Bureaucracy/lack of understanding of business process innovation

The speed at which we need access to funds is too quick for external funds/takes too long

It is very difficult to find people to invest in innovation for new technologies. There is very little appetite for this, they are not interested in investing in what is perceived as high risk investment since the dot com city problems investments in services or sales is perceived as safer

In construction it is hard to access funding because innovation is less tangible than it is in for instance in manufacturing

Matching the technology to the market, the technology maybe ready however the market may not be. Matching the technology to the market where low cost is the main driver. This makes funding fairly hard from external sources

## **Q13. What are your main reasons for collaborating with other organisations or individuals?**

Faster implementation of innovation. Bringing it to the market quicker

One of the main reasons is to get alternative perspectives on projects. To improve team dynamics with external collaborators

To get a clear idea of what the customer wants

They can deliver services which we can't