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RESEARCH AND DEVELOPMENT

Community Innovation Survey – 2018-2020

## PANDEMIC FORCES ENTERPRISES INTO PROCESS INNOVATION

In the 2018-2020<sup>1</sup> triennium, expenditure-generating innovation activities expanded, having been reported in 48.0% of enterprises<sup>2</sup>, while in the previous triennium only 32.4% of enterprises had this type of activity. However, this expansion was mainly due to process innovation, observed in 42.7% of enterprises (28.0% in the previous triennium) since the percentage of enterprises in which product innovation was observed was limited to 22.3%, slightly below the percentage recorded in the previous triennium (23.0%). There is strong evidence that this increase in process innovation is largely associated with the impact of the COVID-19 pandemic, namely the implementation of remote working and the consequent investment in technology and equipment that made it possible, the adjustment of communication channels (including the implementation of online sales), and generally the adaptation of processes and procedures related to the adoption of remote working and non-face-to-face contact, to ensure business continuity.

It was among the enterprises with 250 or more persons employed that the highest percentage of business innovation was observed (79.8%). By economic activity, the sectors of *Information and communication* (75.5%) and *Financial services* (68.4%) stood out.

Compared to 2016-2018, the proportion of enterprises with process innovation increased 24.2 p.p. in *Financial services* and 21.3 p.p. in *Distributive trade*. Regarding the percentage of enterprises with product innovation, the *Information and communication* and *Distributive trade* sectors revealed the largest increases (+5.9 p.p. and +5.1 p.p., in the same order). Also noteworthy is the *Manufacturing and energy* which recorded the largest reduction in the proportion of enterprises with product innovation (-4.6 p.p.).

Between 2018 and 2020, 49.7% of enterprises introduced innovations with some kind of environmental benefit, regardless of the degree to which they contribute to environmental protection.

In 2020, the total expenditure on innovation activities reached EUR 2 736 million, more 5.3% than in 2018, representing about 1% of total turnover from enterprises (0.8% in 2018), with a highlight for enterprises in the *Information and communication* sector that presented an innovation expenditure corresponding to 4.0% of total turnover.

In the same year, 13.8% of enterprises' turnover resulted from the introduction of new or improved products (+2.6 p.p. compared to 2018), totalling EUR 36.2 billion (minus EUR 968.8 million compared to 2018). About 9.5% resulting from the introduction of products new to the enterprise and 4.3% from the introduction of products new to the market (7.0% and 4.2% in 2018, respectively).

<sup>1</sup> In the CIS 2020 edition, the reference period of the information is the period from 2018 to 2020 for most of the variables, except for the variables related to turnover, expenditure, and some information about each enterprise that refer to 2020 (e.g.: percentage of persons employed in the enterprise with higher education, belonging to an enterprise group).

<sup>2</sup> The results always refer to enterprises with 10 or more persons employed.



# DIISTAQUE

Considering the breakdown of enterprises by seven innovation profiles, in the 2018-2020 triennium, 34.7% of enterprises were classified as non-innovative with the potential to innovate, and 17.3% were non-innovative enterprises without disposition to innovate. In general, it is the innovative enterprises or those that are in the consolidation phase of a previously initiated innovation process that present the highest values in the various performance indicators considered (average GVA, apparent labour productivity, average annual remuneration and also the proportion of workers with higher education).

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