Innovation in Europe: Alive and well

With innovation intimately linked to the notion of the digital future, Europe is often seen to be at risk of being left behind because of a long-term lack of investment in research, digitalization, and education. But this view fails to give European innovation its due, according to a recent Deloitte survey of innovation decision-makers in 760 companies across 16 European countries.

The survey found that 88 percent of respondents plan to increase innovation budgets over the next two years. Further, 92 percent of respondents saw advances in new technologies as the primary trigger behind innovation. This emphasis on technology is reflected in their investment priorities. Data analytics (69 percent), cloud computing (62 percent), and the Internet of Things (53 percent) topped the list of technologies that respondents had already invested in, while the top technologies for future investment were artificial intelligence (43 percent), augmented and virtual reality (38 percent), robotic process automation (36 percent), and blockchain (36 percent).

In terms of the approach to driving innovation, the survey asked respondents to identify whether their company used one or more of 10 types of innovation described in a widely used framework. Combining five or more types of innovation opens companies up to new possibilities and strengthens innovation, while using four or fewer implies that there are gaps in the strategy and that the company may be missing innovative opportunities. Our survey suggests that European companies generally have robust innovation approaches: One in three European companies uses all 10 types of innovation, and only 10 percent use only four or fewer.
Contrary to the popular view that European companies don’t make long-term investments in innovation, **88 percent** of decision-makers at European companies plan to increase their innovation budgets in the next two years.

What could European companies be doing more effectively? Our survey results point to five key actions that business leaders in Europe may wish to consider in their plans for future innovation:

- **Avoid the trap of focusing on technology alone.** Successful innovation requires the right people and the right organizational structures as well as the right technology.

- **Understand the multidimensional nature of innovation.** Significant improvement opportunities may be available to European companies that are not already using all 10 types of innovation.

- **Prioritize skills.** Through strategies such as engaging with universities, European companies could place themselves in a better position to recruit students from the critical science, technology, engineering, and mathematics (STEM) subjects.

- **Transform culture as the underlying essential for innovation.** To overcome cultural resistance to change, mindsets and incentives that support innovation need to be broadly adopted across the organization.

- **Use the power of ecosystem innovation.** There is great potential in collaborating with external partners to share knowledge, stay abreast of developments, expand market reach, and provide complementary expertise.

To learn more, read *Innovation in Europe: A Deloitte survey on European companies and how digital technologies can strategically enhance innovation* on [www.deloitte.com/insights](http://www.deloitte.com/insights).