



INNOVATION &  
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# THE INNOVATION STATE OF THE NATION 2026: SURVEY REPORT

IRC Report No: 094

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## CONTENTS

|                                                                                      |    |
|--------------------------------------------------------------------------------------|----|
| EXECUTIVE SUMMARY .....                                                              | 4  |
| 1. INTRODUCTION .....                                                                | 7  |
| 1.1 Introducing the ISNS survey .....                                                | 7  |
| 1.2 Report Overview .....                                                            | 8  |
| 2: INNOVATION ACTIVITIES AND INNOVATION OUTCOMES .....                               | 9  |
| 2.1 Innovation Activity .....                                                        | 9  |
| 2.2 Innovation and Business Objectives .....                                         | 17 |
| 2.3 Innovation and Sales Growth .....                                                | 17 |
| 3. ENABLERS OF INNOVATION .....                                                      | 19 |
| 3.1 Innovation Investment Activity .....                                             | 19 |
| 3.2 Funding innovation .....                                                         | 23 |
| 3.3 Collaboration Activity .....                                                     | 29 |
| 3.4 Innovation Team and Leadership Diversity .....                                   | 32 |
| 3.5 External Support .....                                                           | 36 |
| 3.6 Digital Adoption .....                                                           | 39 |
| 4. Barriers to Innovation .....                                                      | 43 |
| 4.1 Barriers encountered by innovating firms .....                                   | 43 |
| 4.2 Recruitment Barriers faced by innovating firms .....                             | 46 |
| 4.3 Barriers to innovation for non-innovating firms .....                            | 46 |
| 5. Future Innovation Support .....                                                   | 48 |
| APPENDIX .....                                                                       | 50 |
| Appendix 1: The Innovation State of the National Survey 2023, 2024, 2025, 2026 ..... | 50 |
| A1.1 ISNS 2026 .....                                                                 | 50 |
| A1.2 Weighting .....                                                                 | 51 |
| Annex 2: Profiling respondent firms .....                                            | 53 |
| A2.1 Survey Overview .....                                                           | 53 |
| A2.2 Respondent Firms .....                                                          | 53 |

## EXECUTIVE SUMMARY

The Innovation State of the Nation Survey (ISNS) 2026 provides an annual assessment of innovation activity among UK businesses, drawing on responses from 2,037 firms surveyed between March and June 2026. The survey enables comparisons with equivalent surveys conducted in 2023, 2024 and 2025, offering valuable evidence on both short-term changes and longer-term structural trends in business innovation.

A central finding is that innovation activity has recovered from the 2024 dip and remains widespread across the business population. In 2026, 60 per cent of UK firms reported undertaking product or service innovation, broadly maintaining the recovery recorded in 2025. Across the four-year period, the pattern is clear: innovation activity declined between 2023 and 2024 before recovering in both 2025 and 2026.

A persistent feature across the survey series is the strong relationship between innovation and firm size. In 2026, 56 per cent of micro firms reported product or service innovation, compared with 63 per cent of small firms, 73 per cent of medium-sized firms and 79 per cent of large firms. Notably, the gap between the smallest and largest businesses widened between 2025 and 2026. Innovation activity among micro firms fell slightly, while innovation rates among larger firms increased, re-establishing a longstanding pattern in which larger firms maintain a substantial innovation advantage. This emerging divergence suggests that sustaining innovation among smaller businesses remains a significant challenge.

Firms identifying themselves as frontier firms continue to innovate at substantially higher rates than other businesses and undertake a broader range of innovation activities. Exporters similarly remain much more innovative than firms serving only domestic markets. However, in 2026, innovation activity among frontier firms declined slightly, while innovation among non-frontier businesses increased.

Patterns of innovation investment tell a similar story of stability and moderation. R&D activity remained remarkably consistent across the four years of the survey. Around four in ten firms reported undertaking R&D each year, with the temporary increase observed in 2025 not sustained into 2026. The size gradient remains particularly pronounced. More than seven in ten large firms invested in R&D in 2026, compared with around one-third of micro firms. Frontier firms continued to exhibit substantially higher levels of R&D activity than non-frontier firms, although their investment rate eased from its 2025 peak.

A similar pattern is evident across other forms of innovation investment. Investment in machinery, equipment and software remained the most common innovation-related expenditure but declined noticeably in 2026. Several forms of innovation investment, including patenting and licensing activities, also fell back towards levels observed in

2023 and 2024 after a stronger 2025. Taken together, these findings suggest that businesses have continued to invest in innovation capabilities, but the broad-based strengthening evident in 2025 was not fully maintained.

The survey nevertheless identifies encouraging signs in skills and innovation capabilities. Innovation-active firms continued to invest heavily in workforce development. Although several forms of training, including leadership, compliance and commercial skills training, declined between 2025 and 2026, investment in digital skills, personal development and industry-recognised qualifications increased. Notably, digital skills training rose from 47 per cent to 51 per cent of innovating firms. These trends suggest that firms are increasingly prioritising capabilities associated with digital transformation and technological change.

Funding patterns remain highly stable. Internal resources continue to dominate innovation finance, with almost two-thirds of innovating firms relying on internal funding in 2026. Use of grants, government loans, bank loans, equity finance and R&D tax credits all declined from the elevated levels recorded in 2025. Frontier firms continued to rely more on both internal and external sources of innovation finance, while medium-sized firms stood out as particularly active users of mixed funding portfolios. Importantly, indicators of funding-related constraints eased in 2026 after rising in 2025, suggesting some moderation in the financial pressures facing innovative firms.

Collaboration remains a stable feature of the UK innovation landscape. The proportion of firms collaborating with external partners has stayed close to 40 per cent throughout the survey period, with little change between 2025 and 2026. Large and frontier firms continue to collaborate more extensively than smaller and non-frontier businesses. Supply-chain relationships remain the dominant form of collaboration, with suppliers, customers and other businesses representing firms' principal innovation partners. At the same time, the survey identifies a gradual increase in collaboration with universities and business support organisations over the four-year period, pointing to deeper engagement with the wider innovation ecosystem.

The most striking change recorded in the survey concerns the adoption of artificial intelligence. AI adoption rose from 46 per cent of firms in 2025 to 57 per cent in 2026, representing one of the largest year-on-year movements across the dataset. Adoption has spread rapidly across businesses of all sizes, including micro firms, where uptake now substantially exceeds that of other advanced digital technologies. The evidence suggests that AI is diffusing much more rapidly than previous waves of digital innovation, with the majority of current users adopting the technology within the last year. By contrast, adoption of technologies such as cloud computing, robotics, the Internet of Things and big data analytics has remained broadly stable, indicating that these technologies have entered a more mature phase of diffusion.

Despite ongoing innovation activity and strong growth in AI adoption, barriers to innovation remain widespread. Almost half of innovating firms reported barriers to innovation in 2026, a share that has changed little over the survey period. Frontier firms consistently report higher levels of barriers than non-frontier firms, reflecting the greater complexity and risk associated with leading-edge innovation. Medium-sized firms also report comparatively high levels of constraints. The persistence of these barriers indicates that access to finance, skills, capabilities and organisational resources continues to shape firms' innovation performance.

The survey also highlights a modest decline in firms' engagement with external advice and support. Demand for external support rose steadily between 2023 and 2025 before returning to earlier levels in 2026. Larger and frontier firms remain more likely to seek advice, while the focus of support has evolved over time. Demand for assistance with growth has remained consistently strong, whereas support for digital technologies and net-zero activities declined sharply in 2026 after rising the previous year.

# 1. INTRODUCTION

## 1.1 Introducing the ISNS survey

The Innovation State of the Nation Survey (ISNS) provides an annual overview of innovation activity among a representative sample of UK businesses. This report focuses on the 2026 survey, which included 2,037 firms and ran from 16<sup>th</sup> March 2026 to 24<sup>th</sup> June 2026. Results are compared with those from similar surveys conducted in 2023, 2024 and 2025.

The ISNS aims to provide a timely indication of short-term trends in innovation activity, and the challenges firms face each year when innovating. Therefore, the main focus is on short-term variations in innovation levels and the factors driving innovation, as well as the barriers firms encounter when starting and sustaining innovation. The ISNS also offers a flexible framework that can incorporate new questions of particular interest. The 2026 survey includes questions on the adoption of digital technologies and the timelines for technology adoption by firms.

As in previous years, we report aggregate results for the UK as a whole and disaggregated results for regions, sectors, and firm-size bands, where base sizes allow. Additionally, we distinguish between frontier and non-frontier firms based on firms' own assessment of the importance of novelty in their products and services to their competitive position. Interestingly, about 1 in 4 UK firms are classified as frontier firms using this criterion, a proportion that has remained relatively stable over the four years of the ISNS survey.

The ISNS 2026 questionnaire includes a question on UK businesses' adoption of advanced digital technologies, such as big data analytics, artificial intelligence (AI), cloud computing, 3D printing, the Internet of Things (IoT), and robotics. Another area where the ISNS provides new insights is the composition of firm leadership and their innovation teams. Specifically, we focus on the gender and ethnic composition of firms' leadership and innovation teams.

The 2026 ISNS data again highlight the consistent and positive link between innovation and turnover growth in UK firms. Across each ISNS survey, innovative firms grow significantly faster in sales than non-innovators.

Between 2023 and 2024, innovation rates in the UK fell slightly, a pattern that reversed in 2025 and 2026. Over the past year, we have observed the re-emergence of a historical trend evident in the UK Innovation Survey with a widening gap in innovation rates between smaller and larger firms.

Unsurprisingly, the ISNS also shows firms' focus on commercial goals such as efficiency, profitability, and cash flow. However, from 2023 to 25, we observed a steady rise in the proportion of firms emphasising social or environmental objectives as either 'important' or 'very important' to their business. This trend has reversed slightly in 2026, accompanied by a fall in the proportion of firms seeking external advice on net zero.

As an annual survey, it is important to handle year-on-year changes in specific ISNS indicators carefully, especially when these changes are based on survey sub-samples such as region, sector, or firm size band. Some variation in the sample is inevitable from year to year, and the strongest conclusions can be drawn from ISNS when relationships remain consistent or when consecutive observations indicate a continuing trend in a particular direction.

The ISNS remains in a developmental stage and has scope for further improvement in the coming years. We therefore welcome comments or questions about the data and commentary in this report. This report is published alongside detailed data tables and this year an additional survey report (using an extended sample) focusing on innovation in the Industrial Strategy Sectors). We are also happy to share anonymised microdata for further analysis. For more information about the data and its availability, please contact either of the authors.

## 1.2 Report Overview

This report is organised as follows:

- Section 2 examines firms' innovation activity in 2026 and compares it with earlier survey data from 2023, 2024 and 2025. This section concentrates on the overall level of innovation in products and services, process innovation, organisational change, and the novelty of firms' innovations. The link between innovation and outcomes such as sales growth are also explored.
- Section 3 explores the enablers of innovation, including various forms of innovation investment. This section also covers the funding of innovation in Section 3.2, and collaboration in Section 3.3. The focus of Section 3.4 is the innovation team, while Section 3.5 discusses the external support available to firms as part of their innovation activities. Section 3.6 examines digital adoption and the timeline at which firms first adopted various digital technologies.
- Section 4 addresses the barriers to innovation, examining the obstacles faced by innovative firms when in expanding innovation and the challenges encountered by non-innovating firms in actually initiating innovation.
- Section 5 focuses on firms' plans for the year ahead in terms of R&D and innovation.

## 2: INNOVATION ACTIVITIES AND INNOVATION OUTCOMES

### 2.1 Innovation Activity

In 2026, 60% of UK businesses reported undertaking product or service innovation, a similar level to that in 2025 (Table 2.1). Across all years, the likelihood of innovation has consistently been higher among larger innovation. The innovation gap between the smallest and largest firms widened from 2025 to 2026, as innovation rates fell in smaller firms. There was a 2% decline in the rate of innovation activity among micro-businesses, while larger businesses increased their level of innovation activity by 4% (Table 2.1).

Reflecting the national trend, innovation activity increased across most sectors between 2025 and 2026, although regional innovation rates are somewhat volatile, particularly in regions with smaller numbers of responses, such as the North East and Northern Ireland (Table 2.1). Innovation activity among frontier firms fell by 3% during this period, compared with a 3% increase among non-frontier firms. In addition, innovation activity among exporting firms increased by 3% during the same period, while remaining stable among non-exporting firms.

Comparing the novelty of innovation, there was a decline in new-to-the-market innovations for both product and service innovation in 2026. The share of firms reporting product innovations that were New-to-the-market fell from 58% in 2025 to around 50% in 2026. A similar trend was evident in the share of firms reporting service innovations that were New-to-the-market.

This pattern of declining new-to-market product and service innovation was evident across most groups of firms (Table 2.2). The exception was medium-sized firms, where the proportion of new-to-market innovations increased marginally for both products and services.

Conversely, the share of firms reporting innovations that were only new-to-the-firm rose. Specifically, the share of firms reporting product and service innovations that were New-to-the-firm rose by around 8pp, suggesting a shift towards more incremental innovation in 2026.

**Table 2.1: Proportion of firms making product or service changes**  
**(N, Y 2023 = 2,018; N, Y 2024 = 2,000, N, Y 2025 = 2,020, N Y 2026=2,037)**

|                     | 2023 | 2024 | 2025 | 2026 |
|---------------------|------|------|------|------|
| UK Average          | 61%  | 56%  | 60%  | 60%  |
| North East          | 47%  | 56%  | 57%  | 75%  |
| North West          | 64%  | 55%  | 67%  | 67%  |
| Yorks & Humber      | 50%  | 61%  | 57%  | 56%  |
| East Midlands       | 67%  | 50%  | 57%  | 53%  |
| West Midlands       | 59%  | 59%  | 61%  | 56%  |
| East of England     | 57%  | 57%  | 60%  | 56%  |
| London              | 66%  | 65%  | 59%  | 63%  |
| South East          | 59%  | 49%  | 62%  | 62%  |
| South West          | 58%  | 53%  | 54%  | 67%  |
| Scotland            | 63%  | 50%  | 62%  | 63%  |
| Wales               | 70%  | 62%  | 58%  | 48%  |
| Northern Ireland    | 69%  | 55%  | 65%  | 57%  |
| Micro               | 57%  | 53%  | 58%  | 56%  |
| Small               | 63%  | 57%  | 61%  | 63%  |
| Medium              | 69%  | 68%  | 65%  | 73%  |
| Large               | 75%  | 74%  | 75%  | 79%  |
| Primary             | 37%  | 50%  | 48%  | 52%  |
| Manufacturing       | 60%  | 61%  | 61%  | 66%  |
| Construction        | 37%  | 42%  | 50%  | 51%  |
| Retail/Distribution | 70%  | 69%  | 65%  | 68%  |
| Transport/Storage   | 48%  | 43%  | 54%  | 52%  |
| Hotel/Catering      | 76%  | 68%  | 67%  | 70%  |
| Finance             | 55%  | 53%  | 57%  | 55%  |
| Business Services   | 58%  | 55%  | 54%  | 61%  |
| Other Services      | 62%  | 49%  | 64%  | 53%  |
| Non-Frontier        | 57%  | 53%  | 55%  | 58%  |
| Frontier            | 74%  | 68%  | 76%  | 73%  |
| Non-Exporters       | 52%  | 50%  | 52%  | 52%  |
| Exporters           | 72%  | 66%  | 75%  | 78%  |

**Table 2.2: New-to-the-firm or New-to-the-market innovation**  
**(N, Year 2023= 1,204 and N, Year 2024 = 1,185, N, Year 2025 = 1,224, N Y 2026=1267)**

|               | PRODUCT INNOVATION     |      |      |      |                        |      |      |      | SERVICE INNOVATION     |      |      |      |                        |      |      |      |
|---------------|------------------------|------|------|------|------------------------|------|------|------|------------------------|------|------|------|------------------------|------|------|------|
|               | SOME NEW-TO-THE-MARKET |      |      |      | WHOLLY NEW-TO-THE-FIRM |      |      |      | SOME NEW-TO-THE-MARKET |      |      |      | WHOLLY NEW-TO-THE-FIRM |      |      |      |
|               | 2023                   | 2024 | 2025 | 2026 | 2023                   | 2024 | 2025 | 2026 | 2023                   | 2024 | 2025 | 2026 | 2023                   | 2024 | 2025 | 2026 |
| UK Average    | 48%                    | 48%  | 58%  | 50%  | 52%                    | 52%  | 42%  | 50%  | 48%                    | 48%  | 58%  | 50%  | 52%                    | 52%  | 42%  | 50%  |
| Micro         | 52%                    | 43%  | 59%  | 50%  | 48%                    | 57%  | 41%  | 50%  | 52%                    | 43%  | 59%  | 50%  | 48%                    | 57%  | 41%  | 50%  |
| Small         | 41%                    | 51%  | 54%  | 45%  | 59%                    | 49%  | 46%  | 55%  | 41%                    | 51%  | 54%  | 45%  | 59%                    | 49%  | 46%  | 55%  |
| Medium        | 66%                    | 63%  | 65%  | 68%  | 34%                    | 37%  | 35%  | 32%  | 66%                    | 63%  | 65%  | 68%  | 34%                    | 37%  | 35%  | 32%  |
| Large         | 83%                    | 72%  | 77%  | 65%  | 17%                    | 28%  | 23%  | 35%  | 83%                    | 72%  | 77%  | 65%  | 17%                    | 28%  | 23%  | 35%  |
| Non-Frontier  | 38%                    | 36%  | 49%  | 42%  | 62%                    | 64%  | 51%  | 58%  | 38%                    | 36%  | 49%  | 42%  | 62%                    | 64%  | 51%  | 58%  |
| Frontier      | 71%                    | 77%  | 77%  | 72%  | 29%                    | 23%  | 23%  | 28%  | 71%                    | 77%  | 77%  | 72%  | 29%                    | 23%  | 23%  | 28%  |
| Non-exporters | 36%                    | 36%  | 43%  | 37%  | 64%                    | 64%  | 57%  | 63%  | 36%                    | 36%  | 43%  | 37%  | 64%                    | 64%  | 57%  | 63%  |
| Exporters     | 60%                    | 61%  | 76%  | 69%  | 40%                    | 39%  | 24%  | 31%  | 60%                    | 61%  | 76%  | 69%  | 40%                    | 39%  | 24%  | 31%  |

Notes: The question was asked only of firms that made product or service changes in the last year. As a result, there are fewer observations. Sectoral and regional sample sizes are small and therefore not reported.

The proportion of firms making process innovations declined marginally from 2025 (46%) to 2026 (44%) (Table 2.3). This fall was concentrated among micro-businesses (with 5-9 employees), while medium and larger firms increased the likelihood of process innovation. This reversed the pattern observed for these firms between 2024 and 2025.

**Table 2.3: Proportion of firms introducing process innovations**  
(N, Y 2023 = 2,018; N, Y 2024 = 2,000, N Y 2025= 2,020, N Y 2026=2,037)

|                     | 2023 | 2024 | 2025 | 2026 |
|---------------------|------|------|------|------|
| UK Average          | 45%  | 41%  | 46%  | 44%  |
|                     |      |      |      |      |
| North East          | 38%  | 49%  | 48%  | 56%  |
| North West          | 47%  | 52%  | 46%  | 45%  |
| Yorks & Humber      | 41%  | 46%  | 47%  | 39%  |
| East Midlands       | 56%  | 40%  | 46%  | 34%  |
| West Midlands       | 47%  | 37%  | 44%  | 52%  |
| East of England     | 39%  | 40%  | 43%  | 40%  |
| London              | 48%  | 43%  | 45%  | 52%  |
| South East          | 49%  | 42%  | 44%  | 45%  |
| South West          | 46%  | 33%  | 43%  | 47%  |
| Scotland            | 43%  | 37%  | 47%  | 44%  |
| Wales               | 43%  | 35%  | 44%  | 33%  |
| Northern Ireland    | 32%  | 39%  | 53%  | 37%  |
|                     |      |      |      |      |
| Micro               | 42%  | 34%  | 42%  | 38%  |
| Small               | 47%  | 45%  | 48%  | 47%  |
| Medium              | 56%  | 57%  | 52%  | 65%  |
| Large               | 59%  | 61%  | 57%  | 61%  |
|                     |      |      |      |      |
| Primary             | 42%  | 46%  | 40%  | 54%  |
| Manufacturing       | 45%  | 43%  | 48%  | 49%  |
| Construction        | 32%  | 35%  | 35%  | 37%  |
| Retail/Distribution | 46%  | 32%  | 35%  | 35%  |
| Transport/Storage   | 33%  | 37%  | 48%  | 42%  |
| Hotel/Catering      | 52%  | 37%  | 48%  | 46%  |
| Finance             | 53%  | 50%  | 54%  | 57%  |
| Business Services   | 48%  | 47%  | 54%  | 54%  |
| Other Services      | 46%  | 46%  | 48%  | 40%  |
|                     |      |      |      |      |
| Non-Frontier        | 43%  | 36%  | 42%  | 41%  |
| Frontier            | 56%  | 57%  | 57%  | 57%  |

Among firms that undertook process innovation in 2026, 64% reported cost savings, 18% reported cost increases, and 18% reported no change in costs (Table 2.4). This profile closely mirrors that observed in previous years. Table 2.5 profiles the distribution of cost reductions reported by firms that achieved them.

**Table 2.4: Did process innovation lead to cost savings?**  
(N, Y 2023 = 943; N, Y 2024 = 911, N Y 2025 = 980, N Y 2026=1014)

|                      | 2023 | 2024 | 2025 | 2026 |
|----------------------|------|------|------|------|
| Cost Savings         | 56%  | 55%  | 61%  | 64%  |
| Cost Increased       | 23%  | 22%  | 20%  | 18%  |
| Cost Stayed the Same | 21%  | 23%  | 19%  | 18%  |

**Table 2.5: Cost Reductions due to Process Innovation (% Firms Achieving Cost Reductions)**  
(N, Y 2023 = 573; N, Y 2024 = 549, N Y 2025= 620, N Y 2026=636)

|                       | 2023 | 2024 | 2025 | 2026 |
|-----------------------|------|------|------|------|
| Less than 10 per cent | 51%  | 45%  | 39%  | 45%  |
| 10-19 per cent        | 30%  | 32%  | 33%  | 30%  |
| 20-29 per cent        | 12%  | 14%  | 13%  | 13%  |
| 30-39 per cent        | 4%   | 5%   | 6%   | 6%   |
| 40-49 per cent        | 2%   | 1%   | 3%   | 3%   |
| 50-75 per cent        | 2%   | 2%   | 1%   | 2%   |
| More than 75 per cent | 0%   | 1%   | 1%   | 1%   |
| Total                 | 100% | 100% | 100% | 1%   |

The next aspect of innovation examined in the ISNS is whether firms implemented organisational changes. Compared with 2025, the overall percentage of firms that made changes to business practices, work organisation, external relationships, and marketing concepts fell slightly between 2025 and 2026, reversing last year's pattern (Table 2.6). This overall decline was driven primarily by slight falls in organisational innovation among micro and small firms; larger firms tended to maintain their levels of organisational innovation between 2025 and 2026 (Table 2.6).

**Table 2.6: Business model innovation (% Firms)****(N, Y 2023 = 2,018; N, Y 2024 = 2,000, N Y 2025= 2,020, N Y 2026=2,037)**

|                  | Business practice |      |      |      | Work organisation |      |      |      | Organising external relationship |      |      |      | Marketing concepts/strategies |      |      |      |
|------------------|-------------------|------|------|------|-------------------|------|------|------|----------------------------------|------|------|------|-------------------------------|------|------|------|
|                  | 2023              | 2024 | 2025 | 2026 | 2023              | 2024 | 2025 | 2026 | 2023                             | 2024 | 2025 | 2026 | 2023                          | 2024 | 2025 | 2026 |
| UK Average       | 30%               | 29%  | 34%  | 28%  | 38%               | 36%  | 42%  | 34%  | 21%                              | 20%  | 26%  | 21%  | 35%                           | 38%  | 41%  | 38%  |
|                  |                   |      |      |      |                   |      |      |      |                                  |      |      |      |                               |      |      |      |
| North East       | 18%               | 16%  | 28%  | 26%  | 32%               | 45%  | 38%  | 34%  | 7%                               | 37%  | 23%  | 32%  | 48%                           | 38%  | 23%  | 33%  |
| North West       | 26%               | 38%  | 45%  | 37%  | 39%               | 40%  | 47%  | 28%  | 23%                              | 23%  | 31%  | 20%  | 40%                           | 39%  | 51%  | 31%  |
| Yorks & Humber   | 24%               | 31%  | 33%  | 21%  | 43%               | 39%  | 34%  | 30%  | 25%                              | 8%   | 29%  | 17%  | 25%                           | 31%  | 37%  | 39%  |
| East Midlands    | 30%               | 35%  | 37%  | 23%  | 48%               | 29%  | 48%  | 38%  | 24%                              | 25%  | 27%  | 19%  | 38%                           | 39%  | 42%  | 33%  |
| West Midlands    | 38%               | 27%  | 37%  | 17%  | 43%               | 38%  | 40%  | 44%  | 20%                              | 13%  | 19%  | 16%  | 40%                           | 35%  | 39%  | 38%  |
| East of England  | 35%               | 26%  | 33%  | 29%  | 34%               | 27%  | 36%  | 31%  | 24%                              | 17%  | 28%  | 20%  | 35%                           | 31%  | 33%  | 41%  |
| London           | 33%               | 34%  | 34%  | 34%  | 33%               | 35%  | 42%  | 38%  | 20%                              | 27%  | 26%  | 27%  | 35%                           | 46%  | 39%  | 46%  |
| South East       | 25%               | 23%  | 30%  | 31%  | 36%               | 37%  | 40%  | 40%  | 19%                              | 24%  | 30%  | 17%  | 34%                           | 40%  | 42%  | 39%  |
| South West       | 32%               | 25%  | 30%  | 25%  | 46%               | 43%  | 40%  | 34%  | 27%                              | 20%  | 22%  | 21%  | 29%                           | 44%  | 43%  | 32%  |
| Scotland         | 30%               | 35%  | 32%  | 31%  | 37%               | 43%  | 45%  | 28%  | 15%                              | 17%  | 18%  | 23%  | 32%                           | 41%  | 50%  | 52%  |
| Wales            | 48%               | 20%  | 35%  | 24%  | 43%               | 34%  | 47%  | 22%  | 18%                              | 14%  | 16%  | 15%  | 36%                           | 31%  | 39%  | 34%  |
| Northern Ireland | 26%               | 35%  | 36%  | 30%  | 26%               | 36%  | 52%  | 36%  | 8%                               | 20%  | 33%  | 18%  | 40%                           | 37%  | 46%  | 35%  |
|                  |                   |      |      |      |                   |      |      |      |                                  |      |      |      |                               |      |      |      |
| Micro            | 30%               | 26%  | 32%  | 25%  | 40%               | 34%  | 41%  | 28%  | 21%                              | 20%  | 24%  | 18%  | 34%                           | 36%  | 41%  | 35%  |
| Small            | 29%               | 31%  | 36%  | 30%  | 36%               | 37%  | 43%  | 37%  | 20%                              | 21%  | 28%  | 22%  | 35%                           | 40%  | 41%  | 41%  |
| Medium           | 36%               | 40%  | 34%  | 36%  | 42%               | 45%  | 46%  | 46%  | 27%                              | 20%  | 27%  | 28%  | 41%                           | 41%  | 47%  | 43%  |
| Large            | 40%               | 42%  | 38%  | 41%  | 46%               | 49%  | 43%  | 43%  | 30%                              | 31%  | 29%  | 34%  | 45%                           | 44%  | 50%  | 54%  |
|                  |                   |      |      |      |                   |      |      |      |                                  |      |      |      |                               |      |      |      |
|                  |                   |      |      |      |                   |      |      |      |                                  |      |      |      |                               |      |      |      |
| Primary          | 28%               | 32%  | 32%  | 29%  | 31%               | 31%  | 47%  | 37%  | 16%                              | 23%  | 27%  | 15%  | 24%                           | 31%  | 43%  | 34%  |
| Manufacturing    | 29%               | 29%  | 34%  | 27%  | 36%               | 38%  | 39%  | 37%  | 19%                              | 20%  | 29%  | 24%  | 33%                           | 33%  | 37%  | 38%  |

|                     | Business practice |     |     |     | Work organisation |     |     |     | Organising external relationship |     |     |     | Marketing concepts/strategies |     |     |     |
|---------------------|-------------------|-----|-----|-----|-------------------|-----|-----|-----|----------------------------------|-----|-----|-----|-------------------------------|-----|-----|-----|
| Construction        | 25%               | 28% | 30% | 28% | 37%               | 38% | 38% | 38% | 18%                              | 19% | 25% | 21% | 21%                           | 31% | 36% | 26% |
| Retail/Distribution | 26%               | 28% | 32% | 22% | 39%               | 34% | 43% | 28% | 22%                              | 19% | 25% | 19% | 38%                           | 46% | 39% | 40% |
| Transport/Storage   | 35%               | 33% | 32% | 30% | 34%               | 34% | 42% | 36% | 20%                              | 13% | 25% | 21% | 26%                           | 28% | 36% | 34% |
| Hotel/Catering      | 35%               | 26% | 27% | 23% | 48%               | 34% | 34% | 35% | 23%                              | 20% | 20% | 19% | 42%                           | 45% | 40% | 39% |
| Finance             | 39%               | 34% | 35% | 29% | 43%               | 35% | 41% | 35% | 21%                              | 27% | 26% | 16% | 33%                           | 36% | 38% | 34% |
| Business Services   | 34%               | 29% | 36% | 32% | 41%               | 41% | 45% | 36% | 24%                              | 22% | 26% | 18% | 36%                           | 35% | 46% | 43% |
| Other Services      | 30%               | 31% | 42% | 33% | 33%               | 36% | 47% | 31% | 19%                              | 21% | 28% | 25% | 38%                           | 39% | 44% | 38% |
|                     |                   |     |     |     |                   |     |     |     |                                  |     |     |     |                               |     |     |     |
| Non-Frontier        | 29%               | 26% | 32% | 26% | 38%               | 33% | 41% | 32% | 18%                              | 17% | 23% | 18% | 32%                           | 36% | 39% | 36% |
| Frontier            | 36%               | 39% | 41% | 36% | 42%               | 46% | 49% | 44% | 30%                              | 31% | 34% | 30% | 45%                           | 46% | 48% | 50% |

To capture the overall landscape of innovation activity, we create a composite variable to represent innovation breadth, accounting for the different types of innovation measured by the ISNS, such as product/service, process, business practices, work organisation, external relationship management, and marketing strategies. This is a 'count' variable representing the number of innovation types in which each firm has engaged.

**Table 2.7: Number of types of innovation being undertaken (max 6.0)**  
(N, Y 2023 = 2,018; N, Y 2024 = 2,000, N Y = 2025 = 2,020, N Y 2026=2,037)

|                     | 2023 | 2024 | 2025 | 2026 |
|---------------------|------|------|------|------|
| UK Average          | 2.3  | 2.2  | 2.5  | 2.2  |
|                     |      |      |      |      |
| North East          | 1.9  | 2.5  | 2.2  | 2.5  |
| North West          | 2.4  | 2.5  | 2.9  | 2.3  |
| Yorks & Humber      | 2.0  | 2.2  | 2.4  | 2.0  |
| East Midlands       | 2.6  | 2.2  | 2.6  | 2.0  |
| West Midlands       | 2.5  | 2.1  | 2.4  | 2.3  |
| East of England     | 2.2  | 2.0  | 2.3  | 2.2  |
| London              |      | 2.5  | 2.5  | 2.6  |
| South East          | 2.2  | 2.1  | 2.5  | 2.3  |
| South West          | 2.4  | 2.2  | 2.3  | 2.3  |
| Scotland            | 2.2  | 2.3  | 2.5  | 2.4  |
| Wales               | 2.6  | 2.0  | 2.4  | 1.8  |
| Northern Ireland    | 2.0  | 2.3  | 2.8  | 2.1  |
|                     |      |      |      |      |
| Micro               | 2.2  | 2.0  | 2.4  | 2.0  |
| Small               | 2.3  | 2.3  | 2.6  | 2.4  |
| Medium              | 2.7  | 2.7  | 2.7  | 2.9  |
| Large               | 3.0  | 3.0  | 2.9  | 3.2  |
|                     |      |      |      |      |
| Primary             | 1.8  | 2.1  | 2.3  | 2.2  |
| Manufacturing       | 2.2  | 2.2  | 2.5  | 2.4  |
| Construction        | 1.7  | 1.9  | 2.2  | 2.0  |
| Retail/Distribution | 2.4  | 2.3  | 2.4  | 2.1  |
| Transport/Storage   | 2.0  | 1.9  | 2.4  | 2.1  |
| Hotel/Catering      | 2.8  | 2.3  | 2.4  | 2.3  |
| Finance             | 2.4  | 2.4  | 2.5  | 2.3  |
| Business Services   | 2.4  | 2.3  | 2.6  | 2.5  |
| Other Services      | 2.3  | 2.2  | 2.7  | 2.2  |
|                     |      |      |      |      |
| frontier            |      |      |      |      |
| Non-Frontier        | 2.2  | 2.0  | 2.3  | 2.1  |
| Frontier            | 2.8  | 2.9  | 3.1  | 2.9  |

Overall, innovation breadth, i.e., the number of types of innovation undertaken, fell slightly from 2025 (2.5) to 2026 (2.3) (Table 2.7). The decline is most notable among smaller and frontier firms (Table 2.7).

## 2.2 Innovation and Business Objectives

The ISNS surveys UK businesses on their objectives and the extent to which their innovation activities have helped achieve these goals over the past 12 months. Table 2.8 reports the percentage of firms that rated a specific business objective as either 'important' or 'very important'. Among UK firms, there is a consistent trend highlighting the importance of commercial objectives, such as efficiency, sales growth, profit margins, and cash flow. Notably, the emphasis on social and community benefits rose to 61% in 2025 before falling slightly in 2026 (56%).

**Table 2.8: Business objectives over the year before the survey**  
(N, Y 2023 = 2,018; N, Y 2024 = 2,000; N Y 2025 = 2,020; N Y 2026=2,037)

|                               | 2023 | 2024 | 2025 | 2026 |
|-------------------------------|------|------|------|------|
| Increasing efficiency         | 91%  | 92%  | 93%  | 91%  |
| Increasing Sales              | 93%  | 92%  | 94%  | 93%  |
| Increasing Profit Margins     | 90%  | 92%  | 92%  | 93%  |
| Sustaining Cashflow           | 94%  | 94%  | 94%  | 93%  |
| Reducing environmental impact | 72%  | 68%  | 73%  | 62%  |
| Social or Community Benefits  | 53%  | 54%  | 61%  | 56%  |

Table 2.9 summarises firms' responses on how innovation helps businesses achieve their objectives. Overall, this has remained largely unchanged over the past four years. The ISNS emphasises the importance of innovation activities in increasing efficiency, sales, and profit margins, and in sustaining cash flows. Firms view their innovation activity as less strongly linked to environmental improvements or to achieving social and community benefits.

**Table 2.9: How Innovation helps firms achieve business objectives**  
(N, Y 2023 = 2,018; N, Y 2024 = 2,000; N Y 2025 = 2,020; N Y 2026=2,037)

|                               | 2023 | 2024 | 2025 | 2026 |
|-------------------------------|------|------|------|------|
| Increasing efficiency         | 87%  | 87%  | 85%  | 83%  |
| Increasing Sales              | 86%  | 86%  | 86%  | 87%  |
| Increasing Profit Margins     | 85%  | 85%  | 84%  | 87%  |
| Sustaining Cashflow           | 82%  | 82%  | 83%  | 83%  |
| Reducing environmental impact | 60%  | 58%  | 60%  | 48%  |
| Social or Community Benefits  | 50%  | 48%  | 57%  | 51%  |

## 2.3 Innovation and Sales Growth

Next, we examine the link between innovation and sales growth. Table 2.10 summarises the average sales growth for each year since 2023. Across the results, the finding is consistent that innovation is strongly associated with higher sales growth. In 2026, innovative firms reported a sales growth rate of 6.7%, a slight fall from 6.9% in 2025. Conversely, non-innovative firms saw sales growth increase, rising from 0.4% in 2025 to 2.1% in 2026.

As expected, frontier firms also recorded higher sales growth than non-frontier firms. In 2026, sales growth for frontier firms was 7.5%, compared with 4.4% for non-frontier firms. Exporting firms also grew significantly more rapidly (9.7%) than non-exporters (2.5%) in 2026 (Table 2.10).

To better understand the relationship between innovation and sales growth, we conducted a t-test comparing the average sales growth of innovating and non-innovating firms. The results show that innovating firms had significantly higher average sales growth (6.7%) than non-innovating firms (2.1%). This difference is statistically significant ( $p < 0.01$ ), indicating a strong link between innovation and improved sales performance.

**Table 2.10: Sales growth (%)**

(N, Y 2023 = 2,018; N, Y 2024 = 2,000; N Y 2025 = 2,020, N Y 2026=2,037)

|                | 2023 | 2024 | 2025 | 2026 |
|----------------|------|------|------|------|
| UK Average     | 6.9  | 4.8  | 4.5  | 4.8  |
| Non-Innovators | 2.6  | 2.2  | 0.4  | 2.1  |
| Innovators     | 9.7  | 6.8  | 6.9  | 6.7  |
| Non-Frontier   | 5.6  | 4.4  | 3.0  | 4.4  |
| Frontier       | 11.0 | 6.4  | 9.2  | 7.5  |
| Non-Exporters  | 5.2  | 4.1  | -0.9 | 2.5  |
| Exporters      | 9.1  | 5.7  | 12.8 | 9.7  |

### 3. ENABLERS OF INNOVATION

#### 3.1 Innovation Investment Activity

Overall, the share of firms reporting any R&D activity (39%) has remained stable over the past four years (Table 3.1). This share was higher among larger firms (71% in 2026) and frontier firms (61% in 2026). Across sectors, R&D was most prevalent in manufacturing and less common in transport and accommodation-related firms.

The ISNS also includes a question on firms' financial commitments to innovation across various innovation-related activities. In 2026, the proportion of firms investing in machinery, equipment, or software fell by 4% (Table 3.2). Notably, the declines in the proportion of medium and larger firms investing in equipment observed in 2025 continued into 2026, almost equalising the shares of smaller and larger businesses investing in new equipment (Table 3.2). An essentially similar trend was also evident among frontier firms.

The proportion of firms investing in patenting or licensing fell back in 2026 to a level very similar to that observed in 2023 and 2024. Investment in patenting and licensing remains notably more common among larger and frontier firms.

The proportion of firms investing in market research, new market development and training related to innovation also fell slightly in 2026, with current levels closely reflecting those of 2023 and 2024 (Table 3.2).

**Table 3.1: Proportion of Firms Investing in R&D Activities**  
 (N, Y 2023 = 2,018; N, Y 2024 = 2,000; N Y 2025 = 2,020, N Y 2026=2,037)

|                     | 2023 | 2024 | 2025 | 2026 |
|---------------------|------|------|------|------|
| UK Average          | 39%  | 39%  | 41%  | 39%  |
|                     |      |      |      |      |
| North East          | 41%  | 65%  | 28%  | 55%  |
| North West          | 45%  | 44%  | 44%  | 33%  |
| Yorks & Humber      | 33%  | 44%  | 36%  | 40%  |
| East Midlands       | 36%  | 23%  | 31%  | 34%  |
| West Midlands       | 41%  | 44%  | 48%  | 39%  |
| East of England     | 30%  | 32%  | 31%  | 34%  |
| London              | 46%  | 50%  | 47%  | 48%  |
| South East          | 37%  | 42%  | 44%  | 38%  |
| South West          | 43%  | 35%  | 37%  | 44%  |
| Scotland            | 27%  | 26%  | 42%  | 38%  |
| Wales               | 37%  | 37%  | 38%  | 29%  |
| Northern Ireland    | 40%  | 32%  | 55%  | 33%  |
|                     |      |      |      |      |
| Micro               | 34%  | 31%  | 36%  | 32%  |
| Small               | 39%  | 42%  | 43%  | 42%  |
| Medium              | 63%  | 66%  | 63%  | 62%  |
| Large               | 80%  | 80%  | 75%  | 71%  |
|                     |      |      |      |      |
| Primary             | 41%  | 40%  | 48%  | 46%  |
| Manufacturing       | 53%  | 50%  | 58%  | 58%  |
| Construction        | 37%  | 39%  | 38%  | 30%  |
| Retail/Distribution | 33%  | 33%  | 45%  | 35%  |
| Transport/Storage   | 17%  | 23%  | 31%  | 27%  |
| Hotel/Catering      | 29%  | 32%  | 31%  | 35%  |
| Finance             | 44%  | 42%  | 47%  | 51%  |
| Business Services   | 48%  | 44%  | 46%  | 45%  |
| Other Services      | 39%  | 43%  | 36%  | 36%  |
|                     |      |      |      |      |
| Non-Frontier        | 34%  | 34%  | 34%  | 34%  |
| Frontier            | 54%  | 56%  | 65%  | 61%  |

**Table 3.2: Proportion of firms investing in other aspects of innovation (N, Y 2023 = 2,018; N, Y 2024 = 2,000; N Y = 2,020, N Y 2026=2,037)**

|                     | Machinery/equipment/<br>software |      |      |      | Investment in<br>patent/licensing |      |      |      | Investment in innovation<br>training |      |      |      | Investment in product<br>design |      |      |      | Investment in market<br>research |      |      |      | Developing new market<br>relationships/channels |      |      |      |
|---------------------|----------------------------------|------|------|------|-----------------------------------|------|------|------|--------------------------------------|------|------|------|---------------------------------|------|------|------|----------------------------------|------|------|------|-------------------------------------------------|------|------|------|
|                     | 2023                             | 2024 | 2025 | 2026 | 2023                              | 2024 | 2025 | 2026 | 2023                                 | 2024 | 2025 | 2026 | 2023                            | 2024 | 2025 | 2026 | 2023                             | 2024 | 2025 | 2026 | 2023                                            | 2024 | 2025 | 2026 |
| UK Average          | 54%                              | 56%  | 54%  | 50%  | 8%                                | 8%   | 10%  | 8%   | 38%                                  | 42%  | 42%  | 38%  | 31%                             | 28%  | 30%  | 28%  | 20%                              | 23%  | 26%  | 20%  | 31%                                             | 34%  | 36%  | 33%  |
|                     |                                  |      |      |      |                                   |      |      |      |                                      |      |      |      |                                 |      |      |      |                                  |      |      |      |                                                 |      |      |      |
| North East          | 36%                              | 56%  | 41%  | 53%  | 8%                                | 22%  | 19%  | 11%  | 34%                                  | 20%  | 36%  | 37%  | 36%                             | 48%  | 27%  | 30%  | 37%                              | 32%  | 18%  | 22%  | 43%                                             | 26%  | 22%  | 36%  |
| North West          | 54%                              | 56%  | 65%  | 50%  | 8%                                | 11%  | 16%  | 7%   | 35%                                  | 40%  | 42%  | 40%  | 31%                             | 23%  | 42%  | 33%  | 20%                              | 16%  | 27%  | 16%  | 30%                                             | 25%  | 42%  | 22%  |
| Yorks & Humber      | 44%                              | 54%  | 54%  | 40%  | 7%                                | 4%   | 9%   | 9%   | 41%                                  | 42%  | 46%  | 38%  | 33%                             | 27%  | 25%  | 28%  | 18%                              | 23%  | 29%  | 17%  | 20%                                             | 31%  | 40%  | 23%  |
| East Midlands       | 65%                              | 54%  | 48%  | 56%  | 7%                                | 4%   | 13%  | 10%  | 28%                                  | 35%  | 38%  | 40%  | 32%                             | 24%  | 36%  | 24%  | 22%                              | 15%  | 21%  | 10%  | 36%                                             | 37%  | 35%  | 32%  |
| West Midlands       | 61%                              | 55%  | 53%  | 45%  | 14%                               | 5%   | 6%   | 4%   | 44%                                  | 36%  | 44%  | 39%  | 36%                             | 17%  | 29%  | 28%  | 23%                              | 32%  | 24%  | 18%  | 34%                                             | 30%  | 31%  | 34%  |
| East of England     | 54%                              | 52%  | 61%  | 52%  | 8%                                | 13%  | 7%   | 4%   | 44%                                  | 46%  | 37%  | 36%  | 24%                             | 32%  | 30%  | 28%  | 19%                              | 27%  | 20%  | 24%  | 31%                                             | 35%  | 34%  | 30%  |
| London              | 55%                              | 63%  | 55%  | 49%  | 9%                                | 7%   | 11%  | 9%   | 40%                                  | 45%  | 42%  | 47%  | 35%                             | 35%  | 34%  | 29%  | 25%                              | 28%  | 26%  | 29%  | 35%                                             | 38%  | 38%  | 44%  |
| South East          | 51%                              | 50%  | 48%  | 53%  | 7%                                | 5%   | 6%   | 10%  | 32%                                  | 43%  | 33%  | 30%  | 28%                             | 27%  | 28%  | 29%  | 15%                              | 22%  | 26%  | 23%  | 30%                                             | 43%  | 42%  | 35%  |
| South West          | 52%                              | 54%  | 51%  | 44%  | 7%                                | 9%   | 5%   | 10%  | 35%                                  | 47%  | 38%  | 45%  | 27%                             | 33%  | 28%  | 29%  | 16%                              | 20%  | 22%  | 18%  | 31%                                             | 34%  | 23%  | 36%  |
| Scotland            | 59%                              | 57%  | 59%  | 58%  | 5%                                | 11%  | 10%  | 11%  | 48%                                  | 46%  | 48%  | 34%  | 30%                             | 27%  | 34%  | 35%  | 23%                              | 19%  | 24%  | 16%  | 24%                                             | 27%  | 36%  | 30%  |
| Wales               | 69%                              | 51%  | 54%  | 49%  | 3%                                | 5%   | 8%   | 9%   | 43%                                  | 47%  | 46%  | 34%  | 29%                             | 28%  | 23%  | 28%  | 23%                              | 23%  | 30%  | 23%  | 28%                                             | 31%  | 26%  | 32%  |
| Northern Ireland    | 58%                              | 69%  | 56%  | 56%  | 10%                               | 6%   | 19%  | 6%   | 35%                                  | 43%  | 53%  | 36%  | 35%                             | 26%  | 28%  | 19%  | 11%                              | 26%  | 32%  | 19%  | 31%                                             | 29%  | 49%  | 40%  |
|                     |                                  |      |      |      |                                   |      |      |      |                                      |      |      |      |                                 |      |      |      |                                  |      |      |      |                                                 |      |      |      |
| Micro               | 52%                              | 51%  | 52%  | 48%  | 6%                                | 6%   | 8%   | 7%   | 34%                                  | 35%  | 36%  | 32%  | 29%                             | 23%  | 27%  | 27%  | 17%                              | 20%  | 23%  | 15%  | 29%                                             | 31%  | 35%  | 28%  |
| Small               | 55%                              | 58%  | 56%  | 52%  | 8%                                | 8%   | 11%  | 8%   | 41%                                  | 47%  | 45%  | 43%  | 31%                             | 32%  | 32%  | 28%  | 20%                              | 24%  | 26%  | 23%  | 32%                                             | 35%  | 37%  | 38%  |
| Medium              | 63%                              | 73%  | 56%  | 50%  | 21%                               | 15%  | 16%  | 15%  | 40%                                  | 50%  | 56%  | 49%  | 37%                             | 38%  | 42%  | 39%  | 33%                              | 34%  | 36%  | 35%  | 39%                                             | 36%  | 40%  | 41%  |
| Large               | 66%                              | 79%  | 52%  | 54%  | 24%                               | 23%  | 18%  | 18%  | 50%                                  | 56%  | 50%  | 50%  | 31%                             | 44%  | 51%  | 43%  | 43%                              | 43%  | 42%  | 42%  | 44%                                             | 43%  | 49%  | 49%  |
|                     |                                  |      |      |      |                                   |      |      |      |                                      |      |      |      |                                 |      |      |      |                                  |      |      |      |                                                 |      |      |      |
| Primary             | 69%                              | 71%  | 69%  | 55%  | 7%                                | 9%   | 10%  | 10%  | 41%                                  | 42%  | 41%  | 28%  | 17%                             | 19%  | 24%  | 25%  | 14%                              | 14%  | 25%  | 20%  | 29%                                             | 29%  | 38%  | 31%  |
| Manufacturing       | 58%                              | 65%  | 59%  | 64%  | 7%                                | 8%   | 12%  | 8%   | 34%                                  | 37%  | 42%  | 35%  | 39%                             | 41%  | 39%  | 45%  | 23%                              | 21%  | 27%  | 27%  | 35%                                             | 37%  | 40%  | 38%  |
| Construction        | 51%                              | 58%  | 52%  | 53%  | 5%                                | 6%   | 7%   | 8%   | 38%                                  | 46%  | 41%  | 43%  | 20%                             | 24%  | 26%  | 22%  | 11%                              | 20%  | 22%  | 14%  | 21%                                             | 29%  | 37%  | 27%  |
| Retail/Distribution | 49%                              | 59%  | 44%  | 38%  | 5%                                | 12%  | 13%  | 11%  | 34%                                  | 34%  | 32%  | 27%  | 32%                             | 25%  | 29%  | 26%  | 20%                              | 23%  | 28%  | 20%  | 28%                                             | 32%  | 37%  | 32%  |

|                   | Machinery/equipment/<br>software |      |      |      | Investment in<br>patent/licensing |      |      |      | Investment in innovation<br>training |      |      |      | Investment in product<br>design |      |      |      | Investment in market<br>research |      |      |      | Developing new market<br>relationships/channels |      |      |      |
|-------------------|----------------------------------|------|------|------|-----------------------------------|------|------|------|--------------------------------------|------|------|------|---------------------------------|------|------|------|----------------------------------|------|------|------|-------------------------------------------------|------|------|------|
|                   | 2023                             | 2024 | 2025 | 2026 | 2023                              | 2024 | 2025 | 2026 | 2023                                 | 2024 | 2025 | 2026 | 2023                            | 2024 | 2025 | 2026 | 2023                             | 2024 | 2025 | 2026 | 2023                                            | 2024 | 2025 | 2026 |
| Transport/Storage | 51%                              | 57%  | 64%  | 64%  | 4%                                | 7%   | 10%  | 3%   | 32%                                  | 42%  | 43%  | 40%  | 23%                             | 21%  | 27%  | 25%  | 17%                              | 20%  | 12%  | 20%  | 29%                                             | 23%  | 33%  | 35%  |
| Hotel/Catering    | 57%                              | 56%  | 57%  | 54%  | 11%                               | 5%   | 3%   | 5%   | 48%                                  | 40%  | 39%  | 41%  | 26%                             | 33%  | 22%  | 31%  | 20%                              | 24%  | 22%  | 22%  | 34%                                             | 28%  | 28%  | 31%  |
| Finance           | 47%                              | 47%  | 49%  | 47%  | 7%                                | 10%  | 11%  | 10%  | 38%                                  | 49%  | 43%  | 46%  | 28%                             | 23%  | 33%  | 31%  | 20%                              | 23%  | 28%  | 23%  | 35%                                             | 43%  | 39%  | 39%  |
| Business Services | 59%                              | 52%  | 56%  | 52%  | 10%                               | 8%   | 13%  | 7%   | 37%                                  | 41%  | 44%  | 40%  | 38%                             | 29%  | 33%  | 33%  | 20%                              | 23%  | 26%  | 21%  | 41%                                             | 37%  | 35%  | 38%  |
| Other Services    | 52%                              | 52%  | 54%  | 48%  | 10%                               | 6%   | 10%  | 9%   | 38%                                  | 50%  | 49%  | 45%  | 30%                             | 28%  | 34%  | 22%  | 24%                              | 27%  | 28%  | 20%  | 26%                                             | 37%  | 39%  | 32%  |
|                   |                                  |      |      |      |                                   |      |      |      |                                      |      |      |      |                                 |      |      |      |                                  |      |      |      |                                                 |      |      |      |
| Non-Frontier      | 52%                              | 54%  | 53%  | 49%  | 6%                                | 7%   | 8%   | 8%   | 37%                                  | 40%  | 38%  | 37%  | 27%                             | 26%  | 26%  | 26%  | 17%                              | 20%  | 22%  | 18%  | 29%                                             | 30%  | 35%  | 31%  |
| Frontier          | 62%                              | 65%  | 56%  | 55%  | 14%                               | 12%  | 17%  | 11%  | 41%                                  | 51%  | 53%  | 44%  | 44%                             | 39%  | 46%  | 41%  | 32%                              | 33%  | 39%  | 33%  | 41%                                             | 46%  | 41%  | 45%  |

The ISNS 2026 asked UK firms about the types of training their businesses had invested in over the past year to support product or service changes. The most common forms of training investment were: 75% of innovating firms invested in job-related skills training, 57% in personal development training, and 58% in training for industry qualifications (Table 3.3).

**Table 3.3: Types of Innovation-Related Training Conducted in 2026 (% of innovating firms)**

|                                                                  | 2025 | 2026 |
|------------------------------------------------------------------|------|------|
| Specific job-related skills training                             | 78%  | 75%  |
| Compliance training on legal and regulatory requirements         | 58%  | 54%  |
| Leadership and management development                            | 45%  | 42%  |
| Personal development training                                    | 55%  | 57%  |
| Digital skills training                                          | 47%  | 51%  |
| Diversity and inclusion training                                 | 35%  | 31%  |
| Apprenticeship programmes                                        | 34%  | 32%  |
| Support for employees to gain industry-recognised qualifications | 55%  | 58%  |
| Commercial skills training (e.g. marketing, selling)             | 40%  | 33%  |

## 3.2 Funding innovation

The ISNS asks firms about their approach to funding their R&D and innovation activities. Overall, internal funding was the most common approach to funding innovation over the past four years (around 64% of innovating firms in 2026). The use of grants (10%) and government loans (6%) declined slightly in 2026, returning to levels similar to those observed in 2023 and 2024. The use of bank loans and equity finance remains above levels observed in 2023 and 2024, although the use of tax credits has declined marginally (9.0%) (Table 3.4).

**Table 3.4: Funding of R&D and innovation in the year before the survey (% firms)**  
**(N, Year 2023=987, N, Year 2024 = 954; N Y 2025 = 1009, N Y 2026=962)**

|              | INTERNAL |      |      |      | GRANTS |      |      |      | GOVERNMENT LOANS |      |      |      | BANK LOANS |      |      |      | EQUITY FINANCE |      |      |      | R&D TAX CREDITS |      |      |      |
|--------------|----------|------|------|------|--------|------|------|------|------------------|------|------|------|------------|------|------|------|----------------|------|------|------|-----------------|------|------|------|
|              | 2023     | 2024 | 2025 | 2026 | 2023   | 2024 | 2025 | 2026 | 2023             | 2024 | 2025 | 2026 | 2023       | 2024 | 2025 | 2026 | 2023           | 2024 | 2025 | 2026 | 2023            | 2024 | 2025 | 2026 |
| UK Average   | 66       | 69   | 67   | 64   | 8      | 10   | 12   | 10   | 7                | 6    | 11   | 6    | 8          | 7    | 14   | 12   | 4              | 3    | 11   | 5    | 12              | 12   | 11   | 9    |
|              |          |      |      |      |        |      |      |      |                  |      |      |      |            |      |      |      |                |      |      |      |                 |      |      |      |
| Micro        | 74       | 66   | 62   | 69   | 8      | 4    | 12   | 5    | 5                | 0    | 12   | 2    | 10         | 5    | 16   | 9    | 3              | 1    | 14   | 3    | 13              | 12   | 11   | 7    |
| Small        | 63       | 73   | 73   | 60   | 7      | 13   | 11   | 11   | 8                | 8    | 11   | 8    | 5          | 7    | 9    | 12   | 4              | 3    | 7    | 5    | 11              | 12   | 11   | 9    |
| Medium       | 56       | 63   | 65   | 63   | 9      | 16   | 21   | 29   | 6                | 14   | 9    | 13   | 23         | 10   | 25   | 22   | 10             | 13   | 12   | 18   | 16              | 15   | 9    | 21   |
| Large        | 61       | 60   | 70   | 55   | 18     | 18   | 19   | 15   | 22               | 17   | 14   | 10   | 19         | 12   | 25   | 15   | 17             | 12   | 19   | 19   | 15              | 9    | 10   | 9    |
|              |          |      |      |      |        |      |      |      |                  |      |      |      |            |      |      |      |                |      |      |      |                 |      |      |      |
| Non-Frontier | 67       | 68   | 72   | 62   | 8      | 7    | 8    | 7    | 7                | 5    | 9    | 6    | 7          | 5    | 8    | 12   | 3              | 2    | 9    | 5    | 11              | 9    | 10   | 7    |
| Frontier     | 65       | 74   | 57   | 71   | 8      | 16   | 21   | 20   | 7                | 7    | 15   | 4    | 12         | 11   | 27   | 10   | 7              | 7    | 15   | 6    | 15              | 21   | 13   | 16   |

Notes: Due to interview restrictions, only half of the survey respondents were asked this question, so sectoral and regional sample sizes here are small. Sectoral and regional results are therefore not reported. As firms could use more than one source of finance, the totals do not add to 100.

Among firms reporting the use of external finance for their innovation activities, the proportion experiencing financial constraints fell marginally to 29% in 2026, slightly above the levels observed in 2023 and 2024 (both 28%) (Table 3.5).

**Table 3.5: Proportion of Firms Experiencing R&D Constraints due to Funding**  
(N, Year 2023=987, N, Year 2024 = 954; N Y 2025 = 1009, N Y 2026=962)

|                | 2023 | 2024 | 2025 | 2026 |
|----------------|------|------|------|------|
| UK Average     | 28%  | 28%  | 34%  | 29%  |
|                |      |      |      |      |
| Micro          | 30%  | 24%  | 34%  | 22%  |
| Small          | 24%  | 31%  | 35%  | 34%  |
| Medium         | 40%  | 36%  | 34%  | 43%  |
| Large          | 45%  | 39%  | 24%  | 26%  |
|                |      |      |      |      |
| Non-Frontier   | 28%  | 29%  | 30%  | 30%  |
| Frontier       | 29%  | 28%  | 42%  | 28%  |
|                |      |      |      |      |
| Non-Innovators | 28%  | 19%  | 22%  | 22%  |
| Innovators     | 28%  | 30%  | 36%  | 31%  |

As a follow-up question, the ISNS also asked which sources of funding restrict firms' R&D activities. This is a relatively small group of firms within the overall sample, but in 2026 businesses reported fewer constraints from internal funding (2025, 62%; 2026, 44%), grant funding (2025, 44%; 2026, 34%) and bank funding (2025, 32%; 2026, 23%). Other constraints were similarly common in 2025 and 2026 (equity, R&D tax credits) (Table 3.6).

**Table 3.6: Sources of Funding Restrict R&D**  
**(N, Year 2023=155, N, Year 2024 = 190, N Y 2025 = 192, N Y 2026=200)**

|                | INTERNAL |      |      |      | GRANTS |      |      |      | GOVERNMENT LOANS |      |      |      | BANK LOANS |      |      |      | EQUITY FINANCE |      |      |      | R&D TAX RELIEF (2023/ R&D TAX CREDITS (2024, 2025)) |      |      |      |
|----------------|----------|------|------|------|--------|------|------|------|------------------|------|------|------|------------|------|------|------|----------------|------|------|------|-----------------------------------------------------|------|------|------|
|                | 2023     | 2024 | 2025 | 2026 | 2023   | 2024 | 2025 | 2026 | 2023             | 2024 | 2025 | 2026 | 2023       | 2024 | 2025 | 2026 | 2023           | 2024 | 2025 | 2026 | 2023                                                | 2024 | 2025 | 2026 |
| UK Average     | 57%      | 63%  | 61%  | 44%  | 31%    | 40%  | 44%  | 34%  | 13%              | 20%  | 32%  | 25%  | 17%        | 15%  | 32%  | 23%  | 4%             | 18%  | 18%  | 14%  | 6%                                                  | 11%  | 10%  | 10%  |
| Micro          | 68%      | 64%  | 62%  | 48%  | 23%    | 53%  | 56%  | 34%  | 14%              | 14%  | 29%  | 22%  | 11%        | 22%  | 40%  | 16%  | 0%             | 21%  | 21%  | 11%  | 5%                                                  | 6%   | 9%   | 8%   |
| Small          | 53%      | 67%  | 64%  | 41%  | 38%    | 36%  | 29%  | 32%  | 12%              | 24%  | 38%  | 28%  | 15%        | 9%   | 24%  | 25%  | 5%             | 15%  | 11%  | 14%  | 5%                                                  | 13%  | 12%  | 12%  |
| Medium         | 38%      | 44%  | 51%  | 49%  | 31%    | 25%  | 47%  | 39%  | 11%              | 15%  | 23%  | 24%  | 39%        | 21%  | 24%  | 27%  | 5%             | 23%  | 25%  | 24%  | 7%                                                  | 18%  | 6%   | 10%  |
| Large          | 60%      | 54%  | 46%  | 51%  | 27%    | 13%  | 48%  | 45%  | 31%              | 43%  | 12%  | 18%  | 34%        | 18%  | 40%  | 40%  | 24%            | 5%   | 34%  | 28%  | 15%                                                 | 13%  | 35%  | 8%   |
| Non-Frontier   | 62%      | 71%  | 59%  | 43%  | 29%    | 40%  | 32%  | 34%  | 15%              | 22%  | 32%  | 25%  | 15%        | 16%  | 28%  | 23%  | 2%             | 15%  | 15%  | 8%   | 5%                                                  | 12%  | 9%   | 8%   |
| Frontier       | 46%      | 44%  | 67%  | 49%  | 36%    | 40%  | 58%  | 34%  | 8%               | 16%  | 34%  | 26%  | 21%        | 13%  | 39%  | 24%  | 8%             | 24%  | 22%  | 35%  | 8%                                                  | 9%   | 13%  | 17%  |
| Non-Innovators | 49%      | 52%  | 53%  | 50%  | 10%    | 54%  | 45%  | 27%  | 6%               | 42%  | 40%  | 10%  | 15%        | 17%  | 23%  | 21%  | 1%             | 35%  | 1%   | 5%   | 1%                                                  | 14%  | 8%   | 13%  |
| Innovators     | 59%      | 64%  | 63%  | 44%  | 35%    | 38%  | 44%  | 35%  | 15%              | 17%  | 31%  | 27%  | 17%        | 15%  | 33%  | 23%  | 4%             | 15%  | 19%  | 16%  | 6%                                                  | 10%  | 11%  | 10%  |

Overall, the proportion of UK firms seeking external finance fell slightly in 2026 (Table 3.7). 21% of firms reported seeking external funding in 2026, compared with 24% in 2025. Notably, the need for external finance increased more markedly among larger and frontier firms.

**Table 3.7: Proportion of Firms Seeking External Funding**  
(N, Year 2023=1,001, N, Year 2024 = 1,013; N Y 2025 - 998, n Y 2026=1024)

|              | 2023 | 2024 | 2025 | 2026 |
|--------------|------|------|------|------|
| UK Average   | 19%  | 21%  | 24%  | 21%  |
|              |      |      |      |      |
| Micro        | 19%  | 17%  | 23%  | 15%  |
| Small        | 17%  | 22%  | 22%  | 23%  |
| Medium       | 33%  | 32%  | 36%  | 40%  |
| Large        | 33%  | 33%  | 40%  | 33%  |
|              |      |      |      |      |
| Non-Frontier | 18%  | 18%  | 21%  | 20%  |
| Frontier     | 23%  | 28%  | 31%  | 26%  |
|              |      |      |      |      |
| Non-Exporter | 15%  | 18%  | 17%  | 15%  |
| Exporter     | 26%  | 25%  | 36%  | 33%  |

Notes: Due to interview restrictions, only half of the survey respondents were asked this question, so sectoral and regional sample sizes here are small. Sectoral and regional results are therefore not reported.

For firms that reported seeking external funding, additional questions were asked about the types of finance pursued over the past year. Comparing 2025 and 2026, bank loans remained the most popular source of external funding (Table 3.8). In 2026, 60% of firms seeking external funding used bank loans, down from 72% in 2025 but similar to the level observed in 2024. This was followed by other sources of external finance, including equity finance (30% in 2026), grants from government or local authorities (28%), Innovate UK grants or loans (24%), and peer-to-peer lending (10%) (Table 3.8).

**Table 3.8: Types of Sources of External Funding**  
**(N, Year 2024 = 235; N Y 2025 = 277, N Y 2026=263)**

|                | EQUITY FINANCE |      |      | BANK LOAN |      |      | PEER TO PEER LOAN |      |      | INNOVATE UK GRANTS OR LOANS |      |      | OTHER GOVERNMENT/ LOCAL AUTHORITIES GRANTS |      |      | OTHER TYPES OF FINANCE |      |      |
|----------------|----------------|------|------|-----------|------|------|-------------------|------|------|-----------------------------|------|------|--------------------------------------------|------|------|------------------------|------|------|
|                | 2024           | 2025 | 2026 | 2024      | 2025 | 2026 | 2024              | 2025 | 2026 | 2024                        | 2025 | 2026 | 2024                                       | 2025 | 2026 | 2024                   | 2025 | 2026 |
| UK Average     | 25%            | 31%  | 29%  | 58%       | 72%  | 60%  | 8%                | 20%  | 10%  | 18%                         | 25%  | 24%  | 35%                                        | 26%  | 28%  | 6%                     | 7%   | 18%  |
|                |                |      |      |           |      |      |                   |      |      |                             |      |      |                                            |      |      |                        |      |      |
| Micro          | 17%            | 30%  | 27%  | 74%       | 85%  | 64%  | 9%                | 22%  | 6%   | 13%                         | 28%  | 7%   | 32%                                        | 20%  | 31%  | 6%                     | 8%   | 22%  |
| Small          | 28%            | 29%  | 25%  | 51%       | 57%  | 61%  | 7%                | 21%  | 12%  | 18%                         | 22%  | 31%  | 38%                                        | 36%  | 25%  | 3%                     | 7%   | 16%  |
| Medium         | 30%            | 33%  | 45%  | 44%       | 60%  | 44%  | 8%                | 11%  | 16%  | 34%                         | 21%  | 44%  | 28%                                        | 23%  | 33%  | 14%                    | 7%   | 14%  |
| Large          | 27%            | 50%  | 45%  | 46%       | 55%  | 60%  | 11%               | 3%   | 23%  | 28%                         | 34%  | 36%  | 39%                                        | 18%  | 7%   | 6%                     | 7%   | 0%   |
|                |                |      |      |           |      |      |                   |      |      |                             |      |      |                                            |      |      |                        |      |      |
| Non-Frontier   | 15%            | 20%  | 29%  | 65%       | 71%  | 62%  | 6%                | 15%  | 10%  | 14%                         | 18%  | 22%  | 42%                                        | 31%  | 30%  | 6%                     | 9%   | 20%  |
| Frontier       | 46%            | 50%  | 31%  | 44%       | 75%  | 54%  | 12%               | 30%  | 13%  | 27%                         | 39%  | 28%  | 19%                                        | 17%  | 20%  | 5%                     | 5%   | 9%   |
|                |                |      |      |           |      |      |                   |      |      |                             |      |      |                                            |      |      |                        |      |      |
| Non-Innovators | 20%            | 6%   | 18%  | 68%       | 71%  | 65%  | 6%                | 1%   | 4%   | 15%                         | 9%   | 11%  | 35%                                        | 41%  | 29%  | 8%                     | 10%  | 32%  |
| Innovators     | 27%            | 40%  | 33%  | 54%       | 72%  | 59%  | 9%                | 28%  | 13%  | 20%                         | 32%  | 28%  | 34%                                        | 21%  | 27%  | 4%                     | 6%   | 13%  |

Notes: The ISNS 2023 question listed different options for sources of external funding; therefore, we report only the 2024-2026 data for a consistent comparison. Non-innovators are those firms that report not having undertaken product/service innovation in the last 12 months.

### 3.3 Collaboration Activity

The ISNS asked firms whether they collaborate with other organisations as part of their efforts to develop new products, services, processes, or organisational practices. If they answered yes, they were then asked to specify the types of partners they had worked with over the past year.

The proportion of firms working with external partners remained similar in 2025 (42%) and 2026 (41%) (Table 3.9). This stability was also evident across firm size bands and between frontier and non-frontier firms. More variation is evident in regional and sectoral collaboration patterns, although this may reflect smaller response numbers in the different categories.

**Table 3.9: Collaboration with External Partners for Innovation**  
(N, Y 2023 = 2,018; N, Y 2024 = 2,000; N Y = 2,020, N Y 2026=2,037)

|                     | 2023 | 2024 | 2025 | 2026 |
|---------------------|------|------|------|------|
| UK Average          | 40%  | 39%  | 42%  | 41%  |
| North East          | 46%  | 39%  | 36%  | 60%  |
| North West          | 48%  | 43%  | 44%  | 32%  |
| Yorks & Humber      | 39%  | 25%  | 38%  | 36%  |
| East Midlands       | 37%  | 42%  | 40%  | 43%  |
| West Midlands       | 50%  | 32%  | 39%  | 39%  |
| East of England     | 40%  | 31%  | 36%  | 35%  |
| London              | 45%  | 51%  | 45%  | 54%  |
| South East          | 36%  | 39%  | 42%  | 35%  |
| South West          | 36%  | 44%  | 36%  | 43%  |
| Scotland            | 40%  | 35%  | 51%  | 39%  |
| Wales               | 31%  | 33%  | 34%  | 34%  |
| Northern Ireland    | 36%  | 37%  | 56%  | 42%  |
| Micro               | 38%  | 35%  | 38%  | 33%  |
| Small               | 41%  | 41%  | 43%  | 47%  |
| Medium              | 53%  | 51%  | 57%  | 59%  |
| Large               | 63%  | 67%  | 63%  | 64%  |
| Primary             | 40%  | 47%  | 42%  | 50%  |
| Manufacturing       | 43%  | 39%  | 43%  | 47%  |
| Construction        | 25%  | 37%  | 35%  | 35%  |
| Retail/Distribution | 33%  | 40%  | 40%  | 39%  |
| Transport/Storage   | 32%  | 31%  | 39%  | 34%  |
| Hotel/Catering      | 36%  | 34%  | 29%  | 37%  |
| Finance             | 54%  | 48%  | 55%  | 49%  |
| Business Services   | 48%  | 43%  | 45%  | 44%  |
| Other Services      | 49%  | 38%  | 51%  | 42%  |
| Non-Frontier        | 38%  | 35%  | 39%  | 39%  |
| Frontier            | 49%  | 52%  | 53%  | 50%  |

Consistent with earlier ISNS findings, evidence for 2026 shows that firms are most likely to collaborate with supply chain partners, namely suppliers, customers, and other businesses (Table 3.10). Overall, collaboration patterns in 2026 reflect those of earlier years (2023 and 2024), although collaboration with universities and business support providers has tended to increase over the four years of the ISNS (Table 3.10).

**Table 3.10: Collaboration profile by type of firm (N, Year 2023=890, N, Year 2024 = 868; N Y 2025 = 913, N Y 2026=919)**

|                  | SUPPLIERS |         |         |         | CLIENTS/<br>CUSTOMERS |         |         |         | OTHER<br>BUSINESSES |         |         |         | ACCELERATORS |         |         |         | TECHNOLOGY<br>HUBS/<br>INNOVATION<br>CENTRES |         |         |         | CONSULTANTS |         |         |         | UNIVERSITIES |         |         |         | GOVERNMENT/<br>PUBLIC<br>RESEARCH<br>INSTITUTES |         |         |         | BUSINESS<br>SUPPORT<br>PROVIDERS |         |         |         |
|------------------|-----------|---------|---------|---------|-----------------------|---------|---------|---------|---------------------|---------|---------|---------|--------------|---------|---------|---------|----------------------------------------------|---------|---------|---------|-------------|---------|---------|---------|--------------|---------|---------|---------|-------------------------------------------------|---------|---------|---------|----------------------------------|---------|---------|---------|
|                  | 2023      | 2024    | 2025    | 2026    | 2023                  | 2024    | 2025    | 2026    | 2023                | 2024    | 2025    | 2026    | 2023         | 2024    | 2025    | 2026    | 2023                                         | 2024    | 2025    | 2026    | 2023        | 2024    | 2025    | 2026    | 2023         | 2024    | 2025    | 2026    | 2023                                            | 2024    | 2025    | 2026    | 2023                             | 2024    | 2025    | 2026    |
| UK<br>Average    | 44<br>%   | 43<br>% | 39<br>% | 47<br>% | 26<br>%               | 30<br>% | 25<br>% | 29<br>% | 40<br>%             | 39<br>% | 42<br>% | 46<br>% | 5<br>%       | 4<br>%  | 9<br>%  | 6<br>%  | 12<br>%                                      | 13<br>% | 22<br>% | 11<br>% | 18<br>%     | 17<br>% | 23<br>% | 18<br>% | 7<br>%       | 10<br>% | 15<br>% | 13<br>% | 9<br>%                                          | 9<br>%  | 11<br>% | 8<br>%  | 6<br>%                           | 10<br>% | 13<br>% | 14<br>% |
|                  |           |         |         |         |                       |         |         |         |                     |         |         |         |              |         |         |         |                                              |         |         |         |             |         |         |         |              |         |         |         |                                                 |         |         |         |                                  |         |         |         |
| Micro            | 46<br>%   | 41<br>% | 38<br>% | 47<br>% | 26<br>%               | 25<br>% | 22<br>% | 27<br>% | 37<br>%             | 46<br>% | 37<br>% | 48<br>% | 3<br>%       | 0<br>%  | 11<br>% | 6<br>%  | 9<br>%                                       | 10<br>% | 26<br>% | 8<br>%  | 16<br>%     | 13<br>% | 21<br>% | 14<br>% | 4<br>%       | 9<br>%  | 14<br>% | 10<br>% | 8<br>%                                          | 6<br>%  | 11<br>% | 6<br>%  | 2<br>%                           | 9<br>%  | 14<br>% | 11<br>% |
| Small            | 41<br>%   | 43<br>% | 38<br>% | 49<br>% | 23<br>%               | 33<br>% | 28<br>% | 29<br>% | 43<br>%             | 35<br>% | 51<br>% | 49<br>% | 5<br>%       | 5<br>%  | 7<br>%  | 4<br>%  | 12<br>%                                      | 12<br>% | 16<br>% | 11<br>% | 18<br>%     | 17<br>% | 23<br>% | 18<br>% | 8<br>%       | 7<br>%  | 13<br>% | 13<br>% | 10<br>%                                         | 10<br>% | 10<br>% | 10<br>% | 7<br>%                           | 10<br>% | 11<br>% | 14<br>% |
| Medium           | 47<br>%   | 51<br>% | 50<br>% | 42<br>% | 43<br>%               | 36<br>% | 26<br>% | 37<br>% | 36<br>%             | 35<br>% | 34<br>% | 33<br>% | 14<br>%      | 13<br>% | 9<br>%  | 10<br>% | 25<br>%                                      | 25<br>% | 21<br>% | 24<br>% | 20<br>%     | 24<br>% | 32<br>% | 27<br>% | 11<br>%      | 21<br>% | 27<br>% | 23<br>% | 12<br>%                                         | 16<br>% | 14<br>% | 5<br>%  | 20<br>%                          | 13<br>% | 20<br>% | 21<br>% |
| Large            | 53<br>%   | 56<br>% | 50<br>% | 51<br>% | 30<br>%               | 44<br>% | 32<br>% | 31<br>% | 23<br>%             | 23<br>% | 23<br>% | 31<br>% | 18<br>%      | 19<br>% | 14<br>% | 10<br>% | 25<br>%                                      | 29<br>% | 38<br>% | 23<br>% | 37<br>%     | 44<br>% | 35<br>% | 29<br>% | 22<br>%      | 26<br>% | 20<br>% | 20<br>% | 13<br>%                                         | 16<br>% | 13<br>% | 16<br>% | 22<br>%                          | 17<br>% | 21<br>% | 25<br>% |
|                  |           |         |         |         |                       |         |         |         |                     |         |         |         |              |         |         |         |                                              |         |         |         |             |         |         |         |              |         |         |         |                                                 |         |         |         |                                  |         |         |         |
| Non-<br>Frontier | 44<br>%   | 45<br>% | 36<br>% | 45<br>% | 26<br>%               | 30<br>% | 23<br>% | 28<br>% | 38<br>%             | 41<br>% | 46<br>% | 48<br>% | 3<br>%       | 2<br>%  | 8<br>%  | 5<br>%  | 12<br>%                                      | 10<br>% | 16<br>% | 10<br>% | 16<br>%     | 16<br>% | 21<br>% | 17<br>% | 4<br>%       | 6<br>%  | 13<br>% | 12<br>% | 9<br>%                                          | 8<br>%  | 9<br>%  | 7<br>%  | 6<br>%                           | 10<br>% | 13<br>% | 12<br>% |
| Frontier         | 43<br>%   | 38<br>% | 47<br>% | 55<br>% | 26<br>%               | 29<br>% | 31<br>% | 30<br>% | 42<br>%             | 35<br>% | 34<br>% | 43<br>% | 12<br>%      | 8<br>%  | 13<br>% | 10<br>% | 13<br>%                                      | 19<br>% | 35<br>% | 16<br>% | 23<br>%     | 18<br>% | 28<br>% | 23<br>% | 13<br>%      | 17<br>% | 20<br>% | 17<br>% | 11<br>%                                         | 12<br>% | 15<br>% | 12<br>% | 7<br>%                           | 10<br>% | 15<br>% | 22<br>% |

Notes: The question was only asked for those firms that collaborated with any external partners to help with product/service development or organisational development in the last year. Due to that there are smaller number of observations. Sectoral and regional sample sizes here are small and, therefore, are not reported.

Based on the different types of collaboration partners, we constructed a 'count' variable called breadth of collaboration, which represents the total number of partner types each firm engaged with (Table 3.11). On average, the number of partner types per firm fell slightly, from 2.0 in 2025 to 1.9 in 2026. As in previous years, the breadth of collaboration was higher among larger and frontier firms (Table 3.11).

**Table 3.11: Breadth of Collaboration (Max 9)**  
(N, Year 2023=1,001, N, Year 2024 = 1,013; N Y 2025 = 913, N Y 2026=919)

|              | 2023 | 2024 | 2025 | 2026 |
|--------------|------|------|------|------|
| UK Average   | 1.7  | 1.7  | 2.0  | 1.9  |
|              |      |      |      |      |
| Micro        | 1.5  | 1.6  | 1.9  | 1.8  |
| Small        | 1.7  | 1.7  | 2.0  | 2.0  |
| Medium       | 2.3  | 2.3  | 2.3  | 2.2  |
| Large        | 2.4  | 2.7  | 2.5  | 2.4  |
|              |      |      |      |      |
| Non-Frontier | 1.6  | 1.7  | 1.8  | 1.8  |
| Frontier     | 1.9  | 1.9  | 2.4  | 2.3  |

Notes: The question was only asked for those firms collaborate with any external partners to help with product/service development, or organizational development in the last year. Due to that there are smaller number of observations. Sectoral and regional sample sizes here are small and, therefore, are not reported.

### 3.4 Innovation Team and Leadership Diversity

In the ISNS, UK firms were asked to provide information on the size and composition of their innovation teams. The initial question was: *"How many people are involved in delivering or implementing changes to products or services in your organisation?"* Subsequent questions focused on team diversity, specifically the percentage of team members who were female (Table 3.12) and those from ethnic minority backgrounds (Table 3.13).

Overall, 45% of UK businesses' innovation team members were female in 2026, a slight rise from 43% in 2025. This proportion has been increasing consistently over the four years the ISNS has been running. Interestingly, the proportion of women in innovation teams is higher in micro-businesses (47% in 2026). Additionally, 29% of UK businesses' innovation teams in 2026 were from ethnic minority backgrounds. Again, this proportion has increased consistently over the last four years. Once again, ethnic minority representation is notably higher among micro-businesses (44% in 2026).

**Tab 3.12: Proportion of R&D and Innovation Teams which are Female**  
(N Y 2023 = 916; N Y 2023 = 837; N Y 2025= 887, N Y 2026=835)

|              | 2023 | 2024 | 2025 | 2026 |
|--------------|------|------|------|------|
| UK Average   | 37   | 41   | 43   | 45   |
|              |      |      |      |      |
| Micro        | 33   | 34   | 48   | 47   |
| Small        | 40   | 48   | 37   | 43   |
| Medium       | 41   | 43   | 42   | 47   |
| Large        | 38   | 39   | 42   | 39   |
|              |      |      |      |      |
| Non-Frontier | 36   | 41   | 44   | 45   |
| Frontier     | 40   | 43   | 39   | 47   |

Notes: Due to interview restrictions, only half of the survey respondents were asked this question, so sectoral and regional sample sizes here are small. Sectoral and regional results are therefore not reported. Due to different outliers handling approach, the results for 2023 and 2024 have changed compared with the previous year report.

**Table 3.13: Proportion of R&D and innovation team which are from ethnic minorities**  
(N Y 2023 = 916; N Y 20234 = 837; N Y 2025= 887, N Y 2026=835)

|              | 2023 | 2024 | 2025 | 2026 |
|--------------|------|------|------|------|
| UK Average   | 15   | 29   | 28   | 29   |
|              |      |      |      |      |
| Micro        | 15   | 34   | 38   | 44   |
| Small        | 15   | 27   | 23   | 18   |
| Medium       | 19   | 24   | 21   | 23   |
| Large        | 28   | 26   | 26   | 25   |
|              |      |      |      |      |
| Non-Frontier | 14   | 25   | 27   | 29   |
| Frontier     | 18   | 37   | 33   | 30   |

Notes: Due to interview restrictions, only half of the survey respondents were asked this question, so sectoral and regional sample sizes here are small. Sectoral and regional results are therefore not reported.

Connecting with innovation teams and focusing on diversity, the survey also includes questions on female and ethnic minority representation at the leadership level. To assess gender diversity, firms were asked, “How many of the people who manage the business are women?” Similarly, to measure ethnic diversity in leadership, they were asked, “How many of the people who manage the business are from ethnic minority groups?”

Table 3.14 reports the average proportion of the leadership team that is female. Overall, this proportion has increased marginally over the lifetime of the ISNS, reaching 39% in 2026. There is marked sectoral variation, with lower proportions of female leadership in manufacturing (27%) and higher proportions in other services (52%). Interestingly, female leadership is also marginally more common among non-frontier firms (40%).

Table 3.15 reports the average proportion of firms' leadership teams from ethnic minorities. Overall, this proportion has tended to increase over the four years of the ISNS, reaching 15% in 2026. Higher proportions of ethnic minority leadership are observed in larger firms, as well as in innovating and frontier firms. This pattern has been consistent throughout the four years of the ISNS.

**Table 3.14: Proportion of leadership team members who are female**  
(N, Y 2023 = 2,018; N, Y 2024 = 2,000; N Y 2025 = 2,020, N Y 2026=2,037)

|                     | 2023 | 2024 | 2025 | 2026 |
|---------------------|------|------|------|------|
| UK Average          | 38   | 38   | 41   | 39   |
|                     |      |      |      |      |
| North East          | 44   | 40   | 44   | 37   |
| North West          | 42   | 36   | 34   | 39   |
| Yorks & Humber      | 46   | 49   | 34   | 37   |
| East Midlands       | 35   | 41   | 43   | 40   |
| West Midlands       | 41   | 43   | 43   | 32   |
| East of England     | 39   | 33   | 40   | 40   |
| London              | 33   | 38   | 42   | 37   |
| South East          | 36   | 33   | 38   | 39   |
| South West          | 35   | 40   | 41   | 36   |
| Scotland            | 42   | 42   | 45   | 46   |
| Wales               | 44   | 41   | 45   | 39   |
| Northern Ireland    | 37   | 35   | 44   | 47   |
|                     |      |      |      |      |
| Micro               | 36   | 33   | 40   | 40   |
| Small               | 41   | 43   | 42   | 37   |
| Medium              | 37   | 43   | 42   | 41   |
| Large               | 39   | 40   | 41   | 38   |
|                     |      |      |      |      |
| Primary             | 28   | 29   | 36   | 33   |
| Manufacturing       | 28   | 28   | 28   | 27   |
| Construction        | 25   | 26   | 27   | 26   |
| Retail/Distribution | 36   | 33   | 34   | 34   |
| Transport/Storage   | 28   | 33   | 28   | 29   |
| Hotel/Catering      | 50   | 45   | 47   | 47   |
| Finance             | 40   | 32   | 32   | 33   |
| Business Services   | 30   | 34   | 39   | 37   |
| Other Services      | 53   | 54   | 58   | 52   |
|                     |      |      |      |      |
| Non-Frontier        | 37   | 39   | 41   | 40   |
| Frontier            | 40   | 36   | 41   | 37   |
|                     |      |      |      |      |
| Non-Innovators      | 37   | 37   | 39   | 38   |
| Innovators          | 39   | 39   | 42   | 40   |

**Table 3.15: Proportion of leadership team from ethnic minorities (%)**  
 (N, Y 2023 = 2,018; N, Y 2024 = 2,000; N Y 2025 = 2,020, N Y 2026=2,037)

|                     | 2023 | 2024 | 2025 | 2026 |
|---------------------|------|------|------|------|
| UK Average          | 12   | 13   | 16   | 15   |
|                     |      |      |      |      |
| North East          | 11   | 15   | 4    | 16   |
| North West          | 13   | 12   | 19   | 14   |
| Yorks & Humber      | 9    | 13   | 14   | 16   |
| East Midlands       | 7    | 10   | 16   | 10   |
| West Midlands       | 19   | 8    | 13   | 18   |
| East of England     | 10   | 14   | 8    | 17   |
| London              | 33   | 26   | 32   | 34   |
| South East          | 5    | 13   | 16   | 17   |
| South West          | 7    | 11   | 9    | 4    |
| Scotland            | 4    | 8    | 11   | 5    |
| Wales               | 5    | 8    | 14   | 14   |
| Northern Ireland    | 9    | 8    | 19   | 4    |
|                     |      |      |      |      |
| Micro               | 11   | 11   | 16   | 16   |
| Small               | 13   | 14   | 16   | 14   |
| Medium              | 18   | 20   | 20   | 19   |
| Large               | 22   | 21   | 22   | 23   |
|                     |      |      |      |      |
| Primary             | 1    | 5    | 8    | 9    |
| Manufacturing       | 6    | 8    | 10   | 10   |
| Construction        | 5    | 9    | 9    | 11   |
| Retail/Distribution | 11   | 11   | 20   | 13   |
| Transport/Storage   | 6    | 9    | 8    | 12   |
| Hotel/Catering      | 18   | 18   | 16   | 17   |
| Finance             | 12   | 16   | 17   | 19   |
| Business Services   | 13   | 10   | 14   | 12   |
| Other Services      | 18   | 19   | 22   | 24   |
|                     |      |      |      |      |
| Non-Frontier        | 11   | 11   | 14   | 15   |
| Frontier            | 17   | 19   | 23   | 19   |
|                     |      |      |      |      |
| Non-Innovators      | 37   | 37   | 39   | 38   |
| Innovators          | 39   | 39   | 42   | 40   |

### 3.5 External Support

In the ISNS, UK businesses were asked whether they had sought external business support. For firms that reported accessing external support, a follow-up question asked about the specific focus of that support, whether it was aimed at business growth, innovation, or another area of business performance.

Overall, the proportion of UK businesses seeking external advice fell marginally in 2026 (35%), down from 38% in 2025, returning to the level observed in 2023 and 2024 (Table 3.16). Advice is more commonly sought by larger and frontier firms, a pattern consistent across the four years of the ISNS.

Table 3.17 highlights the focus areas for external support. While the most commonly sought support continued to relate to business operations and growth, 2026 saw a 10% decline in the proportion of firms seeking assistance with digital technologies, bringing it to a level very similar to 2023 and 2024. Notably, the proportion of firms seeking support with net zero in 2026 (17%) was lower than in any of the earlier years of the ISNS. This decline in the need for external support for net zero was consistent across all size bands and across both frontier and non-frontier firms (Table 3.17).

**Table 3.16: Proportion of firms seeking external advice**  
 (N, Y 2023 = 2,018; N, Y 2024 = 2,000; N Y 2025 = 2,020, N Y 2026=2,037)

|                     | 2023 | 2024 | 2025 | 2026 |
|---------------------|------|------|------|------|
| UK Average          | 34%  | 35%  | 38%  | 35%  |
|                     |      |      |      |      |
| North East          | 32%  | 45%  | 43%  | 48%  |
| North West          | 38%  | 46%  | 42%  | 28%  |
| Yorks & Humber      | 33%  | 38%  | 26%  | 33%  |
| East Midlands       | 36%  | 35%  | 28%  | 32%  |
| West Midlands       | 40%  | 26%  | 47%  | 36%  |
| East of England     | 31%  | 33%  | 29%  | 22%  |
| London              | 41%  | 39%  | 41%  | 40%  |
| South East          | 30%  | 35%  | 37%  | 32%  |
| South West          | 33%  | 29%  | 40%  | 45%  |
| Scotland            | 36%  | 30%  | 40%  | 34%  |
| Wales               | 23%  | 23%  | 37%  | 36%  |
| Northern Ireland    | 37%  | 36%  | 43%  | 37%  |
|                     |      |      |      |      |
| Micro               | 30%  | 32%  | 35%  | 31%  |
| Small               | 36%  | 35%  | 38%  | 36%  |
| Medium              | 48%  | 45%  | 49%  | 51%  |
| Large               | 48%  | 53%  | 56%  | 48%  |
|                     |      |      |      |      |
| Primary             | 51%  | 49%  | 44%  | 50%  |
| Manufacturing       | 31%  | 30%  | 33%  | 37%  |
| Construction        | 21%  | 33%  | 30%  | 31%  |
| Retail/Distribution | 33%  | 33%  | 34%  | 33%  |
| Transport/Storage   | 21%  | 25%  | 30%  | 32%  |
| Hotel/Catering      | 37%  | 25%  | 33%  | 31%  |
| Finance             | 45%  | 45%  | 48%  | 46%  |
| Business Services   | 34%  | 38%  | 42%  | 40%  |
| Other Services      | 40%  | 40%  | 45%  | 34%  |
|                     |      |      |      |      |
| Non-Frontier        | 32%  | 33%  | 34%  | 34%  |
| Frontier            | 44%  | 39%  | 51%  | 42%  |

**Table 3.17: Percentage of firms seeking advice of different types**  
**(N, Y 2023 = 729, N, Y 2024 = 743, N Y 2025 = 791, N Y 2026=803)**

|              | Running the Business |      |      |      | Grow the Business |      |      |      | Digital Technologies |      |      |      | Net Zero |      |      |      | Product/ Service Changes |      |      |      |
|--------------|----------------------|------|------|------|-------------------|------|------|------|----------------------|------|------|------|----------|------|------|------|--------------------------|------|------|------|
|              | 2023                 | 2024 | 2025 | 2026 | 2023              | 2024 | 2025 | 2026 | 2023                 | 2024 | 2025 | 2026 | 2023     | 2024 | 2025 | 2026 | 2023                     | 2024 | 2025 | 2026 |
| UK Average   | 55%                  | 50%  | 50%  | 48%  | 50%               | 51%  | 52%  | 52%  | 41%                  | 41%  | 50%  | 40%  | 25%      | 23%  | 29%  | 17%  | 43%                      | 40%  | 48%  | 43%  |
|              |                      |      |      |      |                   |      |      |      |                      |      |      |      |          |      |      |      |                          |      |      |      |
| Micro        | 60%                  | 51%  | 48%  | 44%  | 48%               | 52%  | 57%  | 56%  | 39%                  | 40%  | 46%  | 38%  | 17%      | 20%  | 23%  | 11%  | 39%                      | 39%  | 43%  | 40%  |
| Small        | 54%                  | 51%  | 52%  | 52%  | 52%               | 52%  | 48%  | 47%  | 42%                  | 40%  | 54%  | 42%  | 28%      | 24%  | 32%  | 19%  | 42%                      | 39%  | 51%  | 44%  |
| Medium       | 42%                  | 45%  | 48%  | 49%  | 47%               | 43%  | 49%  | 49%  | 46%                  | 54%  | 54%  | 42%  | 32%      | 27%  | 42%  | 30%  | 58%                      | 46%  | 51%  | 49%  |
| Large        | 35%                  | 34%  | 40%  | 47%  | 46%               | 44%  | 64%  | 66%  | 44%                  | 45%  | 53%  | 51%  | 51%      | 46%  | 35%  | 26%  | 51%                      | 37%  | 56%  | 59%  |
|              |                      |      |      |      |                   |      |      |      |                      |      |      |      |          |      |      |      |                          |      |      |      |
| Non-Frontier | 55%                  | 52%  | 50%  | 48%  | 48%               | 49%  | 52%  | 53%  | 37%                  | 39%  | 51%  | 36%  | 21%      | 20%  | 23%  | 15%  | 40%                      | 39%  | 46%  | 41%  |
| Frontier     | 54%                  | 44%  | 48%  | 49%  | 54%               | 56%  | 53%  | 48%  | 50%                  | 47%  | 51%  | 55%  | 34%      | 34%  | 41%  | 23%  | 50%                      | 43%  | 52%  | 50%  |

Notes: The question was only asked for those sought external advice or information on matters affecting businesses. Due to that there are smaller number of observations. Sectoral and regional sample sizes here are small and, therefore, are not reported.

### 3.6 Digital Adoption

The ISNS 2025 and 2026 questionnaires include an additional question on businesses' adoption of advanced digital technologies, such as big data analytics, artificial intelligence (AI), cloud computing, 3D printing, the Internet of Things (IoT), and robotics. For firms that reported adopting any of these technologies, a follow-up question asked when they began using them. Overall, the findings highlight adoption trends in these technologies over the past few years.

In particular, artificial intelligence (AI) has seen notably high adoption rates during this period. The data also shows that large firms and frontier firms are among the highest adopters of these technologies, suggesting that firm size and innovation capacity may significantly influence the adoption of advanced digital tools. Some technologies are also reported to be more relevant to specific sectors than others. For example, 3D printing and robotics are more commonly employed in the manufacturing sector, while cloud computing is more relevant in the finance and business services sectors.

25% of UK businesses adopted big data analytics in 2026 (Table 3.18). Notably, adoption rates increased with firm size. For instance, 73% of large businesses in the UK adopted big data analytics, compared with 14% of micro businesses. Adoption is also higher among frontier firms, at 40%, compared with 22% among non-frontier firms. There are regional and sectoral variations. Notably, adoption is higher in finance. Additionally, regarding the timing of adoption, large firms are reported to be first movers, adopting big data analytics earlier, while micro businesses are reported to have adopted big data analytics more recently, over the last year (Table 3.19).

57% of businesses had adopted Artificial Intelligence (AI) in 2026, up from 46% a year earlier (Table 3.18). As expected, adoption rates increase with firm size. Notably, AI adoption among micro-businesses (54%) is more commonly reported than the use of big data analytics (14%). In terms of timing, the majority of firms began using AI within the past year (Table 3.19).

Unlike the sharp increase in AI adoption, adoption of other digital technologies – cloud computing, 3D printing, the internet of things and robotics – has remained broadly similar between 2025 and 2026. For example, in 2026, 57% of firms reported using cloud computing, compared with 60% in 2025. As with AI and big data analytics, adoption of cloud computing and related technologies is more common among larger firms and frontier firms.

Table 3.18: Digital adoption (N Y 2025 = 2,020, N Y 2026=2,037)

|                  | Big Data Analytics |      | AI   |      | Cloud Computing |      | 3D Printing |      | IoT  |      | Robotics |      |
|------------------|--------------------|------|------|------|-----------------|------|-------------|------|------|------|----------|------|
|                  | 2025               | 2026 | 2025 | 2026 | 2025            | 2026 | 2025        | 2026 | 2025 | 2026 | 2025     | 2026 |
| UK Average       | 30%                | 25%  | 46%  | 57%  | 60%             | 57%  | 23%         | 19%  | 40%  | 30%  | 13%      | 9%   |
|                  |                    |      |      |      |                 |      |             |      |      |      |          |      |
| North East       | 27%                | 41%  | 38%  | 60%  | 65%             | 67%  | 25%         | 26%  | 23%  | 40%  | 6%       | 8%   |
| North West       | 40%                | 22%  | 52%  | 59%  | 65%             | 60%  | 27%         | 17%  | 44%  | 27%  | 8%       | 8%   |
| Yorks & Humber   | 22%                | 23%  | 39%  | 47%  | 44%             | 45%  | 14%         | 15%  | 31%  | 37%  | 11%      | 12%  |
| East Midlands    | 23%                | 14%  | 44%  | 45%  | 61%             | 48%  | 24%         | 19%  | 44%  | 28%  | 9%       | 10%  |
| West Midlands    | 27%                | 27%  | 46%  | 61%  | 69%             | 60%  | 25%         | 20%  | 50%  | 44%  | 14%      | 9%   |
| East of England  | 16%                | 17%  | 40%  | 64%  | 64%             | 51%  | 17%         | 21%  | 33%  | 19%  | 10%      | 6%   |
| London           | 37%                | 39%  | 58%  | 67%  | 65%             | 68%  | 26%         | 24%  | 41%  | 34%  | 13%      | 12%  |
| South East       | 25%                | 18%  | 45%  | 58%  | 60%             | 58%  | 20%         | 17%  | 45%  | 24%  | 11%      | 6%   |
| South West       | 20%                | 22%  | 39%  | 54%  | 51%             | 61%  | 23%         | 25%  | 37%  | 29%  | 12%      | 10%  |
| Scotland         | 35%                | 25%  | 38%  | 59%  | 46%             | 57%  | 19%         | 15%  | 32%  | 40%  | 13%      | 7%   |
| Wales            | 35%                | 24%  | 45%  | 51%  | 58%             | 51%  | 25%         | 19%  | 24%  | 21%  | 18%      | 12%  |
| Northern Ireland | 46%                | 23%  | 51%  | 52%  | 66%             | 46%  | 26%         | 12%  | 58%  | 20%  | 22%      | 10%  |
|                  |                    |      |      |      |                 |      |             |      |      |      |          |      |
| Micro            | 22%                | 14%  | 41%  | 54%  | 57%             | 52%  | 20%         | 14%  | 34%  | 26%  | 11%      | 7%   |
| Small            | 34%                | 31%  | 49%  | 59%  | 60%             | 59%  | 24%         | 22%  | 43%  | 30%  | 13%      | 9%   |
| Medium           | 54%                | 50%  | 59%  | 69%  | 73%             | 70%  | 35%         | 39%  | 60%  | 44%  | 21%      | 20%  |
| Large            | 65%                | 73%  | 73%  | 79%  | 82%             | 85%  | 34%         | 40%  | 68%  | 71%  | 28%      | 29%  |
|                  |                    |      |      |      |                 |      |             |      |      |      |          |      |
| Primary          | 29%                | 30%  | 42%  | 49%  | 58%             | 56%  | 8%          | 20%  | 53%  | 41%  | 14%      | 19%  |
| Manufacturing    | 24%                | 22%  | 43%  | 54%  | 60%             | 61%  | 35%         | 33%  | 42%  | 35%  | 22%      | 17%  |

|                     | Big Data Analytics |      | AI   |      | Cloud Computing |      | 3D Printing |      | IoT  |      | Robotics |      |
|---------------------|--------------------|------|------|------|-----------------|------|-------------|------|------|------|----------|------|
|                     | 2025               | 2026 | 2025 | 2026 | 2025            | 2026 | 2025        | 2026 | 2025 | 2026 | 2025     | 2026 |
| Construction        | 17%                | 16%  | 36%  | 56%  | 62%             | 51%  | 16%         | 15%  | 38%  | 23%  | 9%       | 5%   |
| Retail/Distribution | 31%                | 24%  | 37%  | 52%  | 55%             | 53%  | 28%         | 18%  | 40%  | 30%  | 13%      | 9%   |
| Transport/Storage   | 21%                | 18%  | 41%  | 46%  | 55%             | 53%  | 11%         | 15%  | 30%  | 22%  | 9%       | 6%   |
| Hotel/Catering      | 29%                | 26%  | 42%  | 54%  | 43%             | 47%  | 14%         | 16%  | 26%  | 21%  | 6%       | 6%   |
| Finance             | 44%                | 40%  | 61%  | 74%  | 75%             | 64%  | 21%         | 19%  | 38%  | 35%  | 15%      | 12%  |
| Business Services   | 33%                | 30%  | 62%  | 70%  | 75%             | 70%  | 19%         | 20%  | 48%  | 34%  | 11%      | 10%  |
| Other Services      | 35%                | 24%  | 49%  | 56%  | 59%             | 56%  | 28%         | 19%  | 42%  | 31%  | 16%      | 8%   |
|                     |                    |      |      |      |                 |      |             |      |      |      |          |      |
| Non-Frontier        | 24%                | 22%  | 42%  | 55%  | 58%             | 56%  | 17%         | 18%  | 36%  | 28%  | 10%      | 8%   |
| Frontier            | 49%                | 39%  | 59%  | 68%  | 64%             | 62%  | 40%         | 28%  | 50%  | 39%  | 22%      | 16%  |

**Table 3.19: Time of adoption of big data analytics**

|              | Big Data Analytics |               |                       | AI                 |               |                       | Cloud Computing (N= 1,228) |               |                       | 3D Printing (N = 512) |               |                       | IoT (N= 694)       |               |                       | Robotics (N = 341) |               |                       |
|--------------|--------------------|---------------|-----------------------|--------------------|---------------|-----------------------|----------------------------|---------------|-----------------------|-----------------------|---------------|-----------------------|--------------------|---------------|-----------------------|--------------------|---------------|-----------------------|
|              | Over the Last Year | 2-3 Years Ago | More than 3 Years Ago | Over the Last Year | 2-3 Years Ago | More than 3 Years Ago | Over the Last Year         | 2-3 Years Ago | More than 3 Years Ago | Over the Last Year    | 2-3 Years Ago | More than 3 Years Ago | Over the Last Year | 2-3 Years Ago | More than 3 Years Ago | Over the Last Year | 2-3 Years Ago | More than 3 Years Ago |
| UK Average   | 39%                | 37%           | 32%                   | 68%                | 28%           | 6%                    | 27%                        | 34%           | 50%                   | 40%                   | 33%           | 29%                   | 45%                | 29%           | 45%                   | 24%                | 29%           | 24%                   |
|              |                    |               |                       |                    |               |                       |                            |               |                       |                       |               |                       |                    |               |                       |                    |               |                       |
| Micro        | 43%                | 31%           | 31%                   | 66%                | 28%           | 5%                    | 28%                        | 29%           | 52%                   | 42%                   | 21%           | 36%                   | 47%                | 27%           | 47%                   | 25%                | 22%           | 25%                   |
| Small        | 36%                | 40%           | 35%                   | 71%                | 28%           | 6%                    | 25%                        | 38%           | 49%                   | 39%                   | 41%           | 22%                   | 45%                | 28%           | 45%                   | 27%                | 35%           | 27%                   |
| Medium       | 43%                | 36%           | 25%                   | 64%                | 27%           | 9%                    | 27%                        | 38%           | 46%                   | 36%                   | 34%           | 30%                   | 33%                | 35%           | 33%                   | 17%                | 31%           | 17%                   |
| Large        | 34%                | 44%           | 41%                   | 63%                | 40%           | 13%                   | 31%                        | 56%           | 46%                   | 46%                   | 40%           | 33%                   | 50%                | 41%           | 50%                   | 26%                | 39%           | 26%                   |
|              |                    |               |                       |                    |               |                       |                            |               |                       |                       |               |                       |                    |               |                       |                    |               |                       |
| Non-Frontier | 37%                | 38%           | 34%                   | 70%                | 28%           | 5%                    | 26%                        | 34%           | 52%                   | 40%                   | 32%           | 27%                   | 45%                | 28%           | 45%                   | 25%                | 29%           | 25%                   |
| Frontier     | 44%                | 34%           | 30%                   | 61%                | 30%           | 11%                   | 29%                        | 36%           | 45%                   | 38%                   | 35%           | 33%                   | 45%                | 30%           | 45%                   | 21%                | 32%           | 21%                   |

## 4. Barriers to Innovation

### 4.1 Barriers encountered by innovating firms

Around half of innovating firms (46%) reported facing barriers to their innovation activity in 2026, a proportion that has remained relatively stable since 2023 (Table 4.1). Larger and frontier firms that are innovating are more likely to report barriers to their innovation than smaller and non-frontier firms, although there is some variability in this pattern (Table 4.1).

In 2026, the most common barrier reported by innovative firms was uncertain demand. This marks a shift from 2025, when the most common innovation barriers were a lack of finance (Table 4.2). This pattern was largely consistent across firm size bands, although it is notable that, for both micro-businesses and frontier firms, a lack of public funding for innovation was a more commonly reported barrier (Table 4.2).

**Table 4.1: Proportion of innovating firms experiencing barriers to their innovation**  
(N, Y 2023 = 1,204; N, Y 2024 = 1,185; N Y = 1, 224, N Y 2026=1267)

|              | 2023 | 2024 | 2025 | 2026 |
|--------------|------|------|------|------|
| UK Average   | 52%  | 44%  | 49%  | 46%  |
|              |      |      |      |      |
| Micro        | 54%  | 39%  | 50%  | 42%  |
| Small        | 49%  | 48%  | 47%  | 49%  |
| Medium       | 54%  | 48%  | 56%  | 53%  |
| Large        | 58%  | 52%  | 44%  | 48%  |
|              |      |      |      |      |
| Non-Frontier | 51%  | 41%  | 46%  | 43%  |
| Frontier     | 53%  | 52%  | 57%  | 54%  |

Notes: The question was only asked for those introduced any new products or services or made changes to the existing products over the last 12 months. Due to that there are smaller number of observations. Sectoral and regional sample sizes here are small and, therefore, are not reported.

**Table 4.2: Barriers to innovation: All UK innovating firms in 2026  
(N Y 2026 = 1267)**

|                  | Uncertain demand | Lack of internal finance | Lack of bank or equity finance | Lack of public funding | Lack of other public support e.g. advice & information | Lack of skills | Regulation or standards | International trade instability |
|------------------|------------------|--------------------------|--------------------------------|------------------------|--------------------------------------------------------|----------------|-------------------------|---------------------------------|
| UK Average       | 51%              | 37%                      | 35%                            | 45%                    | 33%                                                    | 28%            | 46%                     | 45%                             |
| North East       | 38%              | 52%                      | 49%                            | 44%                    | 36%                                                    | 35%            | 43%                     | 60%                             |
| North West       | 60%              | 40%                      | 36%                            | 34%                    | 18%                                                    | 52%            | 59%                     | 53%                             |
| Yorks & Humber   | 60%              | 40%                      | 41%                            | 56%                    | 44%                                                    | 20%            | 33%                     | 40%                             |
| East Midlands    | 41%              | 53%                      | 48%                            | 48%                    | 18%                                                    | 9%             | 36%                     | 31%                             |
| West Midlands    | 42%              | 21%                      | 36%                            | 35%                    | 39%                                                    | 35%            | 53%                     | 54%                             |
| East of England  | 59%              | 41%                      | 26%                            | 62%                    | 30%                                                    | 24%            | 30%                     | 41%                             |
| London           | 41%              | 43%                      | 33%                            | 54%                    | 35%                                                    | 19%            | 56%                     | 46%                             |
| South East       | 48%              | 17%                      | 15%                            | 36%                    | 21%                                                    | 19%            | 55%                     | 43%                             |
| South West       | 58%              | 37%                      | 37%                            | 37%                    | 40%                                                    | 31%            | 36%                     | 38%                             |
| Scotland         | 79%              | 34%                      | 45%                            | 69%                    | 33%                                                    | 33%            | 52%                     | 51%                             |
| Wales            | 29%              | 36%                      | 38%                            | 49%                    | 64%                                                    | 24%            | 43%                     | 36%                             |
| Northern Ireland | 59%              | 23%                      | 16%                            | 10%                    | 16%                                                    | 39%            | 42%                     | 37%                             |
| Micro            | 47%              | 42%                      | 39%                            | 51%                    | 33%                                                    | 20%            | 43%                     | 42%                             |
| Small            | 52%              | 33%                      | 31%                            | 39%                    | 31%                                                    | 31%            | 46%                     | 46%                             |
| Medium           | 60%              | 37%                      | 31%                            | 47%                    | 40%                                                    | 41%            | 58%                     | 53%                             |
| Large            | 50%              | 40%                      | 35%                            | 34%                    | 35%                                                    | 42%            | 66%                     | 45%                             |

|                     | Uncertain demand | Lack of internal finance | Lack of bank or equity finance | Lack of public funding | Lack of other public support e.g. advice & information | Lack of skills | Regulation or standards | International trade instability |
|---------------------|------------------|--------------------------|--------------------------------|------------------------|--------------------------------------------------------|----------------|-------------------------|---------------------------------|
| Primary             | 46%              | 46%                      | 41%                            | 39%                    | 37%                                                    | 29%            | 54%                     | 55%                             |
| Manufacturing       | 53%              | 38%                      | 29%                            | 32%                    | 27%                                                    | 30%            | 49%                     | 50%                             |
| Construction        | 48%              | 26%                      | 27%                            | 61%                    | 42%                                                    | 47%            | 57%                     | 54%                             |
| Retail/Distribution | 65%              | 33%                      | 36%                            | 37%                    | 32%                                                    | 31%            | 40%                     | 51%                             |
| Transport/Storage   | 42%              | 35%                      | 35%                            | 23%                    | 19%                                                    | 27%            | 61%                     | 46%                             |
| Hotel/Catering      | 54%              | 46%                      | 38%                            | 52%                    | 38%                                                    | 23%            | 47%                     | 54%                             |
| Finance             | 52%              | 36%                      | 49%                            | 41%                    | 42%                                                    | 31%            | 66%                     | 31%                             |
| Business Services   | 47%              | 31%                      | 24%                            | 37%                    | 26%                                                    | 25%            | 38%                     | 26%                             |
| Other Services      | 39%              | 45%                      | 47%                            | 65%                    | 39%                                                    | 23%            | 51%                     | 46%                             |
|                     |                  |                          |                                |                        |                                                        |                |                         |                                 |
| Non-Frontier        | 53%              | 36%                      | 32%                            | 40%                    | 33%                                                    | 31%            | 47%                     | 45%                             |
| Frontier            | 45%              | 41%                      | 42%                            | 59%                    | 33%                                                    | 20%            | 43%                     | 45%                             |

Notes: The response options changed in the ISNS 2026, making comprehensive comparisons between years more difficult.

## 4.2 Recruitment Barriers faced by innovating firms

The ISNS asks whether, over the past year, firms' research and development or product and service development efforts have been hindered by difficulties in recruiting staff. In 2026, 24% of UK businesses reported that recruitment problems had restricted their innovation activities, down from 26% in 2025 (Table 4.3). This downward trend has been consistent over the four years of the ISNS.

**Table 4.3: Proportion of innovating firms experiencing recruitment difficulties**  
(N, Y 2023 = 1,030, N, Y 2024 = 987; N Y 2025 = 956, N Y 2026=1013)

|              | 2023 | 2024 | 2025 | 2026 |
|--------------|------|------|------|------|
| UK Average   | 39%  | 32%  | 26%  | 24%  |
| Micro        | 37%  | 33%  | 22%  | 17%  |
| Small        | 41%  | 32%  | 30%  | 30%  |
| Medium       | 45%  | 29%  | 29%  | 43%  |
| Large        | 49%  | 42%  | 34%  | 33%  |
| Non-Frontier | 40%  | 29%  | 25%  | 23%  |
| Frontier     | 38%  | 42%  | 32%  | 31%  |

Notes: The question was only asked for those introduced any new products or services or made changes to the existing products over the last 12 months. Due to that there are smaller number of observations. Sectoral and regional sample sizes here are small and, therefore, are not reported.

## 4.3 Barriers to innovation for non-innovating firms

In the survey, firms that did not report any innovation activity in the past year were asked why they had not done so (Table 4.4). As last year, the most common reasons for not undertaking innovation were insufficient profitability (39% in 2026) and demand uncertainty (almost 44% in 2026). Interestingly, fewer non-innovating firms reported barriers due to a lack of finance and a lack of skills.

**Table 4.4: Percentage of non-innovating firms experiencing different barriers to innovation  
(N, Y 2026 = 706)**

|              | Making sufficient profit already | Uncertain demand | Lack of internal finance | Lack of bank or equity finance | Lack of public funding | Lack of other public support e.g. advice & information | Lack of skills | Regulation or standards | International trade instability |
|--------------|----------------------------------|------------------|--------------------------|--------------------------------|------------------------|--------------------------------------------------------|----------------|-------------------------|---------------------------------|
| UK Average   | 39%                              | 44%              | 28%                      | 19%                            | 25%                    | 23%                                                    | 20%            | 32%                     | 23%                             |
|              |                                  |                  |                          |                                |                        |                                                        |                |                         |                                 |
| Micro        | 40%                              | 43%              | 30%                      | 19%                            | 26%                    | 26%                                                    | 19%            | 32%                     | 21%                             |
| Small        | 40%                              | 48%              | 26%                      | 19%                            | 23%                    | 19%                                                    | 22%            | 31%                     | 25%                             |
| Medium       | 15%                              | 39%              | 22%                      | 21%                            | 23%                    | 17%                                                    | 18%            | 36%                     | 26%                             |
| Large        | 44%                              | 34%              | 26%                      | 24%                            | 31%                    | 35%                                                    | 17%            | 52%                     | 49%                             |
|              |                                  |                  |                          |                                |                        |                                                        |                |                         |                                 |
| Non-Frontier | 40%                              | 44%              | 28%                      | 19%                            | 23%                    | 21%                                                    | 19%            | 30%                     | 23%                             |
| Frontier     | 33%                              | 51%              | 37%                      | 24%                            | 39%                    | 36%                                                    | 30%            | 44%                     | 25%                             |

Notes: The question was only asked for those firms not doing any products/ services changes in the last year. Due to that, there are smaller number of observations. Sectoral and regional sample sizes here are small and, therefore, are not reported.

## 5. Future Innovation Support

In the survey, firms were asked whether they intend to invest in R&D over the next 12 months and what types of support they are likely to require.

Overall, 46% of businesses plan to invest in R&D over the next 12 months, down from 51% in 2025 (Table 5.1). This prospective level of R&D engagement is the lowest observed in any year of the ISNS to date, a finding that holds across firm size bands and frontier firms.

**Table 5.1: Future R&D Activity**

(N, Y 2023 = 2,018; N, Y 2024 = 2,000; N Y 2025 = 2,020, N Y 2026=2,037)

|                     | 2023 | 2024 | 2025 | 2026 |
|---------------------|------|------|------|------|
| UK Average          | 52%  | 47%  | 51%  | 46%  |
| North East          | 60%  | 52%  | 32%  | 58%  |
| North West          | 54%  | 50%  | 60%  | 34%  |
| Yorks & Humber      | 54%  | 49%  | 50%  | 49%  |
| East Midlands       | 50%  | 39%  | 51%  | 45%  |
| West Midlands       | 50%  | 47%  | 62%  | 50%  |
| East of England     | 43%  | 47%  | 44%  | 46%  |
| London              | 65%  | 50%  | 56%  | 51%  |
| South East          | 51%  | 50%  | 48%  | 46%  |
| South West          | 49%  | 43%  | 47%  | 47%  |
| Scotland            | 45%  | 38%  | 51%  | 43%  |
| Wales               | 55%  | 45%  | 38%  | 33%  |
| Northern Ireland    | 49%  | 47%  | 61%  | 50%  |
| Micro               | 45%  | 41%  | 46%  | 38%  |
| Small               | 56%  | 48%  | 53%  | 49%  |
| Medium              | 73%  | 69%  | 70%  | 70%  |
| Large               | 82%  | 85%  | 71%  | 75%  |
| Primary             | 47%  | 53%  | 53%  | 59%  |
| Manufacturing       | 60%  | 56%  | 63%  | 65%  |
| Construction        | 35%  | 34%  | 40%  | 43%  |
| Retail/Distribution | 53%  | 46%  | 46%  | 40%  |
| Transport/Storage   | 27%  | 32%  | 35%  | 42%  |
| Hotel/Catering      | 55%  | 47%  | 45%  | 45%  |
| Finance             | 49%  | 47%  | 53%  | 50%  |
| Business Services   | 58%  | 51%  | 56%  | 53%  |
| Other Services      | 54%  | 47%  | 56%  | 36%  |
| Non-Frontier        | 47%  | 40%  | 45%  | 41%  |
| Frontier            | 72%  | 69%  | 71%  | 65%  |

For those firms planning to engage in R&D and innovation activities over the next 12 months, the ISNS further asked about their R&D investment in the future. This suggests a largely stable pattern over the years with around 56% of firms planning to increase their R&D investment in 2026 (Table 5.2).

**Table 5.2: Future R&D Investment Plans****(N, Y 2023 = 1,068; N, Y 2024 = 1,010, N Y 2025 = 1,067, N Y 2026=1038)**

|                                   | 2023 | 2024 | 2025 | 2026 |
|-----------------------------------|------|------|------|------|
| Keep investment at current levels | 42   | 40   | 38   | 40   |
| Increase investment               | 52   | 56   | 60   | 56   |
| Or decrease investment            | 6    | 4    | 3    | 4    |

## APPENDIX

### Appendix 1: The Innovation State of the National Survey 2023, 2024, 2025, 2026

#### A1.1 ISNS 2026

The Innovation State of the Nation 2026 (ISNS 26) survey was conducted using a combination of Computer Assisted Telephone Interviewing (CATI) and an online B2B panel.

Within each respondent organisation, a member of the senior management team or a senior decision-maker involved in developing new products or services was targeted for interview. Businesses with five or more employees were included in the survey. This employment definition excluded owners and partners, agency staff and contractors but included other directors, as well as temporary and casual staff. Organisations were further screened to ensure they were not charities, not-for-profit entities, or public sector organisations.

In total 2,037 responses were completed: 1,138 via CATI and 899 online (Table A1). Responses were conducted between 16<sup>th</sup> March 2026 and 24 June 2026. CATI interviews lasted an average of 20 minutes, and online completion took an average of 10 minutes. The CATI survey was conducted by OMB Research Ltd, with on-line completion by members of Dynata's B2B panel of UK business professionals.

For the CATI survey, a sample of relevant UK private sector organisations was purchased, and a stratified sampling approach was adopted. Targets were established within a 45-cell grid comprising 9 grouped sectors (SIC codes: ABDE, C, F, G, H, I, K, JLM, NPQRS) and 5 size bands (5-9, 10-19, 20-49, 50-249, 250+). Soft targets were also set based on UK regions to ensure a broadly representative distribution and to achieve reasonable response numbers in smaller regions. Organisations with 50 or more employees in specific sectors (e.g., manufacturing, finance, agriculture/energy) were intentionally over-sampled to ensure sufficient representation and facilitate more robust sub-analyses of these groups.

Dynata's business panel was utilised for the online panel interviews. Dynata has a large universe of B2B professional audiences. All panellists are fully verified using thorough vetting solutions prior to being accepted on the panel. Targets were again proposed using the 45-cell grid of grouped sectors and size bands, balanced with the availability of the target profile within the panel reach. Soft targets were also set for the UK regions to ensure a broadly representative spread.

**Table A1.1: Achieved responses by employment sizeband**

|                                     | Micro<br>5-9 | Small<br>10-49 | Medium<br>50-249 | Large<br>250+ | Total |
|-------------------------------------|--------------|----------------|------------------|---------------|-------|
| Agriculture/Mining/Energy (A B D E) | 61           | 69             | 20               | 12            | 162   |
| Manufacturing (C)                   | 149          | 254            | 105              | 46            | 554   |
| Construction (F)                    | 88           | 90             | 32               | 20            | 230   |
| Retail/Distribution (G)             | 51           | 66             | 24               | 18            | 159   |
| Transport/Storage (H)               | 37           | 69             | 23               | 23            | 152   |
| Hotel/Catering (I)                  | 47           | 73             | 28               | 11            | 159   |
| Finance (K)                         | 64           | 77             | 27               | 21            | 189   |
| Property/Business Services (JLM)    | 101          | 112            | 29               | 28            | 270   |
| Other Services (N P Q R S)          | 41           | 67             | 32               | 22            | 162   |
| Total                               | 639          | 877            | 320              | 201           | 2,037 |

## A1.2 Weighting

As mentioned earlier, stratified sampling was employed to ensure generally balanced response counts by size band and sector. Consequently, weighting is essential to produce representative results. We use straightforward population weights based on the number of private-sector businesses in 2025 (Table A1.2). The weights applied are listed in Table A1.3.

**Table A1.2: Target population of private sector businesses, start 2024**

|                                     | Micro<br>5-9 | Small<br>10-49 | Medium<br>50-249 | Large<br>250+ | Total   |
|-------------------------------------|--------------|----------------|------------------|---------------|---------|
| Agriculture/Mining/Energy (A B D E) | 9,125        | 5,720          | 965              | 280           | 16,090  |
| Manufacturing (C)                   | 17,850       | 19,880         | 5,965            | 1,240         | 44,935  |
| Construction (F)                    | 29,675       | 17,555         | 2,080            | 300           | 49,610  |
| Retail/Distribution (G)             | 55,215       | 37,275         | 5,115            | 1,170         | 98,775  |
| Transport/Storage (H)               | 7,760        | 6,950          | 1,660            | 410           | 16,780  |
| Hotel/Catering (I)                  | 35,830       | 35,465         | 3,375            | 690           | 75,360  |
| Finance (K)                         | 4,575        | 3,185          | 1,020            | 435           | 9,215   |
| Property/Business Services          | 50,535       | 40,565         | 7,255            | 1,595         | 99,950  |
| Other Services (N P Q..)            | 53,605       | 53,490         | 11,000           | 2,215         | 120,310 |
| Total                               | 264,170      | 220,085        | 38,435           | 8,335         | 531,025 |

Source: Business Population Estimates for the UK and Regions 2025, October 2025, ONS, Table 5, 'Number of businesses in the private sector'.

**Table A1.3: Response weights by sector and employment sizeband**

|                                     | Micro<br>5-9 | Small<br>10-49 | Medium<br>50-249 | Large<br>250+ | Total |
|-------------------------------------|--------------|----------------|------------------|---------------|-------|
| Agriculture/Mining/Energy (A B D E) | 149.6        | 82.9           | 48.3             | 23.3          | 99.3  |
| Manufacturing (C)                   | 119.8        | 78.3           | 56.8             | 27.0          | 81.1  |
| Construction (F)                    | 337.2        | 195.1          | 65.0             | 15.0          | 215.7 |
| Retail/Distribution (G)             | 1082.6       | 564.8          | 213.1            | 65.0          | 621.2 |
| Transport/Storage (H)               | 209.7        | 100.7          | 72.2             | 17.8          | 110.4 |
| Hotel/Catering (I)                  | 762.3        | 485.8          | 120.5            | 62.7          | 474.0 |
| Finance (K)                         | 71.5         | 41.4           | 37.8             | 20.7          | 48.8  |
| Property/Business Services          | 500.3        | 362.2          | 250.2            | 57.0          | 370.2 |
| Other Services (N P Q..)            | 1307.4       | 798.4          | 343.8            | 100.7         | 742.7 |
| Total                               | 413.4        | 251.0          | 120.1            | 41.5          | 260.7 |

## Annex 2: Profiling respondent firms

### A2.1 Survey Overview

The Innovation State of the Nation Survey (ISNS) offers insights into firms' current innovation activities and challenges, as well as their R&D and innovation plans. The ISNS was conducted through a combination of Computer-Assisted Telephone Interviewing (CATI) and an online B2B panel, resulting in 2,018 observations for 2023, 2,001 for 2024, 2,020 for 2025 and 2,037 for 2026. Firms were included if they had more than five employees and were not part of the public sector or a not-for-profit organisation.

Each ISNS includes companies from 12 UK regions (North East, North West, Yorks & Humber, East Midlands, West Midlands, East of England, London, South East, South West, Scotland, Wales, and Northern Ireland), 9 broad sectors (SIC codes: ABDE, C, F, G, H, I, K, JLM, NPQRS), and 4 firm size bands (5–9, 10–49, 50–249, 250+ employees). Table A2.1 provides an overview of the responses received. In the analysis, observations are weighted by size and sector to give a representative view of the UK, its sectors, and size bands. Table A2.2 offers an overview of the responses based on the regions.

As part of the survey, respondents were asked 'Thinking about how your firm compares to your main UK competitors. How strongly do you agree that: We are often the first to introduce innovative products or services'. Where a respondent strongly agreed with this statement, we classify their firm as a 'frontier' company; all other firms are classified as non-frontier. Table A2.3 provides an overview of the proportion of firms classified as frontier and non-frontier.

### A2.2 Respondent Firms

The survey includes questions about how long the business has been operating. Table A2.4. summarises the overview of the average years that the respondent firms have been operating. The average operating age of respondents in 2026 was 16 years, very similar to that in the earlier ISNS surveys. In addition, the survey asks whether businesses have any customers outside the UK to reflect exporting activity. Table A2.5 provides an overview of the proportion of exporting firms in the four survey waves. Overall, 32% of respondents in 2026 were exporters the lowest proportion recorded in any of the ISNS surveys.

**Table A2.1: Achieved responses by employment sizeband and sectors**

|                                        | ISNS Wave 2023 |                |                  |               |       | ISNS Wave 2024 |                |                  |               |       | ISNS Wave 2025 |                |                  |               |       |
|----------------------------------------|----------------|----------------|------------------|---------------|-------|----------------|----------------|------------------|---------------|-------|----------------|----------------|------------------|---------------|-------|
|                                        | Micro<br>5-9   | Small<br>10-49 | Medium<br>50-249 | Large<br>250+ | Total | Micro<br>5-9   | Small<br>10-49 | Medium<br>50-249 | Large<br>250+ | Total | Micro<br>5-9   | Small<br>10-49 | Medium<br>50-249 | Large<br>250+ | Total |
| Agriculture/Mining/Energy<br>(A B D E) | 48             | 62             | 23               | 10            | 143   | 47             | 45             | 20               | 15            | 127   | 51             | 67             | 16               | 10            | 144   |
| Manufacturing (C)                      | 199            | 303            | 97               | 59            | 658   | 150            | 257            | 112              | 63            | 582   | 168            | 224            | 103              | 48            | 543   |
| Construction (F)                       | 38             | 74             | 33               | 14            | 159   | 70             | 94             | 31               | 22            | 217   | 96             | 81             | 33               | 15            | 225   |
| Retail/Distribution (G)                | 65             | 88             | 35               | 29            | 217   | 53             | 65             | 28               | 28            | 174   | 56             | 70             | 29               | 16            | 171   |
| Transport/Storage (H)                  | 20             | 72             | 24               | 17            | 133   | 40             | 54             | 35               | 26            | 155   | 41             | 61             | 24               | 17            | 143   |
| Hotel/Catering (I)                     | 34             | 75             | 31               | 15            | 155   | 34             | 68             | 33               | 20            | 155   | 37             | 73             | 25               | 14            | 149   |
| Finance (K)                            | 34             | 47             | 35               | 32            | 148   | 45             | 72             | 24               | 25            | 166   | 73             | 72             | 24               | 28            | 197   |
| Property/Business<br>Services          | 67             | 120            | 50               | 46            | 283   | 88             | 112            | 41               | 26            | 267   | 94             | 107            | 39               | 37            | 277   |
| Other Services (N P Q..)               | 29             | 59             | 17               | 16            | 121   | 38             | 65             | 30               | 24            | 157   | 49             | 75             | 28               | 19            | 171   |
| Total                                  | 534            | 900            | 345              | 238           | 2,017 | 565            | 832            | 354              | 249           | 2000  | 665            | 830            | 321              | 204           | 2,020 |

**Table A2.2: Achieved responses by region**

|                  | 2023  | 2024  | 2025  | 2026  |
|------------------|-------|-------|-------|-------|
| North East       | 59    | 63    | 59    | 111   |
| North West       | 187   | 179   | 162   | 187   |
| Yorks & Humber   | 153   | 131   | 143   | 138   |
| East Midlands    | 149   | 140   | 137   | 138   |
| West Midlands    | 196   | 163   | 158   | 148   |
| East of England  | 185   | 171   | 173   | 190   |
| London           | 263   | 313   | 305   | 274   |
| South East       | 376   | 250   | 271   | 240   |
| South West       | 209   | 148   | 177   | 171   |
| Scotland         | 120   | 126   | 123   | 133   |
| Wales            | 77    | 164   | 152   | 148   |
| Northern Ireland | 44    | 152   | 160   | 159   |
|                  |       |       |       |       |
| Total            | 2,018 | 2,000 | 2,020 | 2,037 |

**Table A2.3: Achieved responses of frontier vs non-frontier firms**

|              | 2023  | 2024  | 2025  | 2026  |
|--------------|-------|-------|-------|-------|
| Non-Frontier | 1,444 | 1,476 | 1,454 | 1,534 |
| Frontier     | 536   | 501   | 539   | 461   |
| Total        | 1,980 | 1,977 | 1,993 | 1,995 |

**Table A2.4: Average years the respondents have been operating****(N, Y 2023 = 2,018; N, Y 2024 = 2,000, N Y 2025 = 2,020, N Y 2026=2,037)**

|                     | 2023 | 2024 | 2025 | 2026 |
|---------------------|------|------|------|------|
|                     |      |      |      |      |
| Average UK          | 16.6 | 16.3 | 15.0 | 15.5 |
|                     |      |      |      |      |
| North East          | 17.6 | 10.2 | 13.6 | 14.0 |
| North West          | 14.7 | 15.7 | 13.4 | 15.4 |
| Yorks & Humber      | 15.2 | 15.1 | 15.1 | 14.8 |
| East Midlands       | 17.6 | 17.6 | 16.4 | 17.6 |
| West Midlands       | 16.4 | 18.4 | 15.4 | 16.3 |
| East of England     | 16.2 | 15.6 | 14.9 | 15.8 |
| London              | 16.0 | 14.7 | 15.4 | 14.0 |
| South East          | 18.3 | 17.0 | 15.5 | 16.3 |
| South West          | 16.9 | 17.4 | 15.6 | 16.0 |
| Scotland            | 16.9 | 17.3 | 14.4 | 15.1 |
| Wales               | 16.5 | 15.9 | 14.8 | 14.1 |
| Northern Ireland    | 17.8 | 17.9 | 13.6 | 17.0 |
|                     |      |      |      |      |
| Micro               | 17.3 | 16.0 | 14.2 | 15.3 |
| Small               | 16.0 | 16.5 | 15.7 | 15.5 |
| Medium              | 16.6 | 16.5 | 15.9 | 15.7 |
| Large               | 19.8 | 18.0 | 17.0 | 16.9 |
|                     |      |      |      |      |
| Primary             | 21.0 | 19.4 | 16.3 | 16.4 |
| Manufacturing       | 20.0 | 19.3 | 17.4 | 19.0 |
| Construction        | 17.7 | 16.9 | 16.1 | 15.3 |
| Retail/Distribution | 17.7 | 16.8 | 14.7 | 15.4 |
| Transport/Storage   | 20.1 | 18.7 | 16.9 | 17.4 |
| Hotel/Catering      | 13.8 | 13.7 | 13.4 | 11.9 |
| Finance             | 15.4 | 15.3 | 14.4 | 13.7 |
| Business Services   | 17.2 | 16.0 | 15.7 | 16.3 |
| Other Services      | 14.2 | 15.5 | 13.8 | 15.6 |
|                     |      |      |      |      |
| frontier            |      |      |      |      |
| Non-Frontier        | 16.8 | 16.4 | 15.2 | 15.7 |
| Frontier            | 15.9 | 16.1 | 14.3 | 14.6 |

**Table A2.5: Proportion of exporters****(N, Y 2023 = 2,018; N, Y 2024 = 2,000, N Y 2025 = 2,020, N Y 2026=2,037)**

|                     | 2023 | 2024 | 2025 | 2026 |
|---------------------|------|------|------|------|
|                     |      |      |      |      |
| Total               | 42%  | 39%  | 36%  | 32%  |
|                     |      |      |      |      |
| North East          | 42%  | 47%  | 36%  | 43%  |
| North West          | 46%  | 37%  | 40%  | 24%  |
| Yorks & Humber      | 32%  | 24%  | 34%  | 21%  |
| East Midlands       | 36%  | 33%  | 31%  | 32%  |
| West Midlands       | 44%  | 42%  | 38%  | 36%  |
| East of England     | 35%  | 34%  | 29%  | 29%  |
| London              | 50%  | 54%  | 42%  | 37%  |
| South East          | 41%  | 44%  | 36%  | 32%  |
| South West          | 43%  | 35%  | 27%  | 27%  |
| Scotland            | 44%  | 38%  | 34%  | 22%  |
| Wales               | 27%  | 25%  | 26%  | 26%  |
| Northern Ireland    | 69%  | 49%  | 54%  | 49%  |
|                     |      |      |      |      |
| Micro               | 36%  | 33%  | 29%  | 25%  |
| Small               | 43%  | 42%  | 39%  | 35%  |
| Medium              | 69%  | 60%  | 56%  | 57%  |
| Large               | 70%  | 76%  | 66%  | 56%  |
|                     |      |      |      |      |
| Primary             | 22%  | 32%  | 28%  | 32%  |
| Manufacturing       | 61%  | 59%  | 56%  | 59%  |
| Construction        | 17%  | 21%  | 18%  | 13%  |
| Retail/Distribution | 41%  | 41%  | 41%  | 37%  |
| Transport/Storage   | 46%  | 45%  | 44%  | 38%  |
| Hotel/Catering      | 42%  | 26%  | 14%  | 13%  |
| Finance             | 56%  | 48%  | 39%  | 29%  |
| Business Services   | 53%  | 52%  | 42%  | 43%  |
| Other Services      | 39%  | 36%  | 39%  | 26%  |
|                     |      |      |      |      |
| Non-Frontier        | 38%  | 36%  | 31%  | 28%  |
| Frontier            | 55%  | 48%  | 52%  | 45%  |

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