One-fourth of enterprises are innovation active
Innovation-active enterprises are often mid-sized or large; they account for 60% of total turnover

One-fourth of enterprises with ten or more employees innovated at least once between 2002 and 2004 by introducing new products or implementing new processes. Under a wider definition that includes organizational and marketing innovation, nearly half of enterprises in France report they innovate.

Organizational innovation is the most widespread form of innovation activity, irrespective of the enterprise’s business sector or size. Process innovation is generally more common than product innovation—but product innovation dominates in the most innovation-active sectors, i.e., certain manufacturing activities, financial-sector activities, and research and development (R&D). Small enterprises are less innovation-active than large ones, irrespective of sector. Sector size profiles thus explain part of the percentages of innovation-active enterprises across sectors. Whether large or small, innovation-active enterprises are far more international-oriented than non-innovating enterprises.

Based on the findings of the fourth Community Innovation Survey (CIS4), which was conducted in France by Sessi, one-fourth of companies with ten or more employees were active in at least one innovation activity from 2002 to 2004. The innovation activity may have led to a new product (or service), or a new process. It may not necessarily have yielded one during the observation period. Innovation-active enterprises account for 60% of turnover in all sectors (see box).

1. Enterprises active in PPA innovation (1) and PPAOM innovation (2)

2. Percentage of enterprises active in PPA innovation (1) by sector and size

(1) PPA: products, processes, innovation activities
(2) PPAOM: products, processes, innovation activities, organization, marketing

Target population: Market sector enterprises with 10 or more employees
Source: CIS4 public statistical survey, conducted by Sessi, 2004
The most innovative sectors are manufacturing, banking and insurance.

Innovation activity is most widespread among manufacturing enterprises, and in banks and insurance companies (with nearly 40% of enterprises and 80% of turnover, see chart 1). Enterprises in construction, trade and real-estate activities are the least innovation-active (between 16% and 20% of enterprises). Business services, transportation and personal services are between the other two groups, in terms of the percentage of turnover generated by innovation-active enterprises. Only part of the difference is explained by the size profiles: in all sectors, small enterprises are less innovation active than large ones (see chart 2).

At a more detailed level, the top-ranked sectors are «research and developments» (in which 84% of enterprises are innovation active) and pharmaceuticals-cosmetics-maintenance products (64%). They are followed by «electrical components and equipment,» and «electronic components and equipment» (54% and 53%, respectively) and the «automobile» sector (52%).

More innovation-active enterprises in sectors with the highest product innovation

In most sectors, whether taken at an aggregate or detailed level, enterprises report they are more innovation active in processes than in products. The differential is substantial in manufacturing, and even greater—often exceeding ten points—in the construction, trade, transportation and financial activities sectors.

On the other hand, the sectors in which over half of enterprises are innovation active focus their efforts more on products than on processes.

5% of turnover from products new to the market

Innovative products generate 10% of enterprises’ turnover; nearly half of that comes from products new to the market. In non-food related manufacturing, products new to the market alone account for 10% of turnover.

Agri-food enterprises are just as innovation active as other manufacturing firms, but the percentage of turnover generated by products new to the enterprise or the market is only half as high.

One-third of enterprises report organizational innovation

Under the wider concept that includes organizational and marketing innovation, manufacturing enterprises, and banks and insurance companies, are again found to be the most innovation active (55% and 57%, respectively); close to...
40% of enterprises are innovation-active in construction, trade and transportation.

Differences across sectors are attenuated under the wider measure, because of the more widespread introduction of organizational innovation, reported in one-third of enterprises. Construction and transportation are in line with this mean, while personal services (22%) and trade (30%) are below the mean.

Nearly 20% of enterprises introduced marketing innovations; these are most frequent in the agri-food industry and energy (31%). Enterprises in non-food manufacturing (14%) and construction (10%) are less involved in marketing innovation.

**Innovation-active enterprises are more international-oriented, whatever their size**

Enterprises active in product or process innovation target a wider market; between 2002 and 2004, international markets accounted for 47% of sales of goods and services, compared with 19% for non-innovating enterprises. They had similar shares of the national market (excluding the local or regional market), at 25% and 21%, respectively; but innovation-active enterprises sell relatively little on the local or regional market. Irrespective of their size, innovation-active firms remain far more international-oriented. For instance, enterprises with 10 to 49 employees generate 41% of their sales abroad if they are innovation active, compared with 18% if they are not.

**First, to improve quality and capture new markets**

Close to 60% of enterprises innovate in products or processes to capture new markets or to improve the quality of their goods or services. Increasing or renewing the range of goods or services ranks third. Capturing new markets or renewing the range come first in manufacturing (excluding energy) and business services, while quality improvement ranks first in the other sectors. Further, approximately half of enterprises that have introduced organizational innovations benefit from...
the change in the form of improved product quality.

The main effects of process innovation varied across sectors. For manufacturing and transportation enterprises, reduced unit production costs ranked first; for construction, increased capacity for production; and for real-estate activities, improved flexibility of production or service provision. The other sectors report these three effects in similar proportions.

Finally, for one-third of enterprises in trade, transportation, and real-estate activities, innovation contributed to meeting regulatory requirements.

Two-thirds of innovation-active enterprises conduct R&D

In 2004, 17% of enterprises—or two out of three innovation-active enterprises—conducted R&D, whether in-house or extramural, devoting on average 1.6% of their turnover to R&D. Obviously after the service firms specialized in R&D, the companies most active in research and development are non-food related manufacturing enterprises (31%), which perform R&D primarily in-house (29%), allocating 2.3% of turnover. The most R&D-active sectors are among the most innovation-active: pharmaceuticals-cosmetics-maintenance products, electrical or electronic components and equipment, the automobile sector, and fuels.

Cooperation especially with suppliers and within the group

38% of enterprises active in product or process innovation have cooperation arrangements on innovation activities, most often with partners located in France (36%) or with their suppliers (26%). The cooperation perceived as most beneficial is with suppliers or with other enterprises in the same enterprise group or chain.

Public funding supports innovation

Between 2002 and 2004, 20% of innovation-active enterprises received public financial support from local or regional, national or EU authorities, in the form of subsidies, reimbursable advances, tax credits, and so on. Such support mechanisms are more widespread in manufacturing, where 36% of innovation-active firms, especially large enterprises, benefit from them.

Financial services and trade are the sectors receiving the least support (5% and 8% of innovation-active enterprises, respectively). Personal services and transportation also receive little aid (10%).

Financial support from national government bodies are used especially by manufacturing; EU funds primarily benefit the largest units; and local or regional aids benefit primarily personal services and small structures.

The absence of public funding, however, does not impede the innovation process, especially in the largest enterprises, as 53% of enterprises with 250 or more employees are innovation active with no public financial support. This applies to the most innovation-active sectors, inter alia banking and insurance, pharmaceuticals-cosmetics-maintenance products, and fuels production.

The barrier is often financial

Irrespective of whether or not they innovate, six out of ten enterprises report encountering barriers to innovation. Cost factors (lack of financial resources, or too-high innovation costs) are the main explanations given by 40% of innovation-active enterprises. For non-innovating enterprises, cost remains a major barrier, especially in manufacturing and transportation, but another reason for the lack of innovation is uncertain demand for innovative goods or services.

The banks and insurance companies that innovate report encountering relatively few barriers, essentially because they have less in the way of financial constraints. Those that have not innovated report in particular lack of demand for new services.

Lack of qualified personnel is a barrier to innovation in personal services, especially in hotels and restaurants, construction firms, and real-estate activities.

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For more detailed survey findings, see:
Additional charts are available at:

Additional reading