**Research from UKRI shows unrealised potential for innovation in the UK’s Foundation industries**

* **UKRI research finds only around half of foundation industry businesses introduced new products (56%) and new processes (53%) within the last three years**
* **The main hindrances to innovation were found to be risk, high costs and uncertainty around the UK’s relationship with the EU**
* **UKRI and the Transforming Foundation Industries Challenge Fund will play a key role in encouraging businesses and the sector to embrace innovation**
* **To download the Innovation Readiness in UK Foundation Industries report**
  + **the summary report, please visit** [**here**](https://www.ukri.org/wp-content/uploads/2021/03/UKRI-080321-TransformingFoundationIndustriesChallenge.pdf)
  + **full report, please visit** [**here**](http://www.enterpriseresearch.ac.uk/publications/innovation-readiness-in-uk-foundation-industries)

Research conducted by UK Research and Innovation found that only 56% of UK businesses across six foundation industry sectors introduced new products and 53% new processes in the last three years, namely metals, paper, chemicals, glass, ceramics and cement companies.

UKRI commissioned the Enterprise Research Centre to undertake the research as it believes there is an unrealised potential for innovation in the UK’s foundation industries. Innovation rates in the UK’s foundation industries are lower than in key competitor countries, uneven across sub-sectors, and particularly weak in smaller businesses. Innovation activity was found to be linked to size, with larger companies more likely to have reported innovation over the past three years, and ambition, with companies desiring an appetite for further growth more likely to be innovators. UKRI via the Transforming Foundation Industries challenge is aiming to address this gap by encouraging and supporting businesses and the sector to embrace innovation.

Foundation businesses reported growth factors as their primary motivation for innovation, with increasing sales & market share (29%), competitive advantage (17%) and margins (15%) scoring highly. Conversely, non-financial factors such as regulation (8%), health and safety (6%), and customer demand (5%) were seen among less important drivers of innovation decisions.

The main constraints for not embracing innovation were found to be around risk (20%), the high costs of developing innovation (27%) and a lack of qualified personnel (24%). In fact, 60% of businesses said that underdeveloped management and leadership skills frequently or occasionally constrained innovation in their sector.

Collaboration between businesses to develop new innovations was found to be low among respondents, with just over half (51%) of companies in the foundation industry working with other businesses in their supply chain on new products and processes. 28% confirmed they were collaborating outside their supply chain. In addition, only a quarter (23%) sought external advice in support of their innovation activity.

**Bruce Adderley, director of UKRI’s Transforming Foundation Industries challenge, said:** “The foundation sector is mature, with large entry costs tending to limit new entrants. As result of this low level of churn, innovation and competition can be suppressed. Given this challenge, and the energy intensive nature of the UK’s foundation industries themselves, it will take highly disruptive and transformational efforts across the sector to achieve the government’s net zero obligations.

“Our research has shown foundation industries to be distinctive in a number of ways and we believe that steps can be taken to inform policy, and increase engagement and much-needed collaboration - particularly among small businesses. We also want to encourage industry bodies and trade associations to use their position to play an increasing role in promoting and enabling innovation. With this support from within the industries themselves, we believe our role of helping develop and fund innovation will be a great force for lasting change.”

**Andrew Large, Director General, Confideration of Paper Industries said**, “CPI is pleased to be working closely with UKRI on the Transforming Foundation Industries challenge. We recognise that innovation will be key to unfolding a net-zero carbon, resource and materials efficient UK in the 21st Century and we welcome the opportunity to engage both with Government and other industry bodies to push this agenda forwards. We share the concerns in this report about barriers to innovation and we look forward to contributing to their removal.”

The full report ***‘Innovation Readiness in UK Foundation Industries’*** can be downloaded here: [www.enterpriseresearch.ac.uk/publications/innovation-readiness-in-uk-foundation-industries](http://www.enterpriseresearch.ac.uk/publications/innovation-readiness-in-uk-foundation-industries) and summary report can be downloaded [here](https://www.ukri.org/wp-content/uploads/2021/03/UKRI-080321-TransformingFoundationIndustriesChallenge.pdf)

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**Notes to Editors:**

**About the Transforming Foundation Industries challenge**

The Transforming Foundation Industries programme through the Industrial Strategy Challenge Fund will help energy-intensive businesses to share expertise and come up with radical new innovations to help reduce their carbon footprint.

The programme will inject significant new public and industry innovation funding into the foundation industries, helping us deliver against our vision of a cutting edge, innovative and sustainable industrial sector. £66m will be provided by the government and £83 million will come from industry.

The [Industrial Strategy Challenge Fund](https://www.ukri.org/innovation/industrial-strategy-challenge-fund/) (ISCF) brings together the UK’s world-leading research base with our best businesses to transform how we live, work and move around. It will put the UK in the best position to take advantage of future market opportunities.