UNIVERSITY OF LIFE SCIENCES "KING MIHAI I" FROM TIMISOARA
"YOUNG PEOPLE AND MULTIDISCIPLINARY RESEARCH IN APPLIED LIFE SCIENCES"

05-06 November 2026



INNOVATION AND ECONOMIC PERFORMANCE OF EUROPEAN ENTERPRISES

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Abstract: *Innovation is an important driver of business competitiveness and economic development, contributing to the modernization of business activities and their adaptation to changes in the economic environment. This paper analyzes the evolution of innovation and the economic performance of enterprises across European Union Member States during the 2020–2024 period, highlighting differences among European economies. Although most European economies have recorded increases in labor productivity, high levels of innovation are not always accompanied by superior economic performance. Romania continues to rank among the countries with low values for the analyzed indicators, despite the positive evolution of labor productivity. The findings emphasize the importance of investment in research and development, technological modernization, and innovation-oriented management strategies for strengthening the competitiveness of European enterprises.*

• Introduction

In the context of economic and technological transformations, innovation has become an important driver of enterprise development and economic performance. Increasing competition, market globalization, and the digitalization of economic activities encourage enterprises to adopt new solutions to improve products, services, and business processes. Innovation capacity thus contributes to organizations' ability to adapt to market requirements and strengthen their competitive advantages.

At the European Union level, innovation plays a central role in economic development strategies, being regarded as an instrument for enhancing competitiveness, increasing productivity, and supporting a knowledge-based economy. The development of modern technologies and the growing emphasis on efficient resource utilization encourage enterprises to invest in research and development, introduce innovative products and services, and adopt management practices adapted to economic changes.

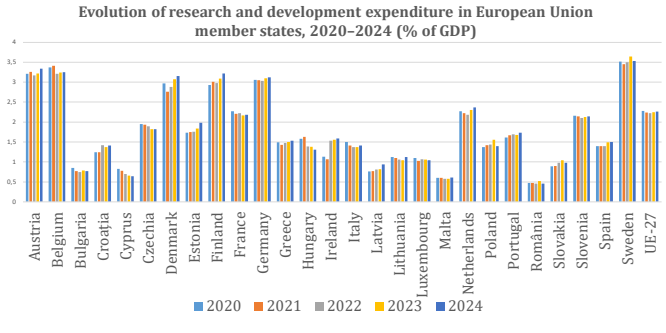
• Material and method

The research is based on an analysis of official statistical data provided by Eurostat concerning innovation and the economic performance of enterprises in the 27 European Union Member States. Innovation activities are assessed using data from the Community Innovation Survey (CIS), which provides information on the proportion of innovation-active enterprises and the main characteristics of innovation activities.

The analysis uses CIS 2022 data, covering the period 2020–2022, together with economic indicators available in the Eurostat database. The main indicators examined include the proportion of innovation-active enterprises, research and development (R&D) expenditure, labour productivity, turnover, and value added per person employed.

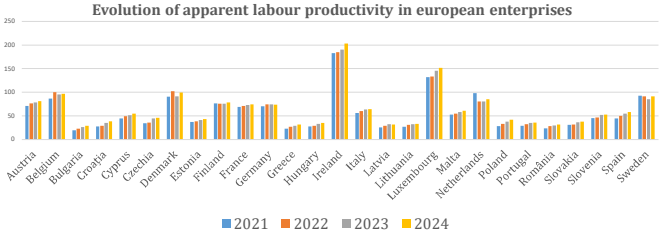
• Results and discussions

Investment in research and development (R&D) represents an important factor in stimulating innovation and improving economic competitiveness. It contributes to the development of new products and technologies, the modernization of production processes, and the enhancement of enterprises' capacity to adapt to changes in the economic environment. At the European Union level, the intensity of research and development activities varies significantly among Member States, influenced by their level of economic development, sectoral structure, and the financial resources allocated to this field.



The analysis of the data reveals significant differences among European Union Member States in terms of research and development (R&D) expenditure intensity. At the EU-27 level, R&D expenditure as a share of GDP decreased slightly, from 2.28% in 2020 to 2.26% in 2024, reaching its lowest level of 2.22% in 2022. This trend indicates relative stability in R&D intensity across the European Union.

The economic performance of enterprises represents an essential element in assessing the efficiency of their activities and their capacity to utilize available resources. At the European Union level, enterprises' economic performance is influenced by numerous factors, including investment levels, labour productivity, the structure of economic activities, the degree of technological development, and managerial capacity. To assess economic performance, indicators related to labour productivity and value added per person employed are analysed, as reported in European business statistics. Comparing these indicators makes it possible to highlight differences among European Union Member States and identify the main trends during the period 2020–2024.



• Conclusions

The analysis of innovation and the economic performance of European enterprises during the period 2020–2024 reveals significant disparities among European Union Member States in terms of innovation capacity, resources allocated to research and development, and economic outcomes. The observed trends reflect the specific characteristics of national economies and differences in their ability to utilize technological, financial, and human resources.

The research findings reveal uneven developments in innovation activities among European enterprises. While some countries, such as Cyprus, Estonia, and Sweden, recorded substantial increases in the share of innovation-active enterprises, others experienced declining trends in this indicator. These differences suggest that the development of innovation capacity does not follow a uniform trajectory across Europe, being influenced by economic conditions, access to resources, and the characteristics of the business environment.

Regarding research and development expenditure, the analysis highlights the persistence of significant disparities among Member States. Sweden, Austria, Belgium, and Finland stand out for their high levels of R&D intensity, while Romania remains among the countries recording the lowest values of this indicator.