



Innovate or Fade

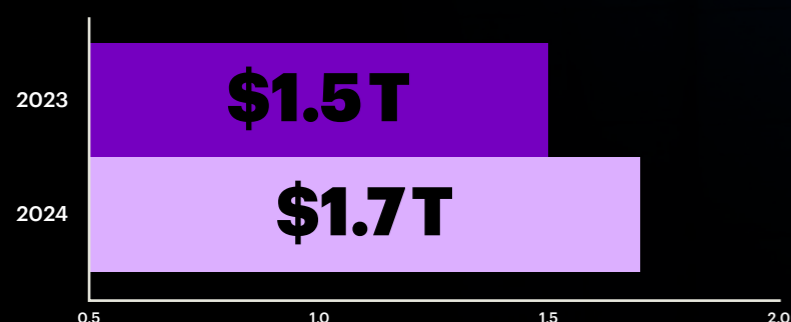
European businesses need to address the technology deficit to turn the tide

Europe's revenue growth forecasts are improving, but its tech deficit remains entrenched, posing a risk to economic growth in the long-term.

A tech deficit is the inadequate adoption, implementation or use of technology to create business value.

Digital innovation is essential to Europe's competitiveness and its leadership in sustainability. Reducing the tech deficit would also yield a substantial growth dividend.

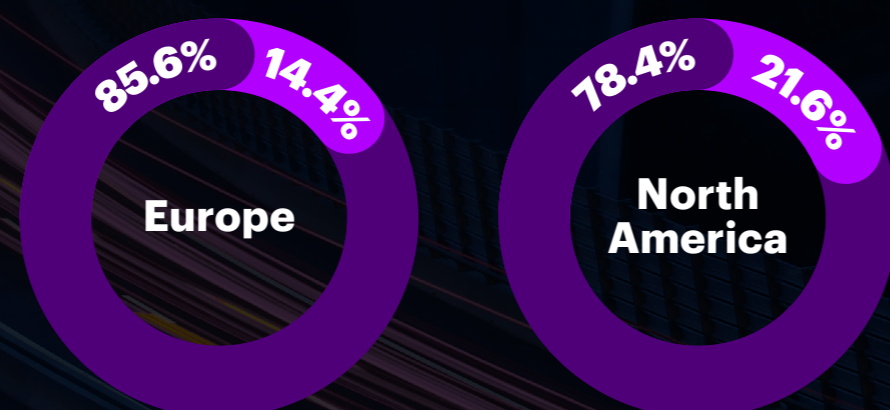
\$3.2T Revenue boost by end-2024 if European companies fully commit to tech-driven reinvention



European companies excel in areas such as digital upskilling, ecosystem strategy and sustainability initiatives. However, they fall short in using technology for productivity and new business opportunities.

11.6% Businesses in Europe using technology to reimagine their processes, lower than both the United States and Asia Pacific

European companies also trail North American companies in terms of the technology maturity of their boards.



■ Board members with Tech Experience
■ Board members without Tech Experience

Finally, the R&D investment gap between Europe and North America has doubled in five years, with Europe's investments lagging by \$147 billion in 2022.

70bps ▶ **140bps**
2017 2022

*Basis points representing R&D spending as a percentage of revenue

Addressing Europe's technology deficit will require strategic action on multiple fronts. Focusing on three areas can help European companies turn the tide.

1 Build the digital core to reach new performance frontiers

Building a strong digital core—while ensuring compliance, security and interoperability—will create a foundation for growth and enable the use of generative AI and other emerging tech.

Enable upcoming tech:

- Migrate systems to the cloud
- Transition strategic data and applications to cloud-based environments
- Establish a modern enterprise data platform

2 Extend Europe's advantage in smart manufacturing

Using the digital core to drive innovation in smart manufacturing, supply chain optimization and operational effectiveness will help companies emerge as leaders in digital intelligence.

Reimagine manufacturing:

- Utilize advanced tech, such as digital twins, robotics and AI
- Shift to an As-a-Service model

Foster resilience, productivity and sustainability:

- Invest in R&D
- Forge partnerships
- Explore new business models

Technology can also play a critical role in fueling new growth through breakthrough innovation.



A Swiss pharmaceutical is using tech to develop remote patient monitoring solutions and virtual clinical trials, improving patient outcomes and driving revenue-generating digital healthcare services.



A UK-based biotechnology company uses AI and machine learning to accelerate the drug discovery and development process.



3 Increase the technology quotient at the top

Raising business leaders' technology quotient (TQ)—the knowledge needed to analyze and envision how tech can advance an organization—will help companies apply generative AI responsibly, or harness next-generation networks and edge computing for Europe's industrial reinvention.

Boost TQ in the boardroom:

- Set measurable learning goals
- Implement mandatory training
- Increase diversity. Women with tech backgrounds comprise only 18% of European boards, compared to 26% in North America.

For Europe to remain globally competitive, companies must act now to close the technology deficit and unlock opportunities and new growth.

[Read the full report](#)