Research and Development (R&D)

**Read HJR p 538-541 and use it to help you make notes**

1. R&D is often considered to be a ‘highly expensive business activity’. Explain the ways in which it can be costly, with examples (p538-539)
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1. Explain the benefits of innovation and R&D, with examples (p539)
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1. Why is R&D considered to be risky? (p540)

***NOTE: In evaluating costs vs benefits of innovation and R&D a key consideration is time. British companies tend to be focused on the short-term; quarterly reporting, annual management bonuses and dividends for shareholders. But innovation and R&D are long-term activities requiring years and sometimes decades of commitment.***

*The challenge for businesses is will they accept the long-term payback often required for innovation and R&D to be rewarding. Unless a business does innovate and research and develop its products it will always be ‘following’ competitors (which is a recognised strategy), and requires a never ending focus on reducing costs, to match the lower prices that can be charged for not-very-different products, as there is always the threat of someone cheaper taking the market.*

4) Read HJR p543-546 and make notes on the process of product design, include a diagram

5) Activity: Wolfson Case Study on p539 of HJR.

* Answer questions a) and b)
* Now evaluate the costs and benefits of innovation and R&D to Wolfson’s stakeholders: customers, suppliers, employees and shareholders