

Unit 5.6 . Research and development [HL Only]

Task 1: Complete the missing words

_____ is about investigating the unknown, such as new products or processes. _____ is about using research findings to create new products that might be commercialised. The purpose of _____ and _____ (R&D) is to provide continual advancements in production and to launch new products to satisfy customer needs in a profitable way. _____ is the commercialisation of these new processes, products or ideas.

In order to provide inventors with an incentive to innovate, the legal system controls and enforces the use of intellectual _____ (IPRs), such as _____ and _____. People or firms wishing to use the IPR of others must first seek the legal permission of the IPR holder. For instance, _____ give an entrepreneur or a business the exclusive and legal right to produce a new product or to use a particular production process. Intellectual property rights are recorded on a firm's _____, under the section of intangible fixed assets.

Task 2: True or false?

		True/False
a.	Copyright is legal protection for written pieces of work such as literature to protect the property rights of the creator.	
b.	Innovation usually stems from creativity.	
c.	Making modifications or improvements to existing products is known as product research.	
d.	Expenditure on research and development leads to higher sales revenues.	
e.	Research and development expenditure is justified in sunset industries.	
f.	Operating in an unfilled niche market is an example of innovative business practice.	
g.	Changing the context of a product by a repositioning strategy is known as positioning innovation.	
h.	Radical innovative change that alters the nature of specific markets is known as paradigm innovation.	

Task 3: Explain ...

- a. why direct marketing is more suitable than television advertising for marketing products to early adopters of new innovations.

- b. why research and development is usually a prerequisite to the successful launch of a new product.

c. two limitations of research and development to a firm with minimal market share.

d. two benefits of innovation.

Task 4: Multiple choice

1. Research and development is unlikely to include which of the following?
 - A. Test marketing
 - B. Prototypes
 - C. Position mapping
 - D. Market research

2. One purpose of spending huge amounts of money on research and development is
 - A. To increase earning potential of the business in the future
 - B. To gain rights to patents, trademarks or copyrights
 - C. To eliminate competition
 - D. To diversify the activities of a business

3. Research and development expenditure is often used as a barrier to entry by large businesses that dominate the market. What are these firms known as?
 - A. Sunset businesses
 - B. Sunrise businesses
 - C. Market leaders
 - D. Process innovators

4. Innovation is best described as
 - A. The development of new ideas and working practices
 - B. The commercial development and use of an idea or process that appeals to consumers
 - C. New products that are launched on the market
 - D. Market-orientated processes

5. Benefits of innovation do not include
 - A. Growth opportunities
 - B. Productivity gains
 - C. Brand switching
 - D. Reduced product failure rate

6. Which of the following is the least likely long-term benefit to an innovative firm?
 - A. Growth opportunities
 - B. Establishing a unique selling point
 - C. Establishing brand loyalty
 - D. Improved competitiveness

7. Which of the following is not a constraint of innovation?
 - A. High R&D costs
 - B. High failure rate
 - C. Budgetary constraints
 - D. Competitiveness

8. Which type of innovation refers to changes in the way that production takes place, i.e. how production takes place?
 - A. Process innovation
 - B. Product innovation
 - C. Positioning innovation
 - D. Paradigm innovation

9. Drastic and extensive innovations that involve high risks to a business are known as
 - A. Process innovation
 - B. Product innovation
 - C. Positioning innovation
 - D. Paradigm innovation

10. Which of the following would not qualify to be protected by copyrights?
 - A. Radio broadcasts
 - B. Hollywood movies
 - C. Medicines
 - D. Photographs

11. A newly invented process or product that is legally and exclusively assigned to the producer is known as a
 - A. Property right
 - B. Patent
 - C. Trademark
 - D. Copyright

12. German car manufacturer Volkswagen uses the 'VW' logo as part of its marketing. What does this represent to the company?
 - A. A copyright
 - B. An invention
 - C. A patent
 - D. A trademark

13. In which financial account do companies record their intellectual property rights?
 - A. Balance sheet
 - B. Profit and loss account
 - C. Cash flow statement
 - D. Appropriation account

14. What is the name given to the category of incremental innovation that adjusts or develops something that already exists?
 - A. Paradigm innovation
 - B. Innovative creativity
 - C. Adaptive creativity
 - D. Research and development

15. What is the name given to the category of innovation that involves creating something that is new?
 - A. Paradigm innovation
 - B. Innovative creativity
 - C. Adaptive creativity
 - D. Research and development