

GCE



Revised GCE

Business Studies

Teacher Guidance

**Factors Driving Innovation and
Research and Development**

For first teaching from September 2016
For first award of AS in Summer 2017



GCE Business Studies

‘Analyse the factors influencing innovation, and Research and Development’.

Definitions

‘Innovation’ is the act or process of inventing or producing something new – be it a process, product or service, to improve the product, service or process/operation of the business.’

‘Research and Development – refers to a wide range of activities designed to gather knowledge in business or organisation’s to improve processes, products or services, or develop a new one.’

Potential Factors Driving Innovation and Research and Development in a Business

There are many potential internal and external factors which may influence both a company’s ability and its desire for innovation and Research and Development.

Internal Factors Influencing Innovation and Research and Development

Culture of a Business

For some businesses-particularly those more market driven (e.g. Gum Tree/Facebook/Coca Cola) they are always looking for new ways to meet customer needs and wants.

Business Corporate Objectives

As with all the functional areas, corporate objectives are the most important internal influence. The management board may wish to be ahead of similar companies with their products or services.

Financial Drivers

The financial position of the business (profitability, cash flow, liquidity) directly affects the scope and scale of their ability to innovate or to carry our research and development.

Human Resources/The Workforce/Technical Ability

For a services or manufacturing business, the quality and capacity of the workforce is a key factor. A motivated and well-trained workforce may carry out their own research internally (without the need to buy in expertise) or develop innovative service/products or processes which may impact positively on the profitability of the company.

Buying in the resource to carry out the research may impact on the ability of the company to innovate.

Operational Issues

There are operational issues such as how a business is managed which has a key role to play in enabling the business to compete on cost (efficiency/productivity) and quality. Effective capacity management also plays a part in determining whether a business can achieve its revenue objectives, by including research and development activities or develop new products/processes.

External factors Influencing Innovation and Research and Development

The Economy

One of the key factors in determining demand for a product or service is the economy. Buoyancy or recession of a market/economy will influence the need or desire for innovation and Research and Development. Recession may drive innovation due to poor market conditions, the need for lower cost production/processing for example. Similarly a buoyant market may encourage more investment in new product design etc. Factors such as exchange rates would also impact on objectives concerned with international marketing.

Before any changes could happen the company would need to invest in a level of Research and Development, to know the implications of change to their workforce to their investment and on their future profitability.

Competitor Actions

Research and Development activities or innovation may be in response to competitors or to pre-empt competitors.

The Dynamics of The Market in Which the Business Operates

The key market dynamics are market size, growth and segmentation. Changes in any of these undoubtedly influence a company. An economy whose growth slows is less likely to support an objective of significant revenue growth or Research and Development Activities and new product development.

Technological Change in Business

Consumer and other markets are now affected by rapid technological change, shortening product life cycles and creating great opportunities for innovation. For example many Research and Development activities involve the investment of a company/organisation in developing new software systems for companies to improve processes or provide better information systems.

Social & Political Change

Changes to legislation may create or prevent opportunities. Change in the structure and attitudes of society can also have major implications for businesses, and may force them to invest in change activities.

