

ABSTRACT

It is widely acknowledged that innovative firms can maintain an advantage in a competitive market by minimizing their production costs through their active research and development (R&D) practices. Firm's successful R&D activity leads to new product development and production process more efficiently enabling the firm to open a new market or minimize production costs. Consequently, the firm may attain larger market share and gain higher profits fulfilling their basic commercial objectives. R&D activity also affects the performance of the firm as it helps to develop the firm's capability, enhancing its ability to learn new technologies and to match technological possibilities which sustain its market position.