

WHY SINGAPORE COMPANIES MUST MANAGE THEIR IP

The importance of this intangible business asset.

"Innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or a different service. It is capable of being presented as a discipline, capable of being learned, capable of being practiced. Entrepreneurs need to search purposefully for the sources of innovation, the changes and their symptoms that indicate opportunities for successful innovation. And they need to know and to apply the principles of successful innovation."

- Peter F. Drucker, "The Father of Modern Management"

There are many reasons why intellectual property (IP) is important to Singapore, and why Singapore (and Singapore companies) needs to manage its IP.

Firstly, our homegrown companies need to manage IP in order to survive and grow. Singapore, though boasting one of the highest per capita GDP in the world, has a small domestic market. Unlike companies in big economies, our Singapore companies do not have the luxury of growing their businesses to a substantial size just depending on the home market. At the same time, as Singapore is a developed economy with a high standard of living, our companies operate in a high-cost environment.

Singapore enterprises that want to grow and succeed thus have two disadvantages – compared to our competitors, we have a smaller home market and face higher costs. In order to survive and grow, Singapore companies have to find ways to compete that negates reliance on low costs or scale. In order to compete, our companies must

offer something unique which cannot be easily replicated elsewhere in a low-cost country.

Therefore, the only long-term competitive advantage that Singapore companies can count on is innovation. Only innovative companies can continue to come up with new products, value-added services, or even reinvent their business models to provide unique value to their customers.

However, innovation can only provide a sustainable competitive advantage if we can stop our competitors from copying our successful ideas. Otherwise, our efforts to innovate only amounts to free market research for competitors. Therefore, to fully capitalise on innovation, we must be able to own our best ideas, and maximise our profit from them. Without ownership, innovators cannot survive.

There is another reason why Singapore needs to manage its IP. There is a lot of talk about productivity growth and why it is important for Singapore to maintain its competitiveness, and to support higher wages for Singaporeans. Simply put,

productivity is the ratio of production output to what it takes to produce it (input), therefore productivity growth simply means doing more (output) with less (input).

In business terms, companies take various resources (input) such as labour, capital and raw materials and organise and use them to produce goods and services (output). More productive companies can produce more and more valuable goods and services with the same or less resources. From this formula, it can be seen that more productive companies are also likely to be more profitable.

How then can Singapore companies sustain productivity growth over time? The only way is through innovation. If productivity growth is doing more with less, then innovation is simply finding new ways to do more with less. Unless we continuously innovate, and come up with better ways of creating more value from our resources, we will stagnate, our competitors will catch up, and our companies will see profitability go down, and eventually go out of business.



Here, again, the issue of ownership of innovation arises. Unless we can own the innovations that allow us to leap forward in productivity, any productivity gain will not benefit us for long. Without ownership, competitors can take our best ideas and do it cheaper, better and faster elsewhere.

The big question is therefore: how can we own innovation? There is only one way to do this, and that is with IP. Intellectual property protects our novel inventions, new designs, brands, original creative works and trade secrets – the intangible things that give us a competitive edge over our rivals. It gives us ownership rights, which enable us to stop others from stealing our IP.

With ownership rights, we can also trade with our IP – e.g. licensing it to others in exchange for payment, especially in large overseas markets which can be daunting for a SME to venture into by itself. A good example of this is expanding into foreign markets through franchising. Innovative Singapore companies are also attracting global partners on the strength of their IP portfolio. With recognised ownership rights, companies can even raise money with IP, as more sophisticated investors and even banks are beginning to recognise the value of IP when financing the most innovative (and productive) companies.

In other words, IP allows smaller, innovative companies to survive and

thrive in the global marketplace, because IP provides the ability to take advantage of successful new ideas (which small innovative companies are traditionally good at creating) and to turn them into revenue and business opportunities. IP levels the playing field with bigger and cheaper competitors, by preserving the competitive advantage of innovators through the exclusive rights created by IP laws. Used and managed in this way, IP becomes a business asset that protects a company's ability to compete in the marketplace.

For companies to truly have IP as a business asset, IP needs to be put to work. It needs to add value to your business, earn more revenue, create more products, services and even entire new businesses, and be a magnet for partners and opportunities. In order to achieve these objectives, IP has to be managed strategically.

Unfortunately, not many companies in Singapore, especially SMEs, are actively managing their intellectual property. Companies face many obstacles to realising the value of their innovations and IP. Many do not know what intellectual property they have. Companies may not know what IP they need. It is not always clear to businesses what IP can do for them. Most worryingly, many companies in Singapore, even listed companies,

have no idea what IP risks they face. Very few companies know what to do with IP to create value for their business.

So what do companies need to do in order to manage their IP as a business asset? The following points can serve as a checklist:

- Know what IP you have that is used in your business
- Know the gaps
- Ensure ownership of strategically important IP
- Understand and assess IP risks
- Support innovation by identifying, evaluating, protecting, managing and commercialising IP
- Use IP to generate additional revenue & strategic advantage

The future of Singapore's companies and Singapore's continued prosperity lies in how well we harness IP as a business asset. That is why we need to manage IP strategically.

What is your company doing to manage its IP?

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