
Awareness of IPR and the Profitability of SMEs

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ABSTRACT

The process of Liberalization, Privatization and Globalization has not left the small and medium sized manufacturing companies unaffected from the paradigm change in the business. The companies have to evolve the competitive strategies continuously for remaining ahead in the business. In today's business world, change is the only constant factor. Keeping this fact in the mind, the companies have to come out with really innovative products and smooth process of production. The small and medium sized manufacturing companies should identify the inventions and should go for patenting of such inventions. There is a time horizon attached to the patents. There could be product patent and /or process patent. If there is product patent then there would be no interest among the inventors to come out with new innovative process of production. The alternative methods of production could be economic and inexpensive, but the inventor cannot get the fruits of the invention, as that cannot be used to produce the same product, which has already been patented. Mostly, this happens in chemical and pharmaceutical industries. If there is a process patent, then it induces the innovators to think for the alternative methods of production of the same product. The small and medium-sized companies should capitalize on the patentable products/processes to withstand the intense global competition. This research will attempt to find out the real life cases where the companies have used the IPR to capitalize on its usefulness of innovativeness and could able to translate into their strengths to compete in the open market.

Small and medium-sized enterprises represent over 90% of enterprises in most countries, worldwide. They are the driving force behind a large number of innovations and contribute to the growth of the national economy through employment creation, investments and exports. Despite the importance of SMEs for the vitality of the economy and the potential offered by the intellectual property rights system for enhancing SMEs competitiveness, SMEs often underutilize the IPRs system.

Small-scale enterprises play a very unique role in employment creation, resource utilization, income generation and helping the economy to improve as a whole. Socio-economic factors affecting SMEs came to be noticed during industrial revolution. The SMEs can grow with the time if they can visualize the dimensions and the quantum of the changes in the business. The global competition has not left any

room for imitation. The change is the only constant factor in the context of the globally competitive business. The company has to hone the skills and expertise to build the competitive advantages continuously. They should emphasize on value addition rather than volume of operations. The innovation is the only way to do the meaningful value addition to the business and the innovation can be patented.

Intellectual Property Right can be explained as follows:

- i. Monopoly on some inventions of the company
- ii. Monopoly on some industrial design
- iii. Monopoly in using the trade marks which goes

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with the image of the product/service

iv. Monopoly in some literary works, such as some creative writings, music etc.

The SMEs of India are well capable of creating their own skills and expertise to use as USP for garnering the profit and the image of the company. These intellectual properties are intangible in nature. Once it is made to public, the companies will not be able to enjoy the fruits of the innovations exclusively. In no times, the competitors can imitate the innovations. Innovations, no longer remain confined with the creators. Hence the governments have enacted the statutes to reward the innovator for the time, labour and money spent in creating the intellectual property. The property has to be transferred to the public domain to make use of that innovation to exploit the benefit for the well being of the society.

A patent right confers on its creator the exclusive right for a given period in the form of tradable intellectual property. Patent rights are normally granted by the concerned governments to the innovator for a specific period of time. This right generates the revenue for the inventor. The basic purpose of the granting patent is to reward and to encourage the creator of the intellectual property. This incentive will have a spiral effect and encourages the new breed of innovators to plunge into this type of thought provoking ideas. If this will have its multiplier effect, then the number of innovations will increase exponentially in the economy. The economy will move to a higher rate of economic growth. The planner of the country can visualize the double-digit growth rate of the country. The innovation is the real stimulant of the industrial growth. The patent system enables the few benefits, such as, it helps to work the invention commercially exercising the legal rights, helps to disseminate the information without losing the legal rights in the invention and it also helps to seek financial assistance.

The patent system in India is in existence for the last 140 years. A new patent act was enacted in the year 1970 in India after recognizing the importance of the comprehensive patent system and considering the importance given to science and technology for bringing better prospects of the country. There are

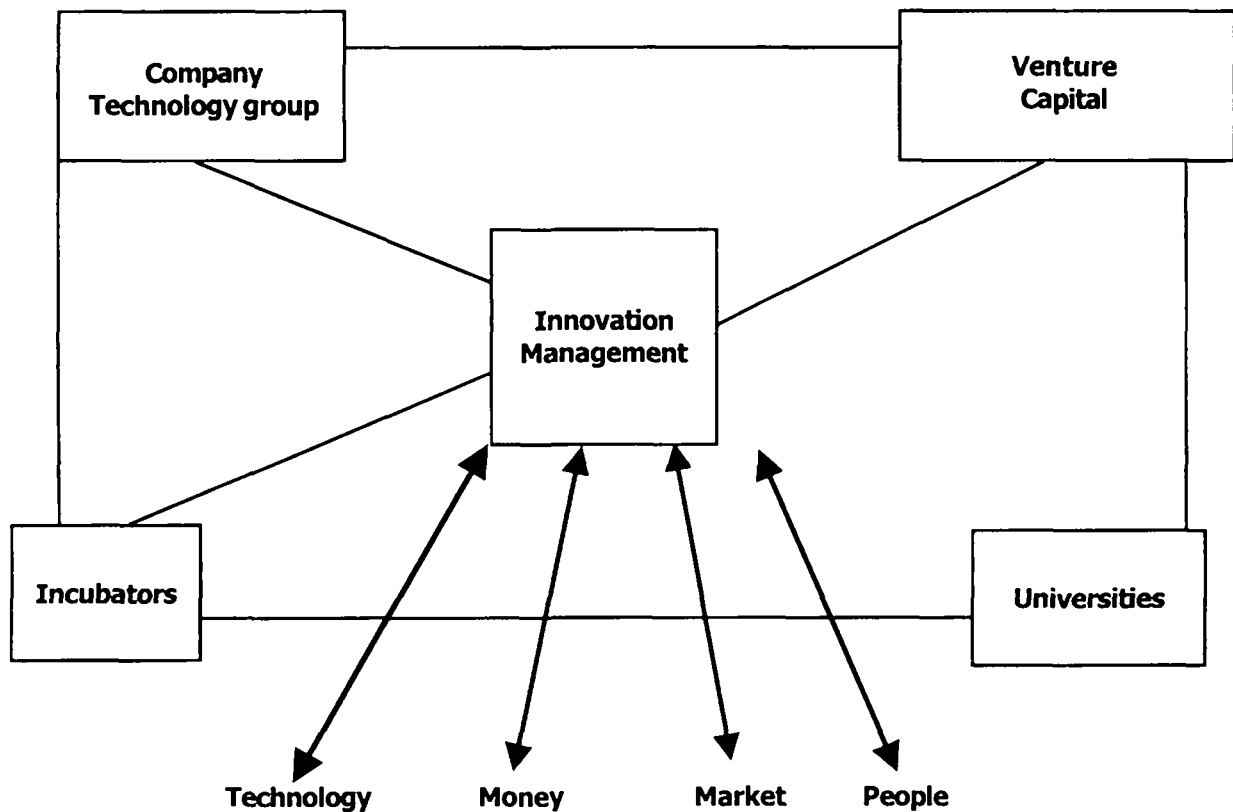
two types of innovations, namely Product innovation and Process innovation. Basically, the innovations are customers' need oriented. The producer should give the top priority to the need of the customer, while bringing an innovation to the market. Again the innovation could be a marginal improvement in the existing technology or it may be completely new one. This difference is very relevant in the field of pharmaceutical or chemical field. The process patent says that the same product can be manufactured by totally new and different processes. On the other hand, product patent will not allow the alternate processes for the manufacturing of the same product. If the innovator finds out the better, economic and cost effective method of manufacturing the same product, will not be able to get the fruits of the innovative work as there is product patent in existence. This dissuades the innovator to spend money and time on various research and developmental works. This is the adverse effect of the product patent, as it leaves no room for the increasing investment on R & D. In the case of patents granted only for a method or process of manufacturing a product or substance, the patentee has the exclusive right for himself, his agents or licensees to use or exercise the said process in the country, which grants the patent. The exclusive right will be confined only to the method or process of preparing the product and does not extend to the product prepared by the process. On the other hand, in the case of grant of a patent, for a product, such as article or substance, the patentee has the right for himself, his agents or licensees to make, use, exercise, sell or distribute such product in the country which grants the patent. Every invention is not patentable. Depending upon the policies of the government of the country and the status of its scientific arena, national priorities, national safety, and every country has certain restrictions as to what inventions should be allowed to be patented.

In the era of glocalisation (Globalisation + Localisation), all SMEs should bring product and process innovations to translate into their profit. Due to the proliferation of the brands in all most all the products, the profit margin gets reduced substantially. There is neck to neck to competition. Innovation is the buzzword to remain in the business. It is not only to keep the head above the water, at the same time one has to ensure to be ahead in the race. It is not only important to create more customers but also to retain the existing

customers. In nutshell, it invites the product innovation. Product differentiation is the most important requirement to compete in the field of business successfully. Adding more innovative product features helps the producer to retain the customers. As the level of competition increased the scope for the product differentiation decrease. This factor encourages many firms to imitate. The real business man should start thinking of some different ways to produce the same thing or to produce the different things in the same way. Due to the intense competition, the level of profit gradually decreases. Under stiff competition, the

produce finds no room to raise the price to keep more profit. So the only way is left to gain more profit, is attempting to reduce the cost of production. The cost of production can be reduced by implementing latest technical know-how and developing new-sophisticated technologies. Once the SMEs develop such methods of production, and then they can get that patented. The profitability of the company can be increased by patenting the innovative methods of production and resulting cost reduction. Secondly, the SMEs can come out with innovative products/services to retain the existing customers and to create the new customer base for their products/services.

Broad-Bandwidth Innovation Network:



The SMEs have to concentrate on getting more yields out of existing technical resources, speeding product development and harnessing resources to address new areas of concern of their customers. The Broad

Bandwidth Innovation networks include some non-traditional players, such as incubators, universities, internal technology management at the other companies and venture capitalists.

Incubators: Small, inexpensive breeding grounds for start-up companies that provide new technologies and business approaches. They operate independently and provide continuous streams of new ideas and technologies.

Universities: University-based R&D centers provide excellent intellectual capital

Internal Technology Management at other Companies: Other companies can provide allied R&D, marketing, and other innovation resources that work with broad band-width innovation network in selected areas to capture value.

Venture Capital: Technology innovation also required dealmakers that look far and wide (inside and outside the formal BBI) and that can pull together the best deals. Equity partnerships are an excellent way to gain access to technology without applying internal resources.

There can be a paradigm change in the image of the company among the customers. The SMEs can sustain the profitability in the long-run even in the era of cut-throat competition. The role of intellectual property rights in the overall business strategy of an enterprise should be presented from a managerial perspective. The relevance of patents and utility models could be highlighted within the context of the R&D and product development strategy of an enterprise. Similarly, trademarks, industrial designs and geographical indications are portrayed as tools to enhance an enterprise's marketing strategy, including the need for market access, market segmentation and product differentiation. Copyright and related rights are seen as key tools in the development of a knowledge-based service-oriented economy.

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