September
8, 2014

2PLM

John Stark Associates
http://www.johnstark.com/

Volume 16
Number 18

* The Enculturation of Intellectual Property In R&D Practices Is Coming *

by
Bradford L. Goldense

In the July 7, 2014 issue of 2PLM, the scope and focus of recent research on R&D Operating Environments, Organic Innovation, Open Innovation, Intellectual Property, and the Top Corporate Metrics used to measure R&D and Product Development was introduced. The July 21, August 4, and August 25 issues addressed industry research findings regarding R&D Operating Environments, Organic R&D Innovation, and Open R&D Innovation respectively. In this fifth of a six part series, selected GGI findings on Intellectual Property practices in R&D will be discussed.

The study, entitled the "2014 Product Development Metrics Survey", was conducted by sending questionnaires to a wide range of companies developing products throughout North America. Participating companies had headquarters throughout the Americas, Europe, and Asia, but their response was for North American R&D-Product Development operations. Complete data sets were received from 200 companies. Consumer, industrial, medical, chemical, and automotive/vehicular products were the top respondent industries. Participants completed 31 questions across the five primary research subjects. The research period was September 2012 to October 2013. The results were published March 3, 2014 in a 138-page report. This research is statistically valid and provides a Margin Of Error for each research question.

Intellectual Property [IP], for the purposes of the research, included both registered and unregistered IP associated with R&D. Company Proprietary, Trade Secret, Enabled Publications, Copyright, Trademark, Provisional Patent, and Patent were generally the categories that respondents had in their minds as they addressed eight research areas spanning R&D and the general management of IP.

Four IP areas relating to R&D and PLM were researched: Importance of IP, Financial Tracking of IP, Financial Results from IP, Processes Used To Manage IP. Over 95% of all respondent companies provided answers to these four research areas. As "IP" has been around for centuries, and registered IP began in England in the Middle Ages, one would expect a high level of corporate awareness on the subject of Intellectual Property.

Importance of IP: Corporate emphasis on IP in R&D is currently much stronger, when compared to five years ago. Only a quarter of respondents said that the emphasis had not changed in the past five years, almost three-quarters said the initiative had become either more or much more important. Only one of the one hundred ninety-one respondent companies

GGI
Goldense Group, Inc.
P.O. Box 350
1346 South Street
Dedham, MA 02027
Needham, MA 02492
Phone (781) 444-5400
Fax (781) 444-5475

indicated that IP was less important. The body of knowledge of IP is evolving rapidly everywhere during the past two decades; across the generators of IP, service industries, and software providers. There are four driving forces: globalization, monetization, regulation, and security. R&D antennas are currently high and are likely to remain that way for a number of years.

Financial Tracking of IP: Systems and infrastructure typically lag the implementation of new corporate practices. As well, cost tracking systems are generally much better architected and featured to take on a new activity than are revenue and profit tracking systems. Three out of ten companies now track IP revenues, and slightly less track IP profits. Four-plus out of ten companies now track IP development costs, and one-third track IP capital costs. Remembering that this research is North American in scope, it is important to note that the legislative seesawing of the "R&D Tax Credit" affects the corporate propensity to track costs that are subsets of R&D expense. Most of the IP-related costs would qualify for tax credits were there a regular policy. As the ability to monetize IP to the P/L statement level increases, tax credits will no longer be the primary motivator for tracking. Return on investment calculations will necessitate the build-out of the relevant tracking systems.

Financial Results from IP: While every company may not know exactly what monies accrue to them from IP initiatives, there is no lack of clarity on practitioner perceptions of economic benefit. A touchier area to research than corporate importance, the strong positive response on financial results from IP was surprising. Historically, financials included, IP has been handled outside of the company or as a function or group that is not within R&D. Despite the distance, awareness is high. Not one company indicated any negative financial impacts, zero. Only a quarter of companies indicated neutral results. Three-quarters of companies indicated positive or strongly positive economic benefits.

Processes Used To Manage IP: Like financial tracking systems, formalized processes also lag the implementation of corporate practices. However, only seventeen percent of companies do not have at least one "documented process or guidelines" for IP. In converse to Open Innovation at seventy-three percent, as reported in the August 25 issue of 2PLM, it is clear that IP is much more mature in corporate cultures - as expected. Another twenty-two percent of companies are still quite basic in their processes for IP, one size fits all. A single process exists to handle all IP-related matters. The remaining sixty percent of North American industry is relatively more sophisticated. Across all responses as a whole, for the categories of Company Proprietary, Trade Secret, Enabled Publications, Copyright, Trademark, Provisional Patent, and Patent, Patent was the most formalized with seventy percent having a process for it. The least formalized was Enabled Publications at twenty percent. Trade Secrets was next lowest at forty-four percent. For the remaining registered and unregistered IP categories, the presence of processes or guidelines ranged from fifty to sixty-five percent. The driving forces behind the Importance of IP noted above, especially monetization, are likely to lead to the continued build-out of IP processes. Today, the average European company has five or six product development processes. The average North American company has three to four. Counts for IP processes may well exceed R&D and product development process counts in the years ahead.

GGI Goldense Group, Inc. | P.O. Box 350 1346 South Street | Dedham, MA 02027 Needham, MA 02492 | Phone (781) 444-5400 Fax (781) 444-5475

SUMMARY: IP is on its way to becoming a globally traded commodity, transactable, just like money and other commodities are today. While it will still take years to rationalize and normalize IP practices across companies, regulating bodies, countries, and governments, and it will never fully normalize, the growth and maturation of its body of knowledge will continue at a high rate until IP achieves becoming a tradable and securable commodity. With R&D, manufacturing, and software-driven processes sitting at the cradle of invention and innovation, R&D professionals will find themselves increasingly occupied with IP matters. With little financial downside, and an ever increasing ease in the ability to monetize IP, financial tracking and process infrastructure will continue to build-out. In the intermediate term, formalization will likely equal or surpass what exists in R&D and product development today. In the long term, IP will become integrated with all of the cradle locations in a corporation. R&D will be no exception. IP will become an integral part of R&D and product development processes; right alongside products. Project teams will launch either a product or pieces of packaged IP, or both. Business plans of the future will incorporate both P/L streams. Cost tracking systems will follow the same path. It won't matter whether the IP is registered or unregistered, valuing and packaging it are all that is necessary. This "commodization of IP" will create many changes for product creation professionals. It will also create additional responsibilities for PLM professionals, "productized IP" will have its own unique lifecycle attributes.

For more information about Goldense Group Inc.'s (GGI) R&D, Product Development, Innovation, and Metrics research approach and topics, ongoing since 1998, please visit their research portal. Licensed pdfs of the 2014 findings and other research are available in GGI's iStore or through regarded distributors including Baker & Taylor and MarketResearch.com.

Bradford L. Goldense, NPDP, CMfgE, CPIM, CCP, president of Goldense Group Inc. has advised over 300 manufacturing companies on four continents in product management, R&D, engineering, product development, and metrics. GGI is a consulting, market research, and executive education firm founded in 1986. Brad writes a monthly column in Machine Design magazine for product creation professionals.

GGI
Goldense Group, Inc.
P.O. Box 350
1346 South Street
Dedham, MA 02027
Needham, MA 02492
Phone (781) 444-5400
Fax (781) 444-5475