

## SMEs And Patent Valorization

By Josep Maria Pujals

Even though Small Medium Entities (SMEs) represent almost 95% of businesses and contribute significantly to global GDP<sup>1</sup> not all type of SMEs own or manage Intellectual Property rights to support their business. It depends on their size, the type of activities that contribute to their competitiveness and also the sector in which they operate.<sup>2</sup> Thus small businesses carrying out R&D activities in the life science sector or in other industries that are innovation intensive are more likely to be aware of the strategic role of Intellectual Property. By contrast, small retail companies usually own one or two trademarks and domain names protecting their business and main product or service identity at a national level, as their customer base is only domestic or local. They do not use Intellectual Property to *i.e.* access new markets or to collaborate with others to develop new products and services because of their lack of sophistication.<sup>3</sup>

But in the so-called 21st century knowledge-based economies, where intellectual capital is key for the development of added value technologies and services, the use of Intellectual Property is crucial for innovative SMEs to successfully link R&D and innovation efforts with commercialisation and internationalisation.

Those innovative Small Medium Entities are what we call **“Super Monetisation Enterprises,”** as they are able to introduce disruptive, niche innovations into global markets and are aware of the vital contribution of Intellectual Property assets creation and management to their business strategy and capitalising on differentiation.

Intellectual Property management and ownership then allows the Super Monetisation Enterprise to appropriate internal R&D developments, to

1. Stanley P. Kowalski Director ITTI, Franklin Pierce Law Center, “SMES, Open Innovation and IP Management: Advancing Global Development” (Concord, NH) [http://www.wipo.int/edocs/mdocs/sme/en/wipo\\_smes\\_rom\\_09/wipo\\_smes\\_rom\\_09\\_b\\_theme02\\_2.pdf](http://www.wipo.int/edocs/mdocs/sme/en/wipo_smes_rom_09/wipo_smes_rom_09_b_theme02_2.pdf).

2. “Intellectual Property (IP) SME Scoreboard,” EUIPO (2016) [https://euipo.europa.eu/tunnel-web/secure/webdav/guest/document\\_library/observatory/documents/sme\\_scoreboard\\_study\\_2016/semi\\_scoreboard\\_study\\_2016\\_en.pdf](https://euipo.europa.eu/tunnel-web/secure/webdav/guest/document_library/observatory/documents/sme_scoreboard_study_2016/semi_scoreboard_study_2016_en.pdf).

3. Suzanne S. Harrison, Patrick H. Sullivan, “Edison in the Boardroom Revisited: How Leading Companies Realise Value from Their Intellectual Property,” (2nd Edition) <http://eu.wiley.com/WileyCDA/WileyTitle/productCd-1118004531.html>.

embrace open innovation and to leverage its market position across Global Value Chains.

**Super Monetisation Entities** contribute to economic growth by introducing commercial, scientific and technological knowledge embedded in inventions and capital 1 as intellectual Property to the markets.

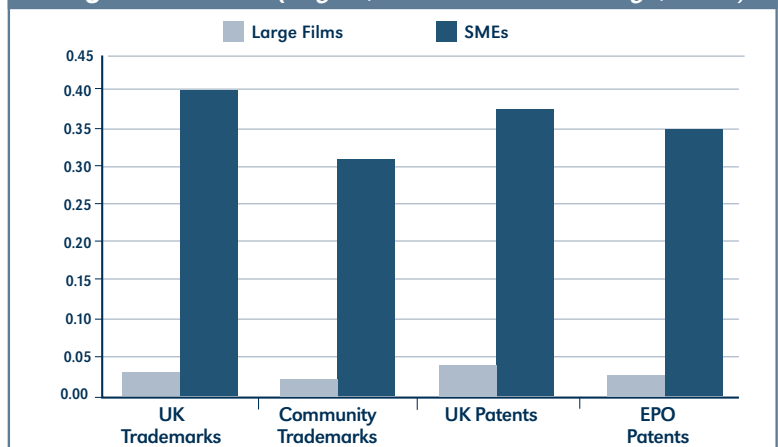
Super Monetisation Entities challenge established businesses and monopolies by creating more efficient customer relationships, adding disruptive features to existing products and services or by introducing new ones, thus improving client’s satisfaction and experience, gaining competitive advantage and driving economic growth and technological change.

**Intellectual Property Management and Valorisation** are at the heart of the **Super Monetisation Entity’s** strategy.

Super Monetisation Entities are relevant holders of Intellectual Property assets in accordance with their capabilities and intensive focus on innovation and new product development. According to some innovation metrics, they are found to produce more than twice as many innovations and file more patents and trade-

■ Josep Maria Pujals,  
Ponti,  
IP Lawyer,  
Barcelona, Spain  
E-mail: [pepepujals@yahoo.com](mailto:pepepujals@yahoo.com)

**Table 1. IP Intensity, Relative To Assets, Of SMEs Versus Large UK Firms. (Rogers, Helmers & Greenhalgh, 2007)**



4. Intellectual Property: Powerhouse for Innovation and Economic Growth <https://cdn.icwbo.org/content/uploads/sites/3/2011/02/Intellectual-Property-Powerhouse-for-Innovation-and-Economic-Growth.pdf>.

marks applications per employee than large firms.<sup>4</sup>

Thus, Super Monetisation Entities sustainably drive the Darwinian innovation cycle of creative destruction,<sup>5</sup> because of their ability to change market rules through the introduction of disruptive technologies and innovations and also due to the fact that established companies “experience innovative inertia because of limited management attention to new business, management misperceptions of competitive threats and opportunities, organisational rent seeking and bureaucratic routines.”<sup>6</sup> Thus, we find many examples of leading companies who have introduced disruptive technologies and monopolise their objective market but then are unable to find the path for sustainably delivering new innovations and products, or anticipate their customers’ new likes. “While Kodak invented many of the core technologies underlying digital cameras, its management was too addicted to the steady flow of fat profits from its film, paper, and chemical franchises to risk cannibalising it. Hence, Kodak let others pioneer the field, waking up too late to catch up.”<sup>7</sup> Established firms also face The Innovator’s Dilemma when managing IP. Thus, big firms are very conservative when creating and managing their IP portfolios.<sup>8</sup> Their IP assets mainly relate to technologies and services that already contribute to sales and incomes but not to future options linked to disruptive technologies and R&D efforts that can win the next markets to the detriment of alternatives developed by newcomers and competitors. This gap in IP management can deter big firms’ ability to take advantage of their market supremacy and is a further signal of complacency. By contrast,

the fact that Super Monetisation Entities’ management is extremely focused on creating new Intellectual Property linked to radical innovations, makes its advantageous market position and leadership inevitable.

The IP marketplace<sup>9</sup> or the market for inventions<sup>6</sup> plays a vital role for Super Monetisation Entities to leverage codified and tacit knowledge and experience, to strengthen their competitive advantage, and to deliver new products and services, creating new markets and gaining clients via IPRs.

We define IP monetization-valorisation as the different options available to Super Monetisation Entities in the IP Market to leverage internal or external codified knowledge for competitive advantage: “Preventing others from copying products or services, improving chances of securing investment, obtaining licensing revenues, improving chances/quality of liquidity (e.g. acquisition/IPO) preventing patent infringement actions

**Table 2. Optimized Allocations**

| Technology categorisation                              | Start-up    | New entrant (moderate size) | Leading company (high mkt share) |
|--|-------------|-----------------------------|----------------------------------|
| Sustaining technology (improvement to existing market) | 10%         | 20%                         | 50%                              |
| Sustaining technology (applied to new market)          | 20%         | 50%                         | 35%                              |
| Disruptive technology                                  | 70%         | 30%                         | 15%                              |
| <b>Total Budget</b>                                    | <b>100%</b> | <b>100%</b>                 | <b>100%</b>                      |

**Table 3. ICT SMEs’ Reported Goals For Using IPR. (IDC, 2008)**

|  | Patents | Copyright | Trademarks | Registered Designs | Utility Models |
|--|---------|-----------|------------|--------------------|----------------|
| <b>Launch new products and services; exploit new innovations</b> | 69%     | 81%       | 71%        | 67%                | 63%            |
| <b>Exchange, license, collaborate</b>                            | 10%46%  | 21%       | 19%        | 23%                | 18%            |
| <b>Gain access to funding</b>                                    | 34%     | 27%       | 18%        | 26%                | 16%            |
| <b>Block competitors</b>   | 32%     | 23%       | 12%        | 16%                | 14%            |

5. [https://en.wikipedia.org/wiki/Creative\\_destruction](https://en.wikipedia.org/wiki/Creative_destruction).

6. “The Innovative Entrepreneur: Daniel F. Spulber.”

7. “Polaroid, Kodak, Apple: No One Escapes the Winds of Creative Destruction.” <https://www.forbes.com/sites/billfrezza/2012/09/05/polaroid-kodak-apple-no-one-escapes-the-winds-of-creative-destruction/#22aa9a75d002>.

8. “Welcoming ‘The Innovator’s Dilemma,’” *IAM Magazine* <http://www.iam-media.com/Search?q=Welcoming+%E2%80%98the+innovator%E2%80%99s+dilemma+IAM+Magazine>.

9. “Shortcomings on the Market for IP.” <http://tinyurl.com/ybtuxrwu>

10. Stuart J. Graham, Ted Sichelman, “Why do start up patent?” <http://scholarship.law.berkeley.edu/cgi/viewcontent.cgi?article=1757&context=btlj>.

**The 'Age of Innovation' is upon us**

Over the last 100+ years in business, the way companies create value has evolved ...

| Age of Manufacturing<br>1900 – 1950                       | Age of Distribution<br>1950 – 1980                                  | Age of Information<br>1980 – 2000  | Age of Experience<br>2000 – 2015  | Age of Innovation<br>2015 – ?  |
|---|---|--|---|--|
| Mass manufacturing enables industrial powerhouses to rise | Global connections and transportation systems make distribution key | Connected supply chains and the introduction of PCs means those that control information flow dominate | Companies compete on the quality of experience and an ability to engage consumers | Companies that place innovation at the heart of their purpose, transforming experiences, processes and business models win |

Page 3 Delivering Agile Innovation **EY**

Thus governments are increasingly trying to promote the strategic use of IP by innovative firms in the new knowledge-based economies, where the ability to appropriate technological and market differentiation is crucial for new companies' ability to growth and conquer new markets.

"The key role of IP in the success

against the company; improving the company's negotiation position with other companies (e.g. cross-licensing) and enhancing the company reputation image."<sup>10</sup>

But, despite all the existing empirical evidence available on the advantages that IP management can bring to innovative firms for accessing new clients and markets, seeking investment, building strategical partnerships and collaborations or enhancing its reputation, not too many innovative SMEs are engaged with the patent system.<sup>11</sup>

**One of the reasons for innovative SMEs not being fully aware of the opportunity that IP markets offer is the current transition from the manufacturing age—towards the age of innovation.**

In such context, IP systems differences, lack of smart capital, costs and access to expertise amongst other problems in the IP market<sup>6</sup> reduces or limits **innovative SMEs'** ability to develop internally sustained IP strategies and fully deploy the role of intangible assets for value capture from a very early stage.

### Putting IPRs to Work for Sustained Innovation and Competitive Advantage

Super Monetisation Entities are rich in IP assets and IP management capabilities developed both internally and outsourced. They also tend to be specialised in niche areas and are flexible, thus needing and being able to scale up into new international markets.

of start-ups and innovative SMEs has long been recognised: it allows innovative businesses to appropriate the results of their creativity, inventiveness and R&D investments, and creates an incentive for further investment in innovation<sup>3</sup>. Recent data from the EU Intellectual Property Office (EUIPO) show that businesses using IP rights perform better, and this is particularly true in the case of SMEs. SMEs owning IP rights have almost 32 percent higher revenue per employee than SMEs that do not. They also expand their workforce faster and pay higher salaries. IP is therefore key for smart and sustainable growth."<sup>13</sup>

Also, the phenomenon of the so-called Gazelles entities (all enterprises up to five years old with average annualised growth greater than 20 percent per annum over a three-year period) is associated with Intellectual Property use and great innovation potential.<sup>14</sup>

Super Monetisation Entities' ability to align its organisational and management operations towards

10. Stuart J. Graham, Ted Sichelman, "Why do start up patent?" <http://scholarship.law.berkeley.edu/cgi/viewcontent.cgi?article=1757&context=btlj>.

11. "Delivering Agile Innovation," E&Y [http://www.ey.com/Publication/vwLUAssets/EY-DeliveringAgileInnovation-exec-summary/\\$File/EY-DeliveringAgileInnovation-exec-summary.pdf](http://www.ey.com/Publication/vwLUAssets/EY-DeliveringAgileInnovation-exec-summary/$File/EY-DeliveringAgileInnovation-exec-summary.pdf).

12. "Lack of Access to Patent Advice Is a Huge Problem for Start-ups and SMEs in Europe." IAM <http://www.iam-media.com/Blog/Detail.aspx?g=36616482-6fce-41fe-bb35-fd7264376412>.

13. "Commission Staff Working Document" Accompanying the document Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Europe's next leaders: the Start-up and Scale-up Initiative Putting intellectual property at the service of SMEs to foster innovation and growth (COM, 2016) 733. <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=SWD:2016:373:FIN>.

14. David B. Audretsch, University of Indiana, U.S.A., "Determinants of High-Growth Entrepreneurship Report." prepared for the OECD/DBA International Workshop on High-growth firms: local policies and local determinants. (Copenhagen, 2012). [https://www.oecd.org/cfe/leed/Audretsch\\_determinants%20of%20high-growth%20firms.pdf](https://www.oecd.org/cfe/leed/Audretsch_determinants%20of%20high-growth%20firms.pdf).

**Table 4: U.S. Gazelles And High-Impact Firms**

| Number of Employed | Period    | Number Of Gazelles          | Job Change | Revenue Change (\$1,000s) |
|--------------------|-----------|-----------------------------|------------|---------------------------|
| 1-19               | 1994-1998 | 309,160                     | 3,018,440  | \$577,533,025             |
|                    | 1998-2002 | 301,275                     | 3,573,918  | \$716,504,242             |
|                    | 2002-2006 | 283,308                     | 2,883,475  | \$589,072,471             |
| 20-499             | 1994-1998 | 43,342                      | 3,014,683  | \$762,963,829             |
|                    | 1998-2002 | 42,390                      | 3,291,048  | \$957,923,241             |
|                    | 2002-2006 | 39,617                      | 2,138,682  | \$1,014,653,361           |
| 500-plus           | 1994-1998 | 1,547                       | 5,063,517  | \$1,195,977,664           |
|                    | 1998-2002 | 1,665                       | 4,515,417  | \$1,841,396,607           |
|                    | 2002-2006 | 1,485                       | 2,514,558  | \$1,663,635,336           |
| Total              | 1994-1998 | 354,049                     | 11,096,640 | \$2,536,474,518           |
|                    | 1998-2002 | 345,330                     | 11,380,383 | \$3,515,824,090           |
|                    | 2002-2006 | 324,410                     | 7,528,715  | \$3,267,361,168           |
| Number of Employed | Period    | Number Of High-Impact Firms | Job Change | Revenue Change (\$1,000s) |
| 1-19               | 1994-1998 | 327,397                     | 3,170,729  | \$346,038,292             |
|                    | 1998-2002 | 278,190                     | 3,577,111  | \$423,042,570             |
|                    | 2002-2006 | 359,289                     | 4,041,099  | \$425,041,975             |
| 20-499             | 1994-1998 | 23,464                      | 2,788,969  | \$503,059,203             |
|                    | 1998-2002 | 20,601                      | 2,966,647  | \$570,102,604             |
|                    | 2002-2006 | 16,523                      | 2,001,835  | \$549,674,434             |
| 500-plus           | 1994-1998 | 1,253                       | 5,501,049  | \$1,110,073,562           |
|                    | 1998-2002 | 1,182                       | 5,192,558  | \$1,657,759,197           |
|                    | 2002-2006 | 793                         | 2,966,826  | \$1,060,128,527           |
| Total              | 1994-1998 | 152,114                     | 11,460,747 | \$1,959,171,057           |
|                    | 1998-2002 | 299,973                     | 11,737,316 | \$2,650,904,371           |
|                    | 2002-2006 | 376,605                     | 9,009,7760 | \$2,034,844,936           |

Source: Corporate Research Board, American Corporate Statistical Library (2007). Ace, Parsons and Tracy (2008)

the development of new technologies and innovations in very specific niche markets place them in a better position to deliver a more agile response and reaction to different customer demands and change of needs. “In some particularly fast-paced and innovative industries, which include process control equipment and information technology, capital intensity is a less important constraint. An innovative SME may be more easily able to focus on a narrow range of specific inventions. Organisational differences—such as a less bureaucratic, more innovation-focussed management structure or more direct incentives to succeed—may also give SMEs a relative advantage over their larger counterparts in developing innovations.”<sup>4</sup>

When Super Monetisation Entities’ products and technologies are dominant and irreplaceable in a specific industry, they became “indispensable and non-substitutable in the whole Global Value Chain (GVC).” Such firms can be described as the “bottleneck” of the GVC (Jacobides et al., 2006). Example of such bottlenecks are the so-called “hidden champions” (Simon, 2009): firms that capture high shares of the world market in specific products (Table 5). Hidden champions usually have state-of-the-art technology and superior product quality in niche products, both of

**Table 5: Examples Of “Hidden Champions”**

| Company              | Main Product                              | World Share |
|----------------------|---|-------------|
| Dr. Suwelack         | Collagen                                  | 100%        |
| Skysails             | Towing kite wind propulsion system        | 100%        |
| Ulvac                | LCD panel coating                         | 96%         |
| Nivarox              | Regulating mechanism for wristwatch       | 90%         |
| GKD- Gebr. Kufferath | Metal fabrics                             | 90%         |
| Saes Getters         | Barium getters                            | 85%         |
| alki-Technik         | Special screw systems                     | 80%         |
| Delo                 | Adhesives for chip modules on smart cards | 80%         |
| Nissha               | Small touch panel                         | 80%         |
| Kern-Liebers         | Springs for safety belts                  | 80%         |
| Weckerie             | Lipstick machines                         | 80%         |
| Omicron              | Tunnel grid/tunnel probe microscopes      | 70%         |

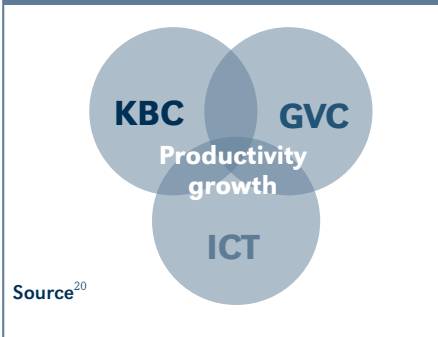
Source: Simon (2009), Hidden Champions of the 21st Century, Springer Publishing. Supporting Investment in Knowledge Capital, Growth and Innovation OECD 2013

which rivals find very hard to match.”<sup>15</sup>

In terms of patent ownership, while “large corporations have six patents per 1000 employees, the Hidden Champions have 31. The costs of a Hidden Champion patent are only about one-fifth of those in a large corporation.”<sup>16</sup>

Super Monetisation Entities also use Intellectual Property strategically. For instance, “lead firms in electronics GVCs have deployed standards not only to enhance knowledge transfer to their suppliers, but also to lower the barriers to entry in the corresponding segment of the GVC and increase competition among suppliers (Shapiro and Varian, 1999).”<sup>15</sup>

**Figure 6. The Confluence Of The Drivers Of Productivity Growth In 21st Century Knowledge Economies**



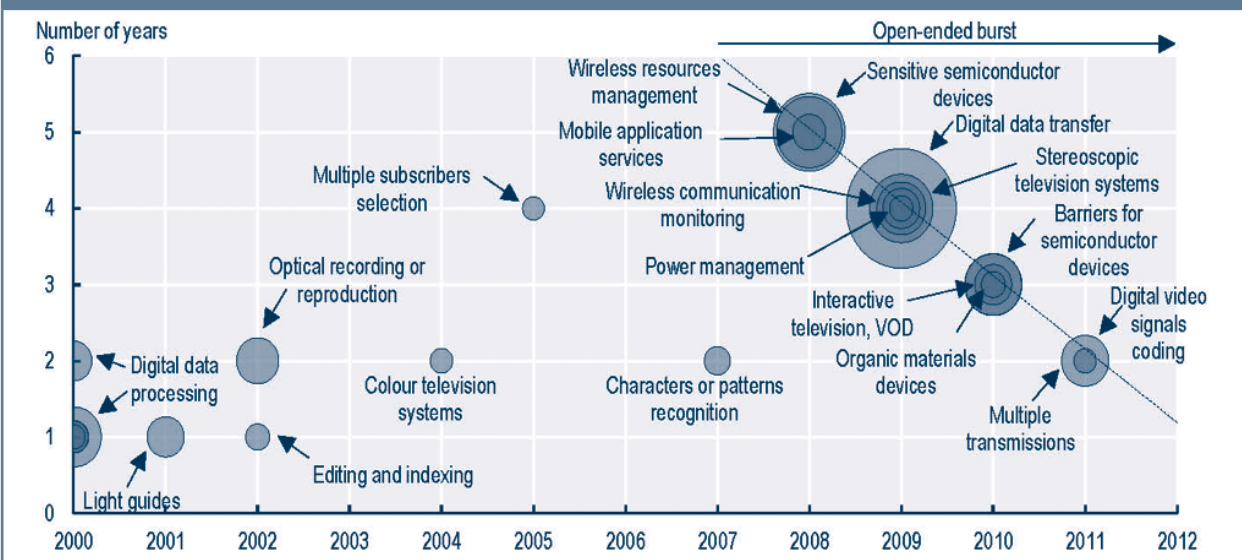
Thus, according to Jorge L. Contreras,<sup>17</sup> innovative companies deactivate strategically their ability to enforce their patents to induce other firms to

adopt their technology: “The action that the pledgor seeks to induce in others can vary, but it is generally related to third parties’ adoption of certain technology choices that are favoured by the pledgor. There are three principal sub-categories of inducement pledges: those intended to induce other firms to adopt and make investments in products that comply with one or more interoperability standards, those intended to induce other firms to adopt a particular technology platform favoured, if not actually sold, by the pledgor, and those intended to induce market participants to adopt a broad platform technology. In each of these cases, the pledgor calculates that it is likely to derive greater benefit from the behaviour that it seeks to induce in others than from using its patents to exclude others from the market.”

### The Super Monetisation Entity and the Digital Challenge and Opportunity

As innovations can be codified via IPRs in the new Connected-4.0 knowledge-based economy, where a number of connected questions rapidly arise, “including those relating to the models for successful exploitation of digital intellectual property, the future of patent law vis-à-vis creative computers, or the regime of data ownership and privacy in the big data environment,”<sup>18</sup> Super Monetisation Entities are best placed

**Figure 7. Intensity And Development Speed In ICT-related Technologies, 2000-12**



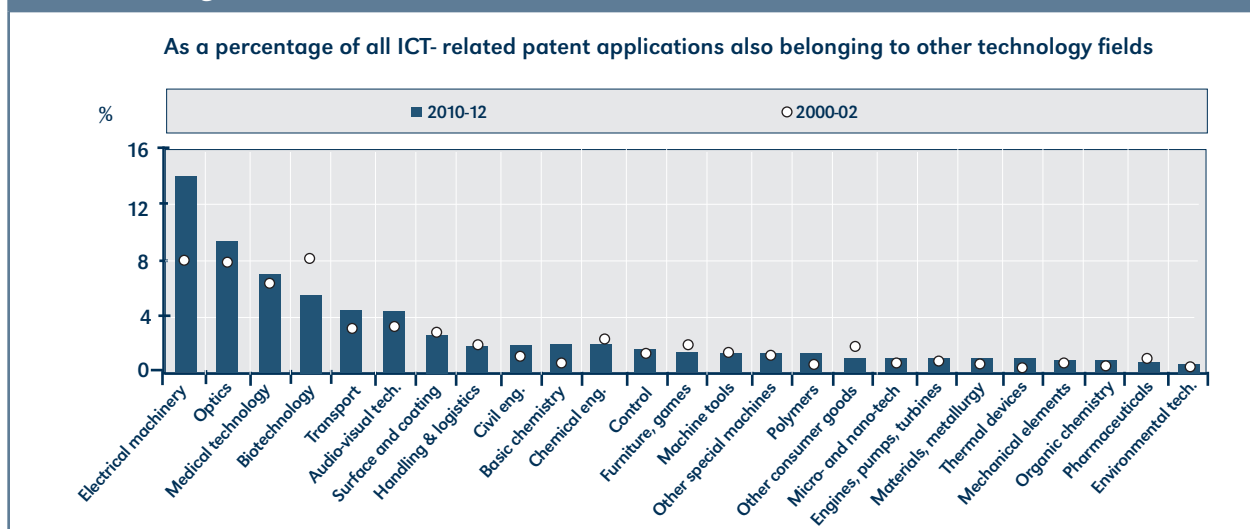
Note: Data refer to patent applications filed at the EPO or the USPTO that belong to IP5 families, by filing date, using fractional counts. ICT-related patents are defined on the basis of their International Patent Classification (IPC) codes. Source: OECD (2015c) Science, Technology and Industry Scoreboard 2015, OECD Publishing, Paris, <http://dx/doi.org/10/1787/888933273469>.

15. “Supporting Investment in Knowledge Capital, Growth and Innovation.” OECD. [http://www.oecd-ilibrary.org/industry-and-services/supporting-investment-in-knowledge-capital-growth-and-innovation\\_9789264193307-en](http://www.oecd-ilibrary.org/industry-and-services/supporting-investment-in-knowledge-capital-growth-and-innovation_9789264193307-en).

16. “Who are the Hidden Champions?” [https://www.anca.com/Files/Editorials/MannMonthly\\_Oct2013.pdf](https://www.anca.com/Files/Editorials/MannMonthly_Oct2013.pdf).

17. Jorge L. Contreras, “Patent Pledges.” [http://arizonastatelawjournal.org/wp-content/uploads/2015/12/Contreras\\_Final.pdf](http://arizonastatelawjournal.org/wp-content/uploads/2015/12/Contreras_Final.pdf).

**Figure 8. 4th Year Maintenance Rate vs. Forward Citation Rate**



Note: Patent counts are based on the priority date. Source:OECD (2015a) Digital Economy outlook, OECD Publishing, Paris, based on OECD, Patent Database, February 2015. <http://dx.doi.org/10.1787.888933224483>.

for benefiting from the intangible nature of intellectual property assets, allowing them to deliver innovative products and services in new markets and gaining customers directly or through partner collaborations, ie. through 3D printing. “The potential advantages of 3D printing are numerous for innovation-intensive companies. In particular, 3D printing allows them to reduce their overheads when developing, designing and testing new products or improving existing ones. They no longer have to pay for costly prototypes but can rapidly and cheaply undertake multiple iterations of complex elements in-house using 3D printers.”<sup>19</sup>

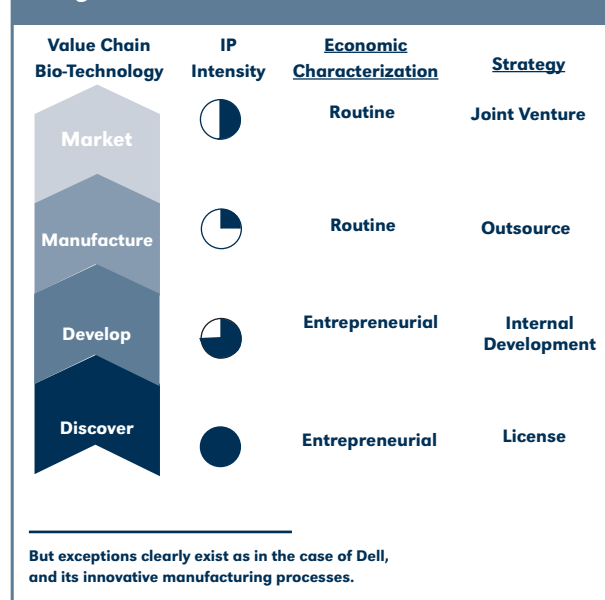
In the new hyper-connected industry, where knowledge-based capital, Global Value Chains and ICT are the drivers of productivity growth in the 21st century,<sup>20</sup> Super Monetisation Entities profit from IP asset management to retain competitive advantage and seek complementarities.

“The concept of complementary assets is a very relevant one since it highlights the fact that the successful commercialisation of an innovation requires manufacturing, marketing and after sales capabilities, among other factors. This means that appropriability cannot be entirely dependent on the more or less successful features of the technology to be protected, but is heavily based on the firms’ other capabilities.”<sup>21</sup>

### IP: Towards a Recognised Valuable Asset

As governments move toward IP Systems harmonisation, traditional institutions, legal, banks, stakeholders through the innovation value chain, will be more likely to recognise the economic value of IP assets and thus

**Figure 9. Economic Characterization of IP:**



18. Intellectual Property And Digitalisation—Challenges for Intellectual Property—A conference jointly organised by CEIPI / BETA / I3PM. [http://www.i3pm.org/files/misc/Conference\\_on\\_intellectual\\_Property\\_and\\_Digitalization.pdf](http://www.i3pm.org/files/misc/Conference_on_intellectual_Property_and_Digitalization.pdf).

19. WIPO Magazine. 3D [http://www.wipo.int/wipo\\_magazine/en/2017/01/article\\_0006.html](http://www.wipo.int/wipo_magazine/en/2017/01/article_0006.html).

20. “Stimulating Digital Innovation for Growth and Inclusiveness.” [http://www.oecd-ilibrary.org/science-and-technology/stimulating-digital-innovation-for-growth-and-inclusiveness\\_5jlwqvhg3l31-en](http://www.oecd-ilibrary.org/science-and-technology/stimulating-digital-innovation-for-growth-and-inclusiveness_5jlwqvhg3l31-en).

21. “Innovation and Appropriability, Empirical Evidence and Research Agenda.” [http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DSTI/ICCP\(2015\)18/FINAL&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DSTI/ICCP(2015)18/FINAL&docLanguage=En).

**Figure 10. Valuation Purposes & Standards**

| Transaction-M&A/Licensing  | Financial Reporting  | Bankruptcy/Reorganization   |
|--|--|---|
| <b>Audience:</b><br>Management<br>Investors<br><b>Standards:</b><br>Company Specific                             | <b>Audience:</b><br>Investors<br>SEC<br><b>Standards:</b><br>GAAP<br>FASB  | <b>Audience:</b><br>Bankruptcy Judge<br>Creditors<br><b>Standards:</b><br>Statute/Case law<br>Bank requirements |
| Tax  | Legal  | Financing/Securitization  |
| <b>Audience:</b><br>IRS, Foreign Tax Authority<br><b>Standards:</b><br>Per Tax Code (367; 482; 350;<br>197; 170) | <b>Audience:</b><br>Trial court<br><b>Standards:</b><br>"Georgia Pacific"<br>"Panduit" Factors<br>Statute/Case Law | <b>Audience:</b><br>Creditors<br>Investors<br><b>Standards:</b><br>Statute/Case law                             |

the importance of IP markets and IP valorisation will increase for extracting-realising value from innovation activities.

This inertia will help to develop new economic dynamics based on intangible capital ownership, on the acknowledgement that IP mainly:

- Allows innovative firms to appropriate market and technology differentiation and protect and expand market share;
- Allows innovative firms to collaborate with external firms with complementary assets.

"SMEs can use patents as enablers of open innovation in order to connect their technological innovations with the complementary assets needed for commercialisation (e.g., Chesbrough, 2003, 2006; Chesbrough et al., 2006; Enkel et al., 2009; Gassmann et al., 2009; Dahlander and Gann, 2010; Bogers et al., 2012+ ).<sup>23</sup>

And therefore, IP represents a signal of innovation capacity for investors and a source of finance.

"First, IPRs help to reveal to investors the quality of the firm's management and of its technological capabilities. Second, as legally protected economic resources, IPRs can raise the projected profitability of a firm, and can be separated from the business and sold in case of

financial distress."<sup>24</sup>

### Conclusion:

Because innovative SMEs are stronger at integrating technology and customer needs than big firms but lack other complementary assets, they need to recognise and institutionalise intangible capital management as a principal means to valorise—capture strategic value from—their innovation efforts.

When doing that, they become Super Monetisation Entities, and are best positioned to leverage their position within the innovation ecosystem and navigate through the current "extreme uncertainty"<sup>25</sup> towards sustained benefits. ■

Available at Social Science Research Network (SSRN): <https://ssrn.com/abstract=3009019>

22. "Intangible Asset & Intellectual Property Valuation: A Multidisciplinary Perspective." [http://www.wipo.int/sme/en/documents/ip\\_valuation\\_fulltext.html](http://www.wipo.int/sme/en/documents/ip_valuation_fulltext.html).

23. Marcus Holgersson, "Patent Management in Entrepreneurial SMEs: A Literature Review and an Empirical Study of Innovation Appropriation, Patent Propensity, and Motives." <http://www.ip-research.org/wp-content/uploads/2012/09/PAM11-20120814a-with-publ-info.pdf>.

24. "Enquiries Into Intellectual Property's Economic Impact" (Chapter 9) Ip-Based Financing of Innovative Firms [http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DSTI/ICCP\(2014\)17/CHAP9/FINAL&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DSTI/ICCP(2014)17/CHAP9/FINAL&docLanguage=En).

25. Eric Ries, "The Lean Start-up." <http://theleanstartup.com/principles>.