



New tools for a new economy

The knowledge economy requires a new set of conceptual tools to operate, but who is responsible for creating them?

It's never easy to doubt what you're sure of, but in our quest to transform intellectual assets into capital, we must be willing to do just that. We need to question what we've taken for granted. What are assets, property and capital in a knowledge-based business context, and how can these concepts be used as tools to build wealth and welfare? Does the concept of human capital make sense? Can humans be capital or is this just an expression to describe the role of human resources in creating firm value? How does this loose definition of capital affect the ability to convince the financial industry, with its traditional understanding of capital, to accept knowledge and other intellectual assets as legitimate forms of capital in their context?

Is the concept of intellectual property sufficient or does it need to be better defined in the knowledge economy? Do we need to differentiate between static and dynamic IP in order to convince business executives that IP is a business asset, not just a right to block others?

What about the concept of the invisible hand? Does this serve us well in a knowledge economy? We were taught to "trust the market", but what do we do when there is no market? How is the concept of competition law affected by the fact that firms create both innovations and markets simultaneously? How does the concept of open innovation alter the concept of the firm and the market in relation to industrial organisation? Nowadays there is much talk about markets for IP, but what do we mean by a market in the knowledge economy? If intellectual assets make up 80% of the value of the S&P500, does this mean that the NYSE is a market for IP?

It's obvious that the knowledge economy requires new tools to support the construction of business. But what is often overlooked is the fact that the creation of these tools requires both an entrepreneurial and a collective dimension, especially in new sectors such as ICT and biotechnology. A key

obstacle in the reconstruction of business is that the concept of intellectual property, as a modern business tool, is not sufficiently reconstructed to be useful in its new purpose. Thus we tend to underutilise the potential of the tools we have by failing to challenge their use in an entrepreneurial manner.

If we argue that it is fundamental for customers to experience information as products and services for which they are willing to pay, then it ought to be essential that customers trust, and are loyal to, things such as software, content and features as properties. According to this line of reasoning, property concepts are necessary tools for the packaging of intellectual assets, the development of adjusted contractual transactions and even the creation of market structures. Therefore, we need property concepts to be used as tools for firm-controlled structures as well as tools for collective structures, such as open source constructions.

Property concepts that are well communicated and trusted are important for the development of other (intellectual) structures that need to be adjusted for an intellectualised economy, such as payment systems, systems of financial securities, credit systems and insurance systems. Furthermore, the concepts are just as important when it comes to developing other tools, such as assessment models, valuation models, contractual solutions, concepts of licence offers, licensing checklists, organisation models, branding, digital rights management (DRM) and management of patent portfolios.

Hence, in the current mode of transformation within business, there is reason to question whether the intellectualisation of the economy is going to be sustainable so as to enable the construction or reconstruction of a welfare economy. Currently the knowledge economy is in a phase characterised by its ambiguity. Sectors based on ICT, biotechnology and other new technologies are still characterised by the struggle to establish market platforms for entrepreneurial activities.

Within the ICT sphere, we have seen how approaches in DRM on the one hand, and in the open source movement on the other,

have been pushing for new business solutions. In business in general, managers have begun to recognise the need for new approaches towards valuation, incentive structures, information networks, branding, patenting and licensing, as well as contractual means for commercialising intellectual assets and property. Management scholars, economists, lawyers and other knowledge providers have also begun to develop concepts and theories which, as tools, have the purpose of supporting a constructive development.

However, these efforts have not yet resulted in the embracing of the entrepreneurial agenda discussed above. Experts in intellectual property still often lack insight into the commercial potential of intellectual properties – their skills are often limited to communicative actions within patent offices and/or judicial courts. Venture capitalists still have difficulty in evaluating intellectual property and, as a result, cannot predict which ventures will achieve commercial success. Accountants still lack methods and tools to value and evaluate firms based on intellectual properties (intellectual assets). Business analysts, in general, still lack skills to evaluate and value business in the new sectors of industry. Among analysts, market information is seen as asymmetric. Analysts experience a lack of comparability, meaning that only insiders have the opportunity to evaluate the commercial potential of a new idea or venture. Intellectual properties are experienced as fuzzy, resulting in uncertainty, lack of trust and inability to extract values among business actors.

In the end, sustainability will come from the efforts of entrepreneurs willing to take responsibility for the collective construction of new business tools that open up new opportunities for themselves and us all.

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