



English Seminar of Intellectual Property  
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# Intellectual Property Strategy Formulation

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# Purpose of this lecture

- In this lecture, let me explain the necessity of having IP personnel understand the fundamental of strategy formulation in the field of business management, and propose an IP Strategy menu in the implementation of IP strategy making.
- This lecture also aims to provide information and suggestion on how IP strategy can be integrated with corporate strategy in a comprehensive way using an example of IP strategy making.



Final Mission of Corporate Management is  
“Sustainable Development”.

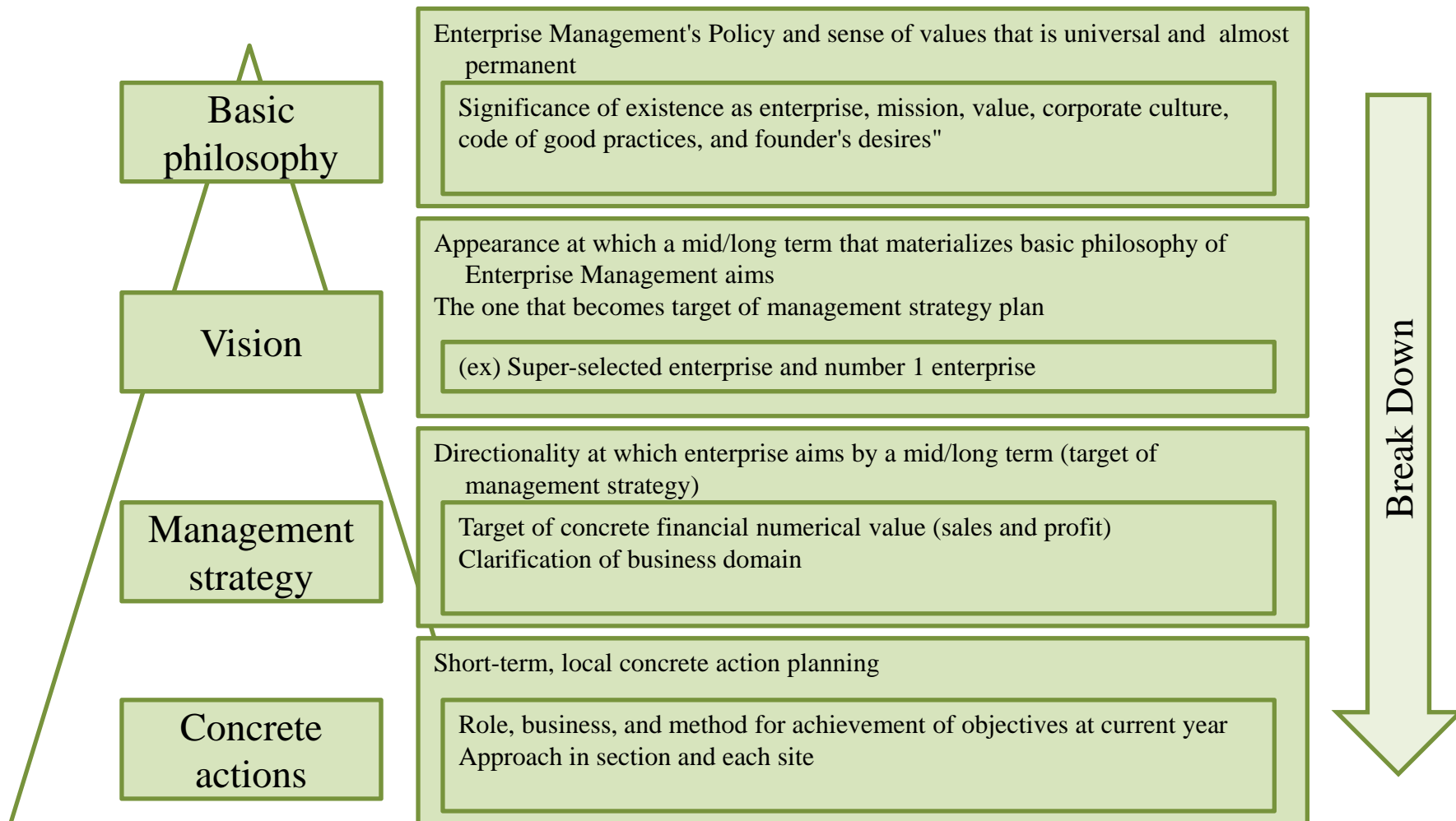
In order to keep sustainable development,  
we definitely need “Management Strategy”.



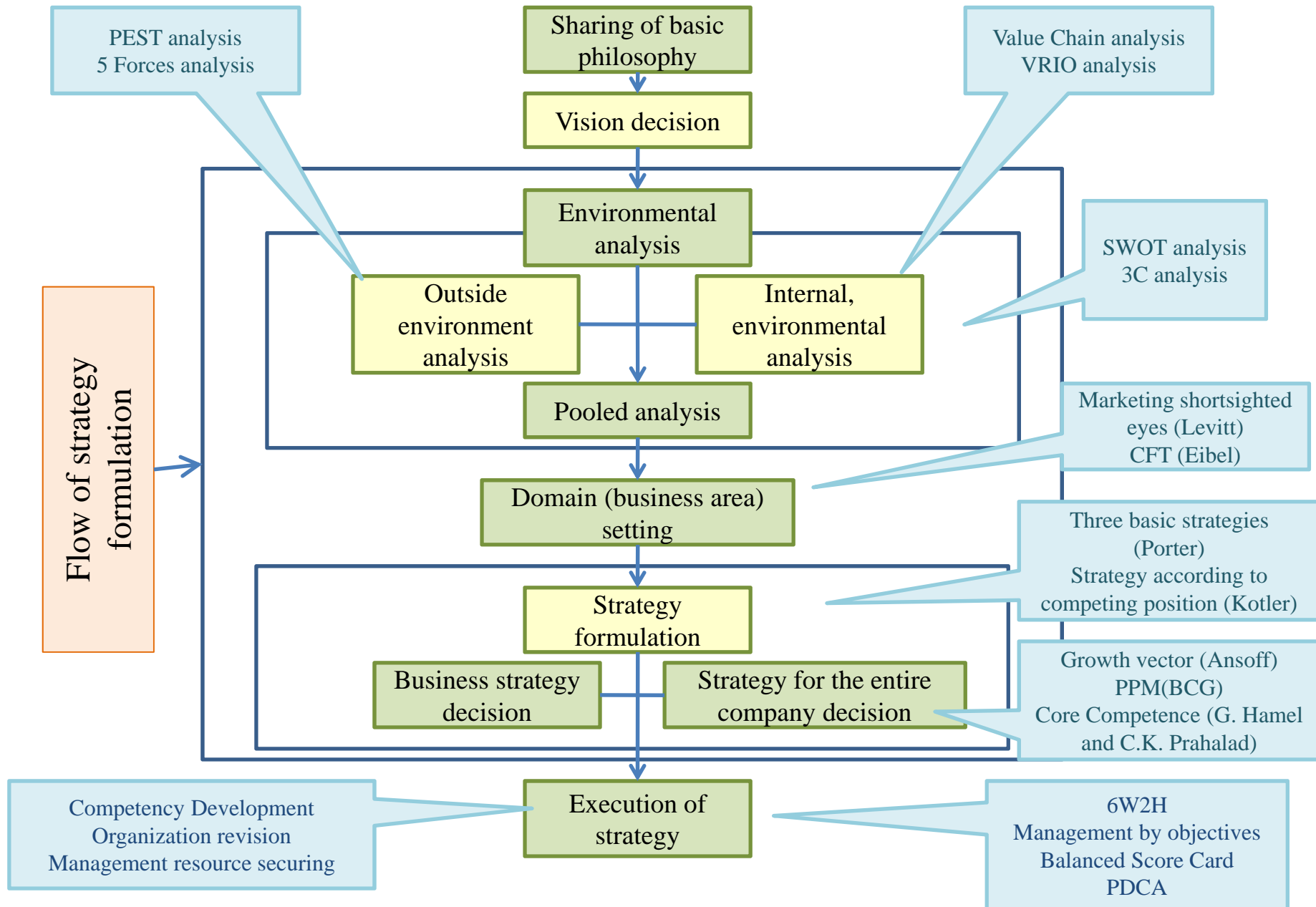
# What is Management Strategy?



# Break Down from basic philosophy

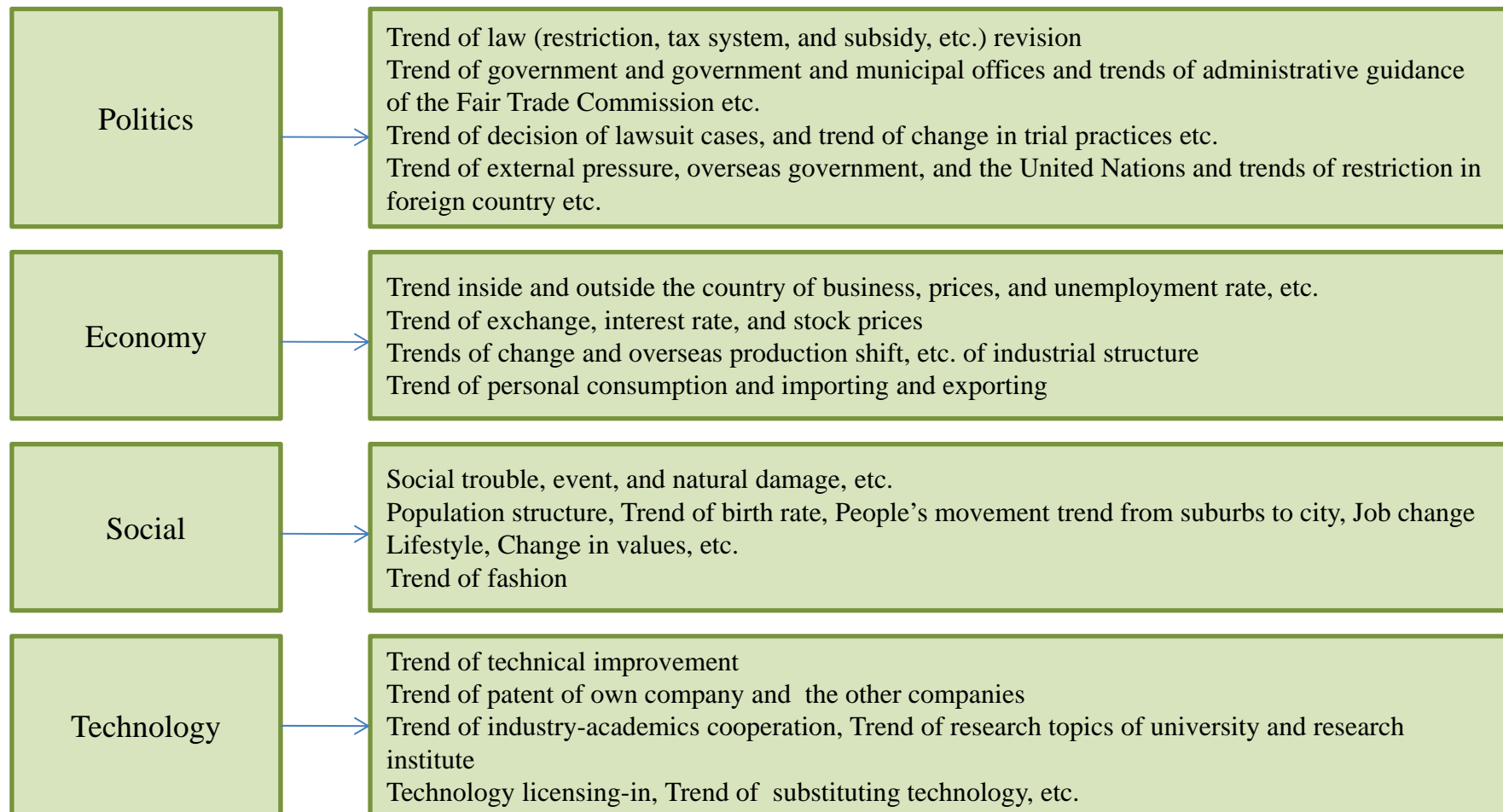


# Flow of management strategy formulation & management tools





# PEST analysis

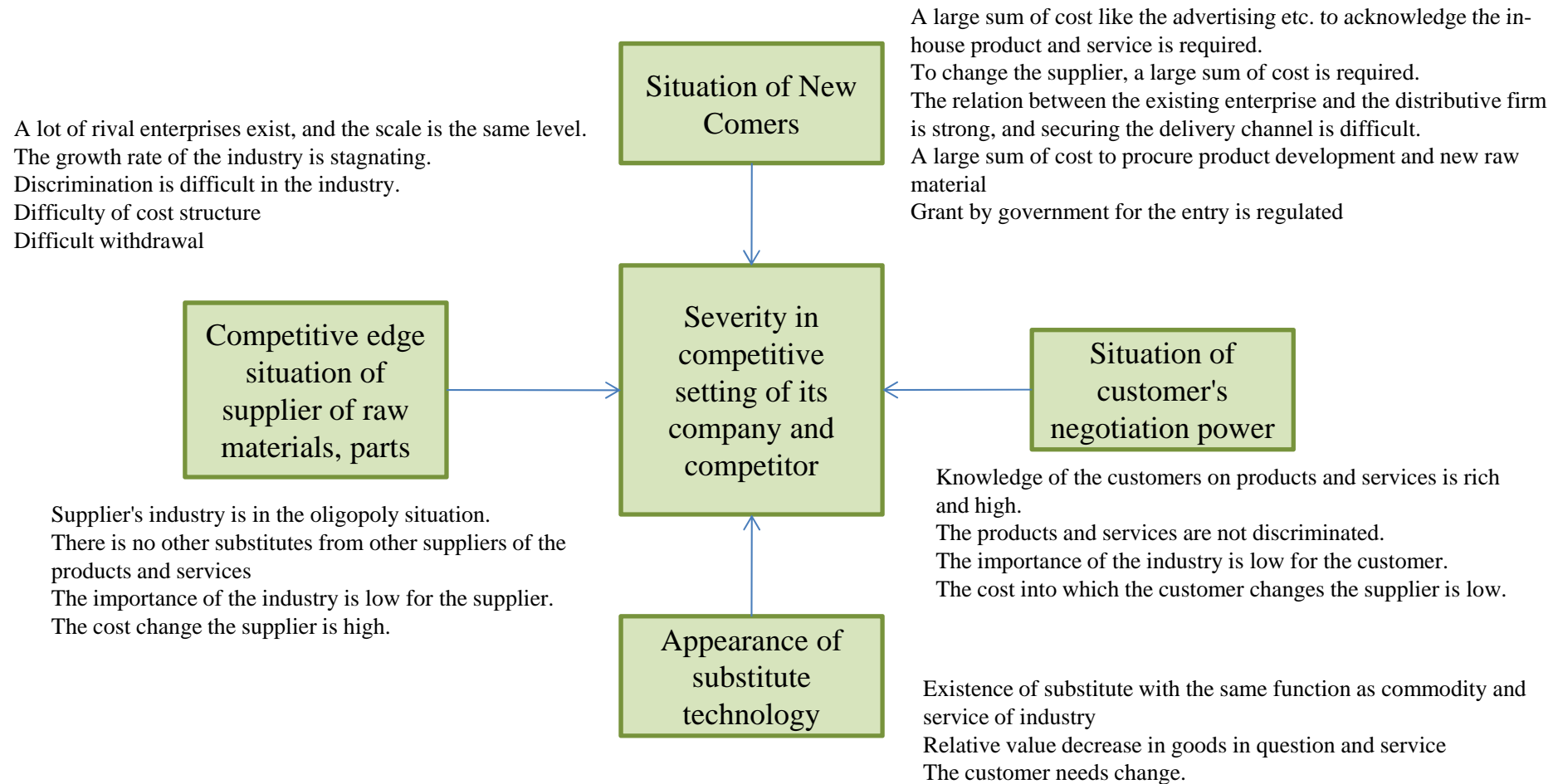


Note when analyzing it:

It should not be the overview of all factors, concentrating on the important factors for our company and our stakeholders, considering why it important and how it makes influence. By making PEST analysis, external environment shall be clarified, defining our opportunity and threat. The important information for strategy planning shall be extracted.



# 5 Forces analysis (Michael Porter)



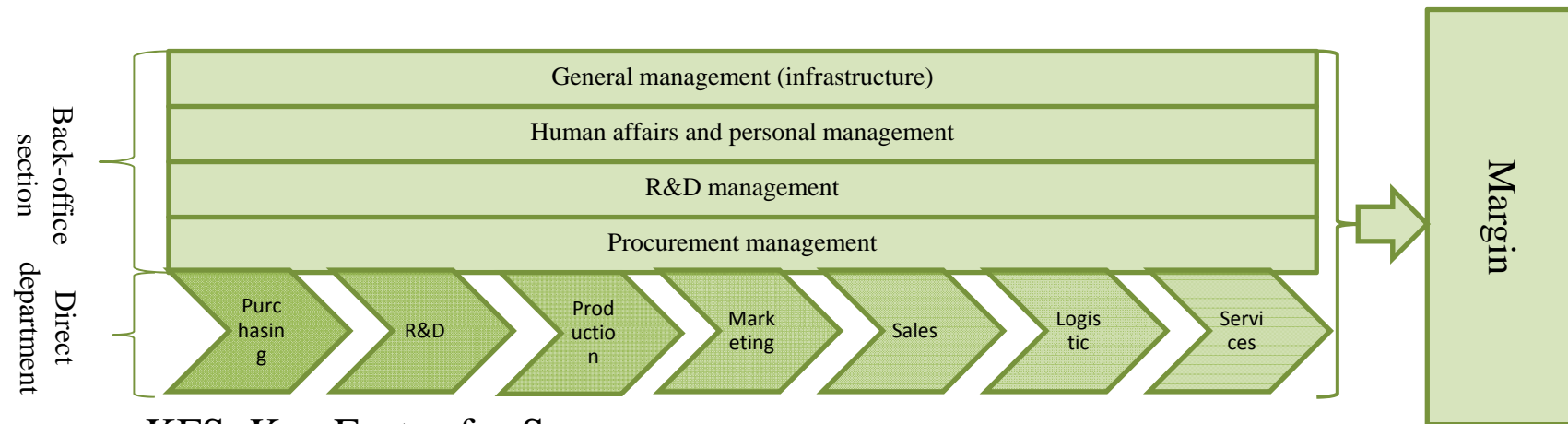
Note when analyzing it:

It is useful for the strategy formulation to analyze the charm degree of the industry that belongs so that the profitability of the industry to which the enterprise belongs may influence the profitability of the enterprise. The chance and the threat that the situation of the industry gives its company are extracted.





# Value Chain analysis (Michael Porter)



## KFS: Key Factor for Success

	Price negotiation power by bulk purchase Raw material securing Respond market price	Design Design development speed Offense and Defense with patent	Production cost Precision work Quality control	advertisement Goods in stock Brand image	Visiting frequency Number of sales people The customer's organizing	Promptness For small sum Cover of area	For complaint Regular service Service for 24 hours
(example of industry)	Large-scale retailer	Medicine manufacture Aircraft	Semiconductor	Cosmetics Travel agent	Insurance	Convenience store Stationery	Copier Elevator

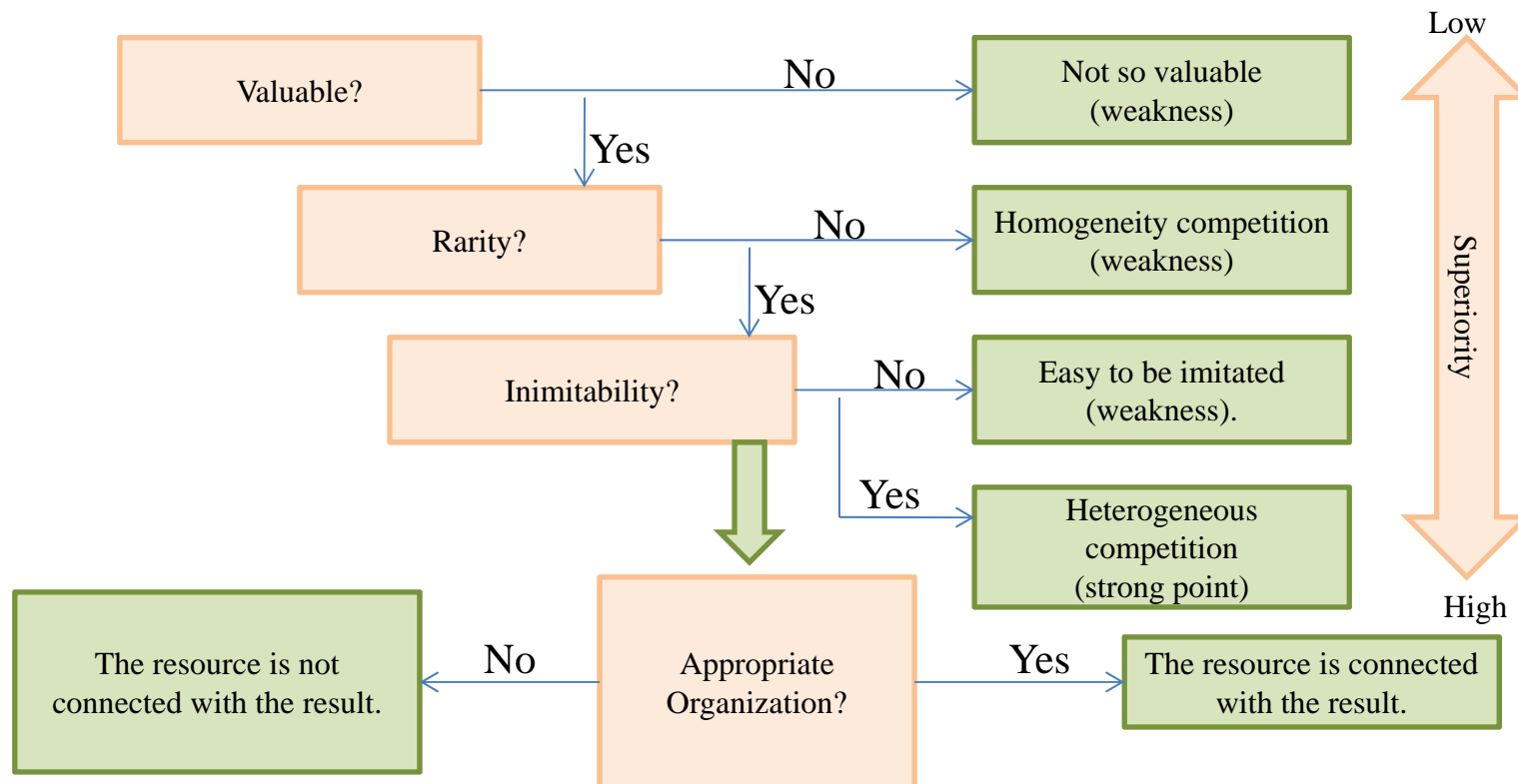
Note when analyzing it:

Undertaking activities are divided into the back-office section and the direct department, and about the direct department, the strength and the weakness of each functional element of the value chain are analyzed according to foreclosed of the thing, and relative competitive edge with the other companies is understood. It is used as an analysis of the strength and the weakness of our company by using 3C analysis.

# VRIO analysis (Jay B. Bernie)



- Value:** Can you contribute by catching the opportunity of the outside environment? Can you contribute by reducing the threat? By this aspects, the business resource shall be evaluated..
- Rarity:** Is there any other companies providing the same products or services? Other companies have similar resources or not?
- Inimitability:** Whether it is easily imitated by the competitor or not? Aspect to which resources on business are evaluated by this viewpoint.
- Organization:** Whether the mechanism that resources on business can be used enough is made or not? Right organization?

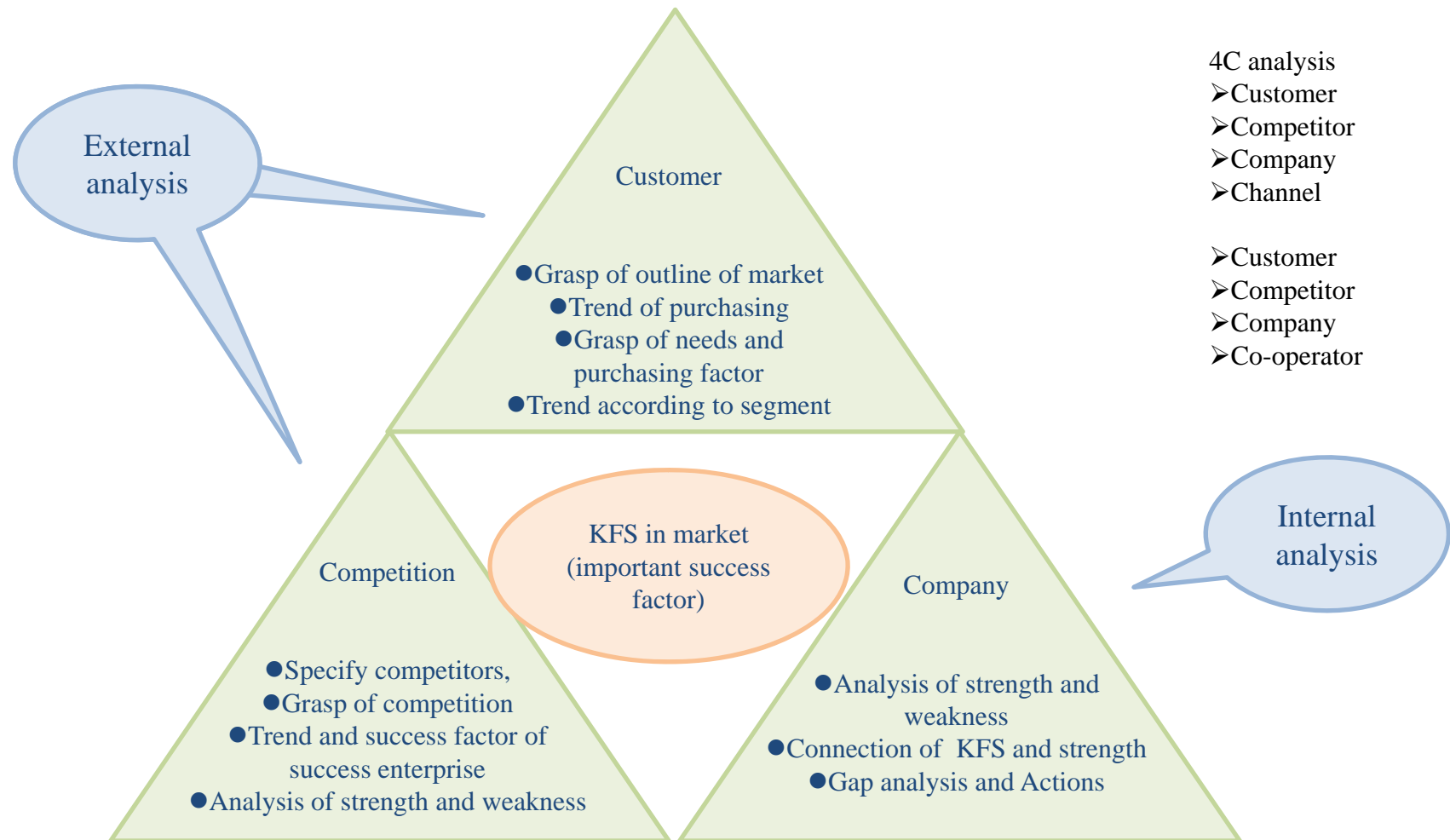


Note when analyzing it:

VRIO analysis is proposed based on three concepts which are “Value”, “Rarity” and “Inimitability”. It is considered that the company has these 3 capability is strong and competing. Also, it is important to have the proper organization to maintain the mechanism as these resources can be effectively used.



# 3C analysis



Note when analyzing it:

From three important factors; customers, competitors and own company, the key success factor as the direction that its company should take, shall be decided. The value chain analysis and the VRIO analysis are often used for the analysis of competitors and the own company.



# SWOT Analysis

The first stage:

Analysis of internal factor and external factor

	Positive factor	Negative factor
Internal environment	Strength	Weakness
Outside environment	Opportunity	Threat

Second stage:

Material for strategy formulation

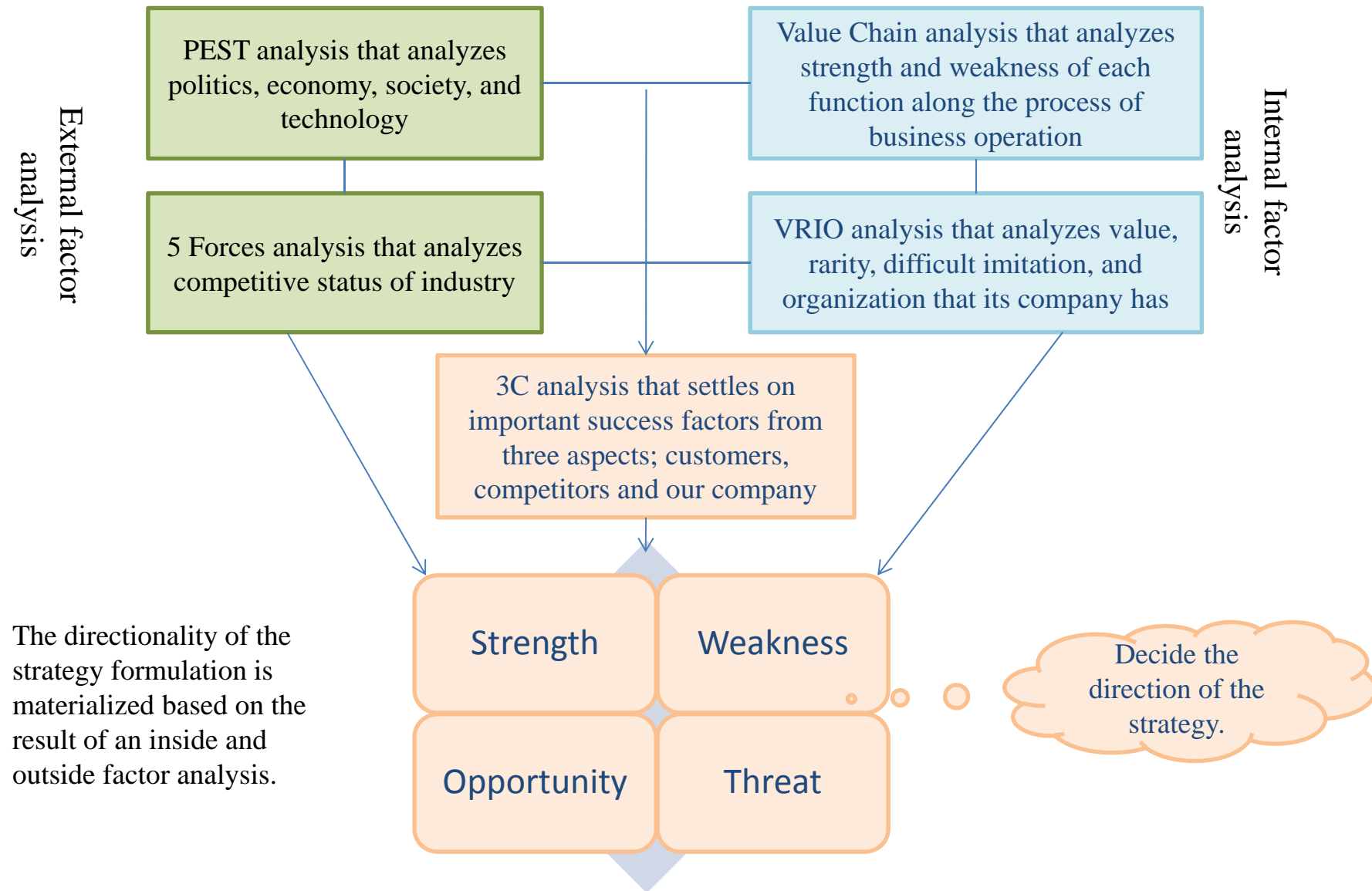
		Internal environment	
		Strength	Weakness
Outside environment	Opportunity	Make the best use of the strength to take the opportunity? How?	Make it not miss the opportunity by the weakness? How?
	Threat	Avoid the threat by the strength? How?	Make the threat not actually become it by the weakness?

Note when analyzing it:

The strengths, weaknesses, opportunities and threats analysis has two stages. First stage is the analysis on SWOT . Then the second stage is to make strategy based on SWOT. When analyzing it, it is important to verify the event by an objective aspect. When directionality is settled on, each element of the matrix of SWOT is combined and it examines it.



# Relations of various analysis tools



# Defining the business domain (business area)



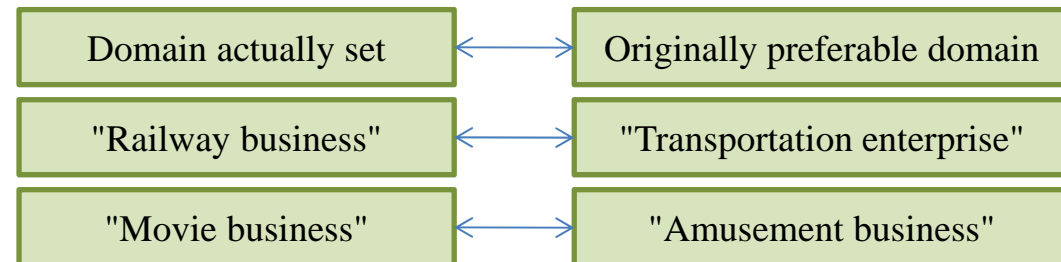
Too narrow domain setting persists in the competition in the narrow scope, and corresponds to a big environmental transformation in impossibility.

Too wide domain setting becomes wide the range of the decision of the strategy, becomes uncontrollable, and causes the risk of the management resource decentralization.

## Theodore Levitt "Marketing shortsighted eyes"

Example: Railway company

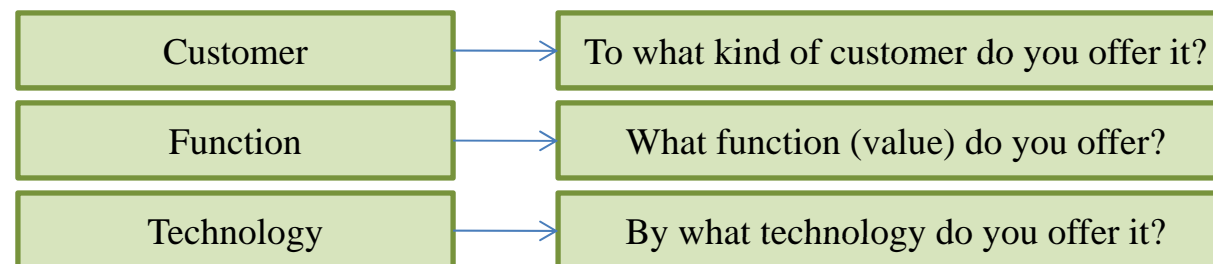
Example: Movie company



It is not possible to correspond to the environmental transformation by the narrow domain setting limited to a present corporate structure and resources on business and it declines.

The domain is widely set in consideration of "What value do you offer the customer?".

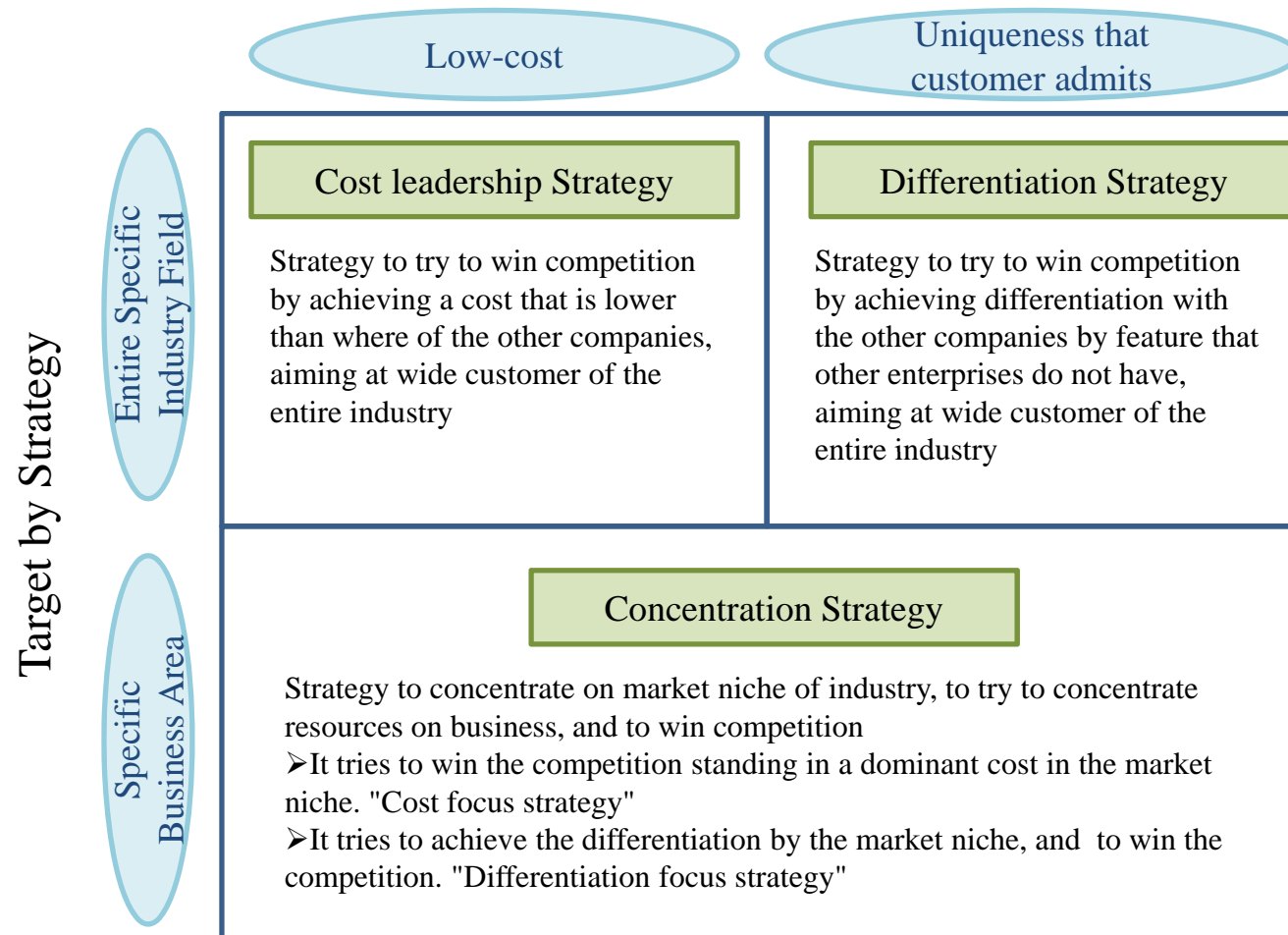
## Derek F. Eibel "Aspect CFT of domain setting"





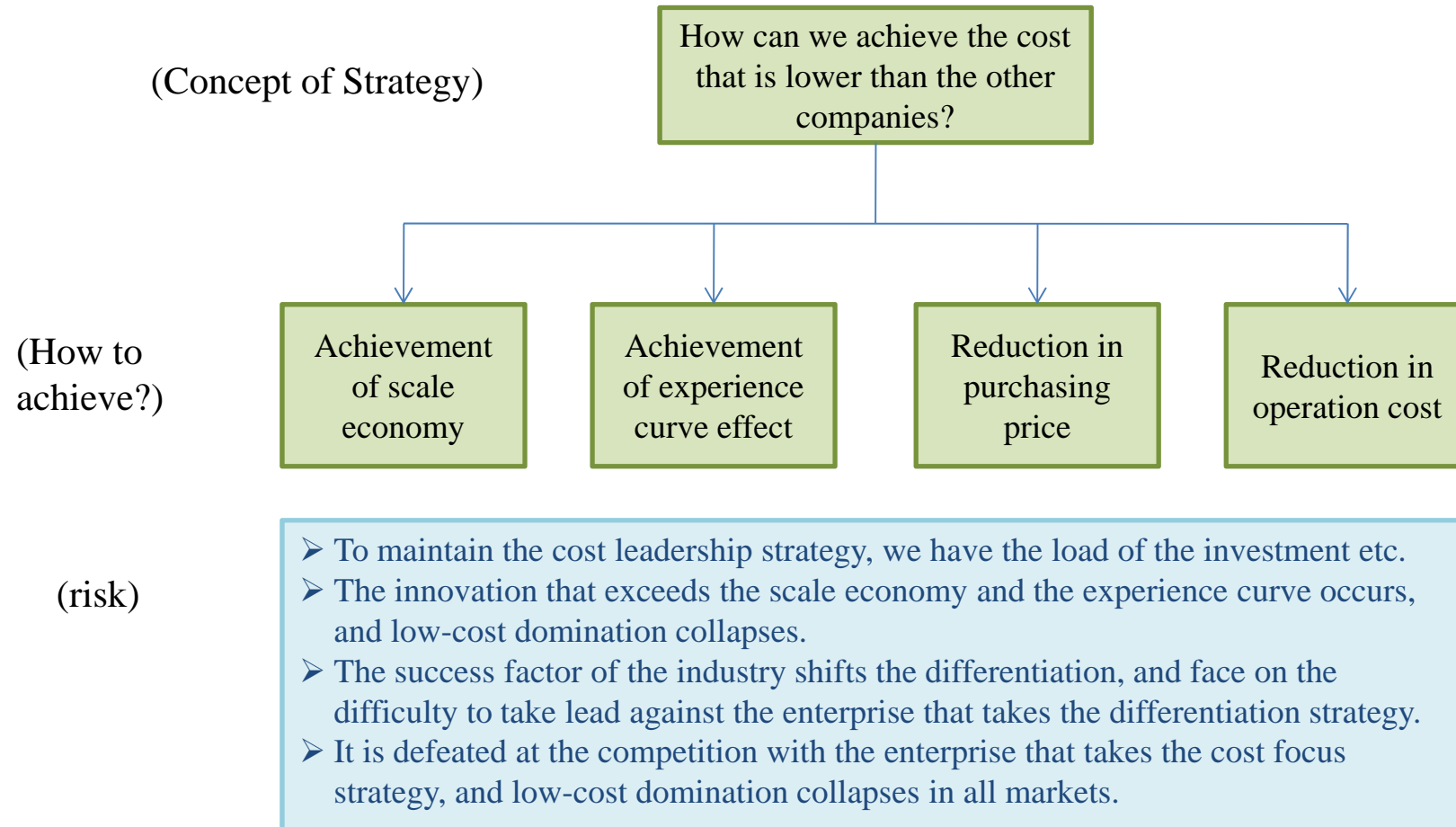
# Three basic strategies (Porter)

Means to create competing dominant status





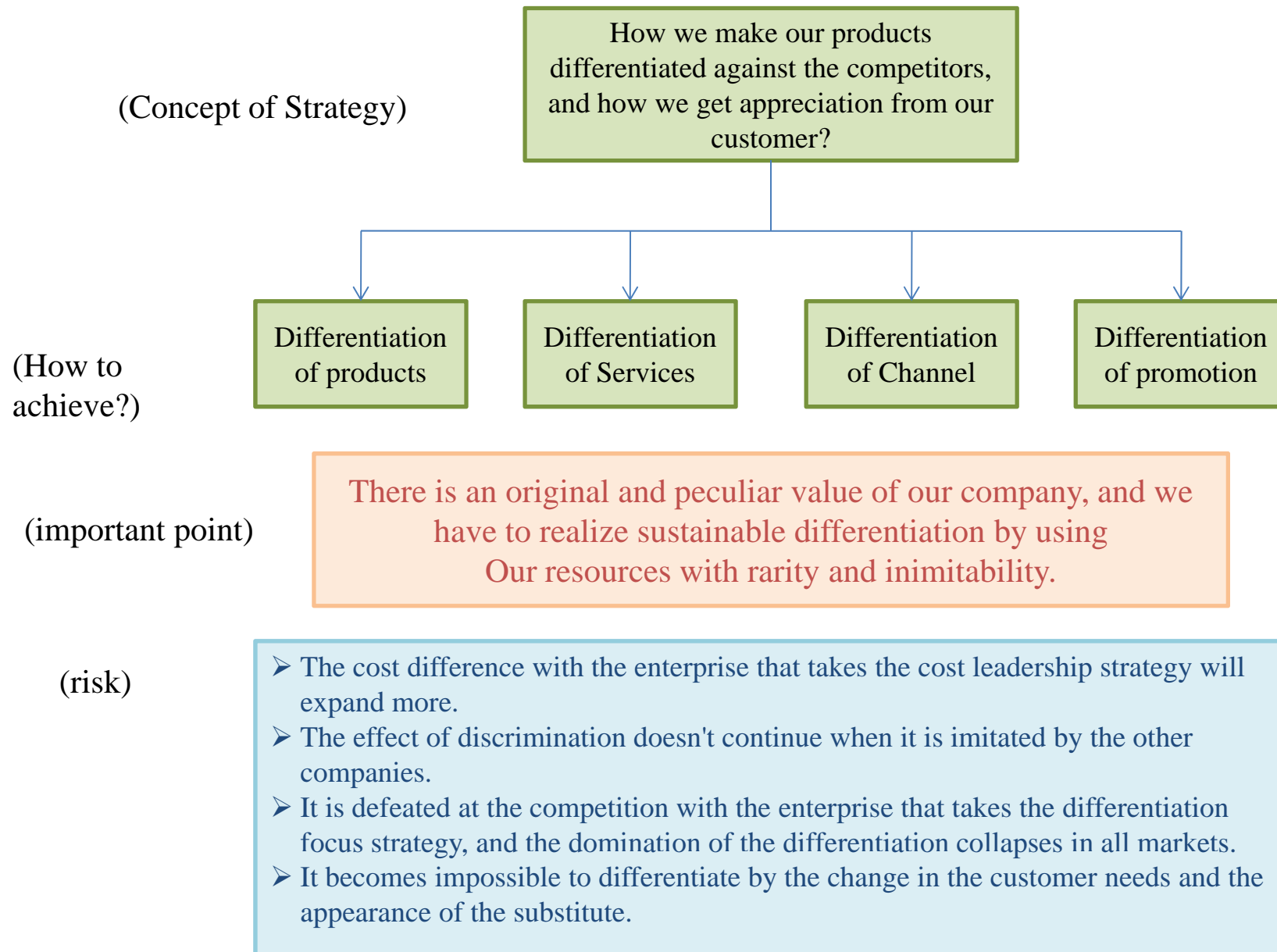
# Cost Leadership Strategy







# Differentiation strategy





# Concentration Strategy

(Concept of Strategy)

To prevent resources on business that the enterprise  
has being distributed  
On which segment are resources on business  
concentrated?

(directionality of  
domination)

Cost  
concentration

Differentiation  
concentration

(risk)

- The advantage of the scale grows more than the narrowed advantage, and the cost difference with the enterprise that assumes the entire industry to be a target increases.
- Resources on business are concentrated by the cut of a more effective segment to compete.
- The narrowed segment reduces.

# Strategy according to competing position (Kotler)



	Feature		Policy of strategy		Strategy formula
Leader	It is industry-leading, and it has a resource that is more dominant than the competition in quality and quantity.	→	All fields	→	Peripheral demand expansion Making to homogeneity For non-price
Challenger	Resources on business are relatively 劣位 compared with the leader enterprise though it is a high rank of the industry.	→	Differentiation	→	For the attaching differentiation. restrict by the leader enterprise
Nicher	It has the technique only to build a position original in the particular field though it is not a high rank of the industry.	→	Centralization	→	It specializes in a specific segment, and it becomes a mini leader in that.
Follower	It doesn't have resources on business that can demonstrate competing domination quantitatively and qualitatively.	→	Efficiency improvement (imitation)	→	Efficient profit securing by imitation of high-ranking enterprise Management resource accumulation for the future

Corporate classification according to competing position

Amount of resources on business

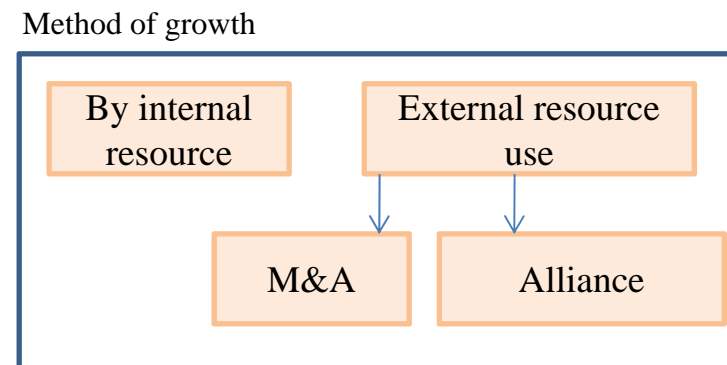
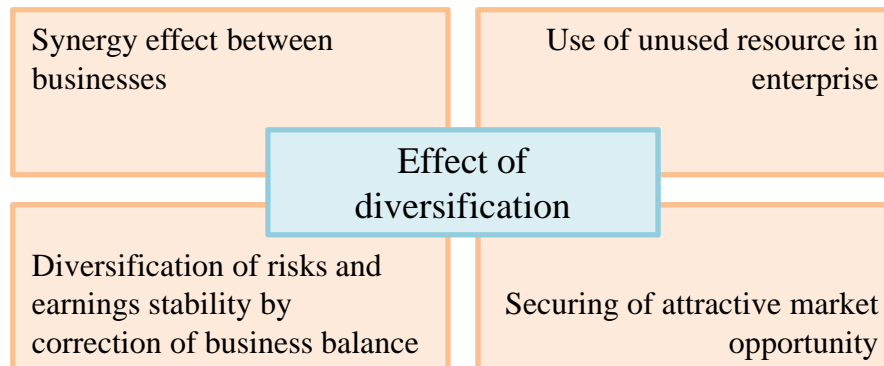
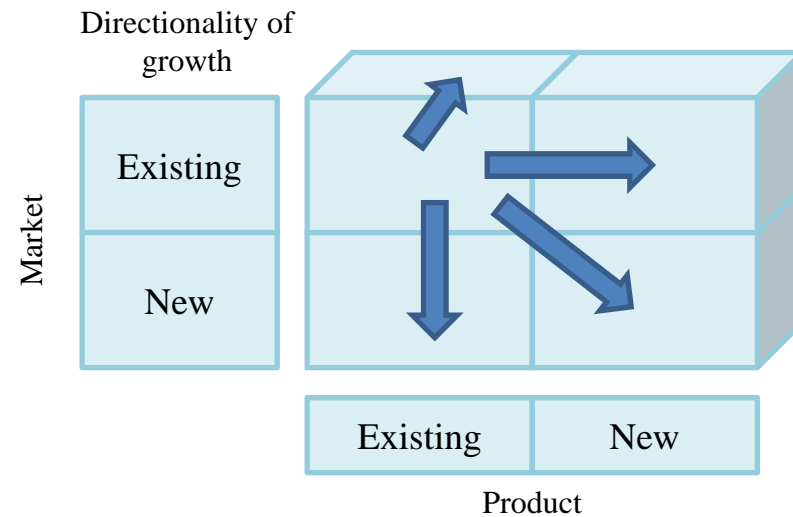
		Amount of resources on business	
		Large	Small
Quality of resources on business	High	Leader	Nicher
	Low	Challenger	Follower

Kotler showed the idea "As for the strategy pattern according to a competing position, the formula of the strategy that had to be taken by the position in the competition in the industry is different".



# Growth vector (Ansoff)

		Product	
		Existing	New
Market	Existing	Market saturation	Product development
	New	Market cultivation	Diversification

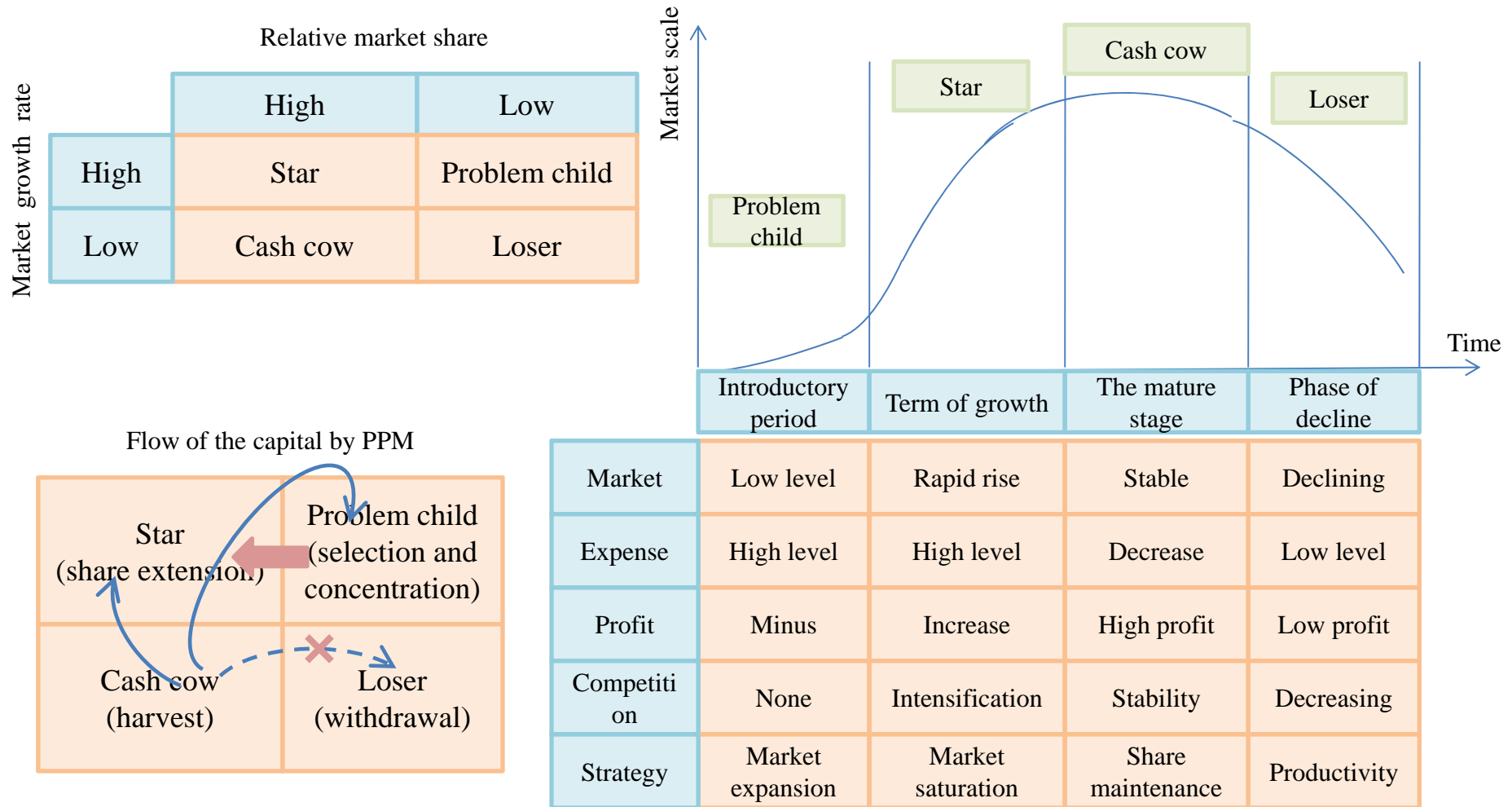


Note when analyzing it:

It is Ansoff to discuss what diversification to examine so that the enterprise may grow up continuously.



# Product Portfolio Management(BCG)



Note when analyzing it:

It is a business portfolio to discuss how to distribute resources on business between two or more diversifying businesses so that the enterprise that is diversification may grow up continuously.

# Core Competence (G. Hamel and C.K. Prahalad)



## Core competence:

It is the center ability of the enterprise that offers the customer the original value that cannot be mimicked and done in the other companies.

Corporate capabilities of technology and knowhow, etc. to meet three requirements

①The imitation must be difficult by rival.

②Lead to the value creation to the customer.

③Enable development with various markets.

Example: Sony

Abilities of technology and knowhow, etc. concerning not concrete products such as transistor radio and Walkman but miniaturization technologies by only Sony.

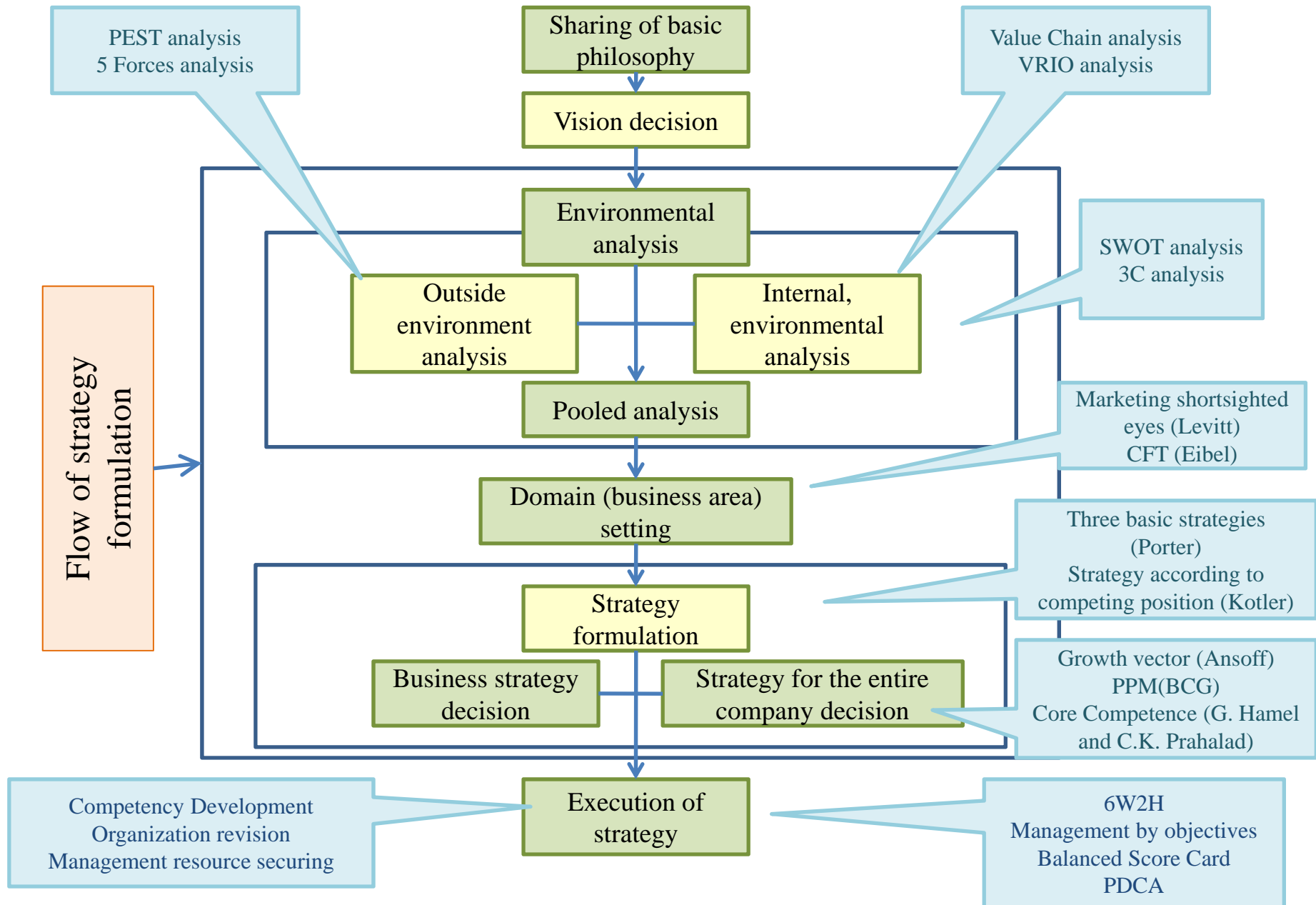
- The core competence for its company shall be clarified.
- The resource for that accumulates with the ability that is a dominant source for the competition.
- The business development that centers on the core competence is built into the strategy.

Note when analyzing it:

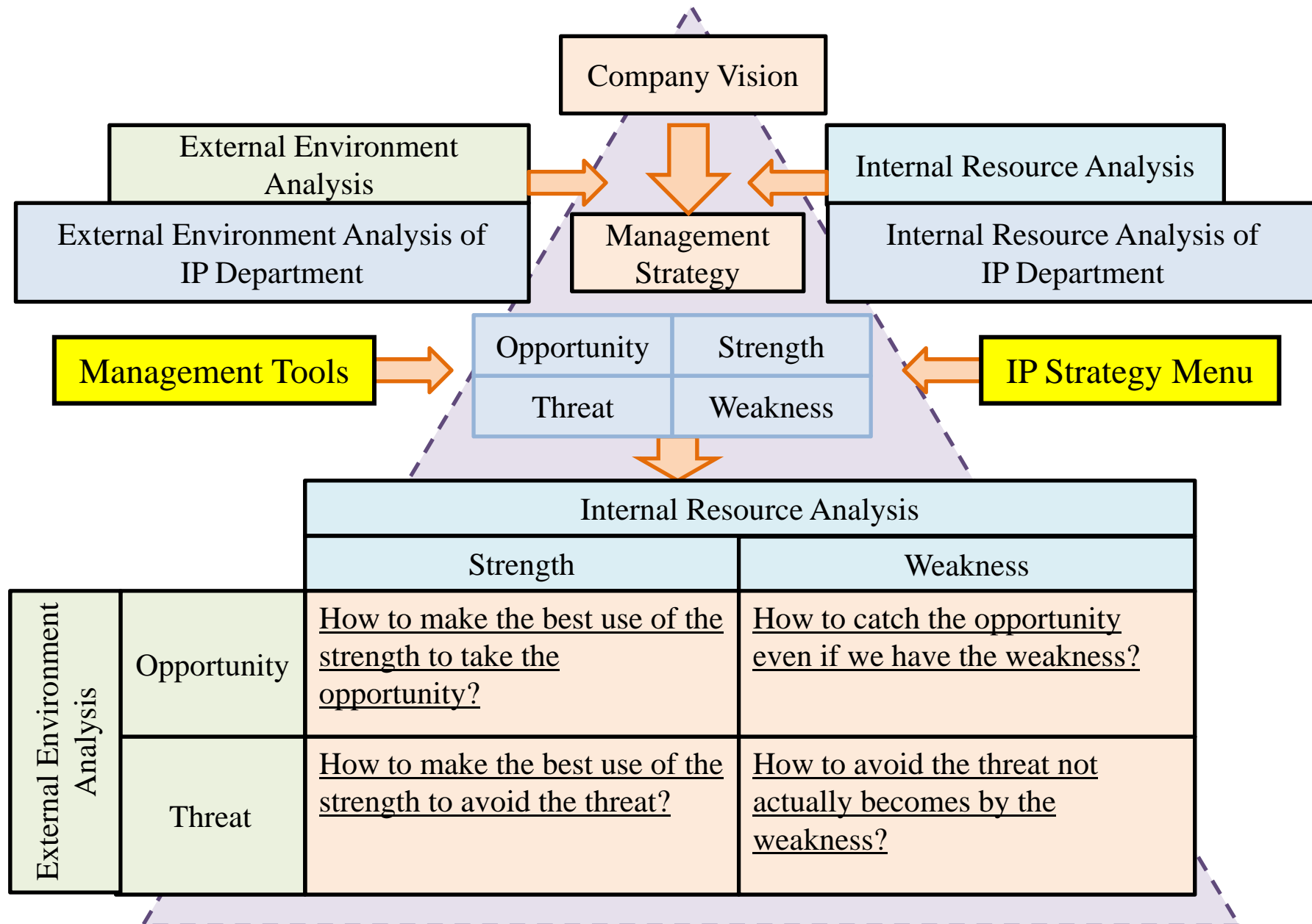
The synergy that cannot be examined enough only by PPM can be considered, and the distributions of resources on business other than money and the suggestion of the directionality of the necessary, new business development can be obtained for the long term.

Idea to take aspects of resources on business of had technology and knowhow, etc. in addition to analysis result of outside environment of enterprise to strategy formulation.

# Flow of management strategy formulation & management tools



# Relations between Business Strategy and IP Strategy





# IP Strategy Menu (1)



IP Strategy Menu	Brief Explanation	Key Word
Digging Up Invention Strategy	Pick up hidden inventions to file patent applications	Technology Technique Beginner on IP
Focusing on a “Hole” Strategy	Focusing on the area “Hole” that no one has applied as patents for R&D and patent applications	Niche Specific Area IP Information
Focusing on Core Technology Strategy	Focusing on Core Technology area of patents and create a barrier to avoid new comers	Core Tech Competing Focusing
Improvement Patents Strategy	Focusing on improvement patents to compete against competitor having basic patent	Improvement Follower Long term
Flooding Patents Strategy	Spend much budget for big number of patents to compete with the number of patents	Leader IP Budget IP Staff
Patent Portfolio Strategy	Create a group of patents having business value to take a leadership in the market	Business Analysis IP Management
Patent Information Strategy	Make efforts of distribution of patent information for the better utilization by R&D, marketing, including management decision	IT KM IP Information

# IP Strategy Menu (2)



IP Strategy Menu	Brief Explanation	Key Word
Invalidation Strategy	Take a legal actions to invalidate obstacle patents owned by others	Attack Dominant Selfish
Enforcement Strategy	Much efforts to find the infringing products on the market and take legal actions demanding injunction and compensation for damages	IP utilization Attack Dominant
Licensing Out Strategy	Licensing out patents to other company to expand the market	Open Friendship Market Oriented
Licensing In Strategy	Licensing in of other's patents to reinforce the technology reducing R&D expense	No NIH Supplement Outgoing
Negotiation Up Strategy	Take a leadership by patents in several occasions such as joint R&D agreement, legal dispute, licensing	Competition Leadership Self Development
Standardization Strategy	Take a leadership in standardization process to integrate patented technology with standardized technology	Total Balancing Harmonization Leadership
Alliance Strategy	Create a business alliance with others including competitors to get freedom in the market	Friendship Avoid Dispute Group Protection

# IP Strategy Menu (3)



IP Strategy Menu	Brief Explanation	Key Word
Joint R&D Strategy	R&D with others to reinforce technology, to reduce expense, resulting shared patents	Partnership Cooperation Friendship
Inventors' Motivation Strategy	Maximize R&D results to qualify patents by increasing inventors' motivation using X-Y theory by McGregor	Human's behavior Motivation Culture
IP Training/Education Strategy	Bottom up broadly on IP activities involving all functional departments, R&D, marketing, production, planning, purchasing, etc	HR Group Synergy Cross-functional
Secrecy Strategy	Protect Technical know how without filing patent applications, with strict and careful secrecy management	Skill Oriented Processing Strict
Overseas Business Strategy	Patent applications including licensing overseas focusing production site and market site overseas, being careful on foreign IP information	Globalization Outgoing International sense



# Select the best IP Strategies from the Menu

- IP Strategies can be picked up from the 19th strategy menu, depending on the enterprise's situation such as outside environment and internal resources.
- We have to evaluate which IP strategy is best and to take the opportunity by making the best use of the strength, in order to avoid the threat and catch the opportunity even if we have weaknesses.
- Each enterprise has their own unique IP strategies can be adopted.
- Also, during this strategy making process, IP strategies and business strategies can be integrated and defined with integration at the same time, which enables IP activities to contribute to the achievement of corporate strategy resulting in corporate business growth.



# Best choices from IP Strategy Menu

IP Strategy Menu	Big enterprise	R&D oriented	Global enterprise
Digging Up Invention Strategy	X		
Focusing on a “Hole” Strategy		X	
Focusing on Core Technology Strategy	X	X	
Improvement Patents Strategy	X		
Flooding Patents Strategy	X		
Patent Portfolio Strategy		X	
Patent Information Strategy		X	
Invalidation Strategy	X		
Enforcement Strategy			X
Licensing Out Strategy			X
Licensing In Strategy			
Negotiation Up Strategy		X	
Standardization Strategy	X		
Alliance Strategy	X		
Joint R&D Strategy		X	
Inventors’ Motivation Strategy	X	X	
IP Training/Education Strategy			X
Secrecy Strategy		X	X
Overseas Business Strategy			X



Thank you for attention!  
Hope you enjoy your stay in Japan!  
Let's keep in touch!

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