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Doing innovation. Creating value from innovation: How does IP protection help? A UK analysis with a focus on smaller firms

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ABSTRACT

Innovation – the market introduction of new products, services or processes – lies at the centre of most firms' value creation strategies. Through differentiation, innovation adds value for a producer, driving growth and profitability and increasing a firm's chance of survival and growth. Here, using matched data on IP protection holding for the population of UK firms and innovation survey evidence from the UK Innovation Survey, we examine how formal IP protection mechanisms – patents, registered designs and trade marks – contribute to innovation individually and in combination. We focus particularly on small firms and consider how IP protection contributes both to the propensity to innovate and to firms' ability to capture value from their innovation. Our analysis suggests that registered designs combined with patents promote the propensity for product or service innovation. To some extent, trade marks combined with registered designs also boost the returns to innovation by protecting a firm's market-oriented capabilities. Both effects prove rather similar for small firms as they are to the general population of businesses. Each IP protection instrument therefore plays a role in supporting innovation, although registered designs play a critical role in 'unlocking' the potential for firms' IP to contribute to innovation and subsequent value creation. Hopefully, this better understanding of the benefits of design in driving innovation and value creation may help to raise the profile of design as a public policy issue and ensure that public-sector support for design no longer remains 'meager' relative to that for R&D.

Keywords: Innovation, patents, trade marks, registered designs, small firms.