

Intellectual Property

Knowledge for knowledge's sake?

Fundamentally, the exploitation of knowledge is how we all try to generate income. It is through this mechanism that consultants exist and develop further exploitable knowledge. Here, we will look briefly at the ways in which we can generate and exploit unique knowledge.

In the first instant, let us look at knowledge exploitation from the perspective of the general Private Sector. Generally there are four routes by which knowledge is turned into income:

- Sale of services to exploit experience resident in an organisation
- Developing products using profit accrued from previous sales
- Attracting external funding to develop ideas into products that will generate a profit
- Selling other organisation's goods via a licence or resale agreement

Packaging knowledge

Whether you see potential for selling services or developing and selling products, packaging the property and identifying the precise description of the things you wish to sell is the first priority.

Services

Services are a reasonably easy item to adequately package. The first step is identifying the precise requirements of the market into which you would like to sell services. Having identified who is likely to buy your services and why, the next task is to make them aware of your services.

The hardest problems encountered in developing any new business is one of creating awareness of your capabilities in the market place and gaining sufficient credibility that customers are likely to place an order.

A high proportion of service companies fail to achieve their potential because they do not keep *ahead* of the market. It is all very well relying on past achievement to demonstrate credibility to do a certain task. The important step forward is identifying what future requirements are likely to be and gearing-up for them. You must remember that a customer is coming to you because they perceive that you can help them evolve. To do this you too must also constantly evolve.

Assuming that you are confident with the services you offer, then marketing them is your prime concern. The issue of marketing is likely to require investment in terms of both time and money – publicity literature is a prime example of costs involved in 'selling' your services. *Marketing is your path to creating the environment and belief in the need for a given product, in which a sale can then take place.*

An obvious place to create awareness of your products is by advertising in the same publications that you read. It is likely that your first customers are going to come from the same technology or market area with which you are most familiar. A good advertisement is concise and states clearly what you can offer and why. A good

advertising and publicity company will be able to listen to what you say and translate it into something that can be digested easily by potential customers.

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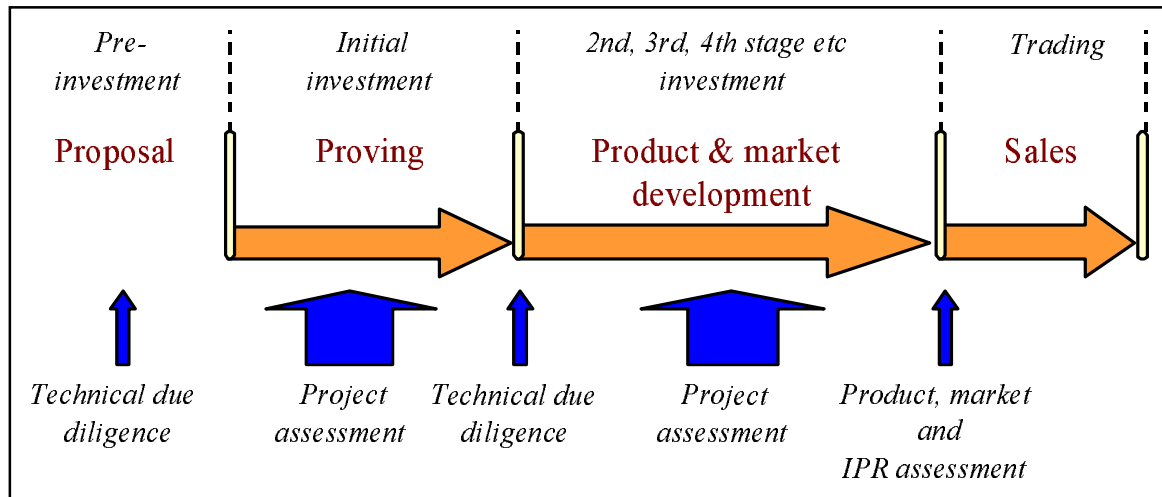
Traditionally, there are three routes by we can acquire the financial resources necessary to exploit our or our customers' Intellectual Property:

1. Use of sales income to develop more products
2. Attracting investment from Venture Capital Funds, banks, etc to develop ideas
3. Partnering other companies to jointly share the cost of development and profit from sales

Attracting investment from Venture Capitalists or other sources of money is a viable route to develop good ideas into workable products. However, the likely consequence of this route is that a limited company must be set-up to provide the Venture Capitalists with a number of 'exit' options for their investment such as:

- Sale of company at an appropriate point to regain investment with profit
- Development of company to full PLC trading status and accrue income from increase in share value and dividends
- Sales of technology licence to other Private Sector companies

The venture capital route can involve a number of rounds of investment before a product may even be developed. This is shown graphically below.



The above picture is by no means definitive, as every investment will follow it's own course, but the general concept from idea to income is based upon a typical scenario.

You will notice that at each stage of the investment, the idea and the infrastructure required to develop the idea will be thoroughly investigated and a judgement of the potential success will dictate whether investment will be forthcoming. This 'due diligence' assessment also presents an opportunity for Consultant activities.

Forming partnerships

The two most typical relationships that can evolve for individual consultants with a good idea are:

- joint venture companies
- IP licences

The IP licence is perhaps the easiest to set-up although it does require a great deal of management and effort. Firstly, you need to identify the right company to make the most of your IP, and secondly, to ensure that the deal you negotiate is beneficial to you and gives you a maximised return.

You will need to clearly identify the novel part of your idea, ensuring that it is sufficiently protected by a Patent, Copyright or Non-disclosure Agreement as appropriate. It is likely that the Company you wish to be your partner will undertake as thorough an investigation of the idea and its market potential as a Venture Capitalist would for investment.

On this point is it worth re-emphasising that the packaging of your idea with sound technical assessment, comprehensive market research and good estimates of the requirement to turn the idea into an income generator is vital in attracting the right partner.

Whatever your chosen path it is also vital that you are represented by a good legal advice.