

SUPERVISOR'S AND PANEL APPROVAL

“I/ We hereby declare that I/ we have read this dissertation/report and in my opinion,
this dissertation/report is sufficient in terms of scope and quality as a partial
fulfilment of the requirements for the award of Bachelor of Technology Management
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PROTECTING OF INNOVATION: CHALLENGES AND WAYS OF
IMPROVEMENT IN SMEs MELAKA

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This report is submitted in Partial fulfilment of the requirements for the award of
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DECLARATION

I hereby declared that this report entitled “Protecting of Innovation: Challenges and Ways of Improvement in SMEs Melaka” is based on my original work except for citations and quotations which have been duly acknowledged. I also declare that it has not been previously and concurrently submitted for any other degree or award at UTEM or other institutions.

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DEDICATION

This humble work is dedicated to:

My supportive family, for the limitless love and sacrifices;

My dearest supervisor, for the never-ending words of encouragement;

My greatest friends, for being who they are;

And above all

To Allah SWT, the Almighty and;

Muhammad SAW, the best teacher and messenger.

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ABSTRACT

Technological innovation is something that is very important today. It is indispensable to small firms and big firms. Technological innovations contribute substantially to the country's economy and social. The study aims to examine appropriate intellectual property rights to protect innovation in small and medium enterprises as well as to see the challenges faced by these small and medium enterprises in implementing intellectual property rights to protect their innovation. In addition, the objective of this study is to examine the rate of increase that can be achieved through the protection of intellectual property rights over innovation created by this small and medium enterprise. This SMEs contribution is huge and to achieve national goals, SMEs must respond to the challenges they are facing. The government has set up various agencies to assist SMEs in terms of knowledge and training as well as the national budget has allocated a large amount to encourage business individuals and as additional capital to SMEs to create new innovations to strengthen their country's economy as well as their own SMEs. The contribution of this study is to those who are closely linked to innovation in SMEs to be more aware of the implementation of intellectual property rights in any innovation or creation. In conclusion, this study will see whether the SMEs chooses to continue to face challenges or against the flow to obtain enhancements from various aspects of the implementation and adoption of intellectual property rights with maximum rates. Any future opportunities that can help SMIs to improve the way in protecting intellectual property must be taken to ensure that all SME efforts in the creation of technological innovation do not end in vain. SMIs need to act fast in a short-lived technology cycle

Keywords: SMEs, innovation, intellectual property rights, country's economy, challenges, short-lived technology cycle.

ABSTRAK

Inovasi teknologi adalah sesuatu yang sangat penting pada zaman sekarang. Ianya sangat diperlukan kepada firma kecil dan juga firma besar. Inovasi teknologi memberi sumbangan yang besar terhadap ekonomi dan social negara. Kajian ini bertujuan untuk mengkaji tentang hak harta intelek yang bersesuaian bagi melindungi inovasi dalam perusahaan kecil dan sederhana disamping melihat cabaran – cabaran yang dihadapi oleh perusahaan kecil dan sederhana ini dalam melaksanakan hak harta intelek untuk melindungi inovasi mereka. Disamping itu juga, objektif kajian ini adalah untuk melihat kadar peningkatan yang dapat diperoleh melalui perlindungan hak harta intelek keatas inovasi yang dicipta oleh perusahaan kecil dan sederhana ini. Sumbangan PKS ini sangat besar secara keseluruhannya. Demi mencapai matlamat negara, PKS perlulah menyahut cabaran yang ditujukan mereka. Kerajaan telah mewujudkan pelbagai agensi untuk membantu PKS dari segi ilmu dan pengetahuan disamping bajet negara telah memperuntukkan sejumlah besar bagi menggalakkan individu berniaga dan sebagai modal tambahan kepada PKS untuk mencipta inovasi yang baru bagi mengukuhkan ekonomi negara dan juga PKS mereka sendiri. Sumbangan kajian ini adalah kepada mereka yang berkait rapat dalam inovasi di PKS agar lebih peka tentang pelaksanaan hak harta intelek dalam setiap inovasi atau ciptaan yang dilakukan. Sebagai kesimpulannya, kajian ini akan melihat sama ada PKS memilih untuk terus menghadapi cabaran ataupun melawan arus untuk memperoleh peningkatan dari pelbagai segi atas pelaksanaan dan pemupukan hak harta intelek dengan kadar yang maksima. Segala peluang yang mendatang dan dapat membantu PKS untuk meningkatkan cara dalam melindungi hak intelek perlulah didakap bagi memastikan segala usaha PKS dalam mencipta inovasi teknologi tidak berakhir dengan sia – sia. PKS perlu bertindak cepat dalam kitaran teknologi yang berhayat pendek

Kata Kunci: PKS, inovasi, hak harta intelek, ekonomi negara, cabaran, kitaran teknologi yang berhayat pendek.

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LIST OF ABBREVIATIONS

IP	=	Intellectual Property
SMEs	=	Small and Medium Enterprises
CEO	=	Chief Executive Officer
ANT	=	Actor Network Theory

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CHAPTER 1

INTRODUCTION

1.1 Introduction of The Chapter

Research study background, relatable discussion of problem faced currently, the objective along with the research question for this thesis are being discuss in this chapter. This is to provide the main problem and the objectives, and this research was focusing on.

1.2 Introduction to The Study

Innovation from SMEs is not something new in the industries. Even the SMEs is a small company from beginning but it tends to be big and moving forward in past recent decades. In worldwide, SMEs account for approximately 95% of the business population (Rahman and Ramos, 2013). SMEs play an important role in national economy in terms of their large involvement to GDP, employment offer, export performance, and achieving sustainable national economic development, most of the governments have encourage to increase an importance on smoothing the formation and development of the national SMEs sector (Rahman & Ramos, 2013). Not only in Malaysia, most of the countries receiving support from the government to become moving forward in terms of business. Technology nowadays become pioneer and differentiate between competitors among company

We used to hear about the infringement, copying and any other type of copycat. The increasing importance of intangible assets as a cause of firms has a competitive advantage, has create the intellectual property (IP) system more and more striking (Burrone, 2005). The words knowledge based on economy explain the new economic situation in this new level and knowledge management play a main part in creating wealth comparing to the traditional factors of production, labour, land and capital (Rahman and Ramos, 2013). The technology become more advances from year by year, SME's might have left behind if they cannot catch up the latest technology life cycle that recently have very short. In other words, they might be pursuing a technology transfer from Europe or any other countries like Japan or Korea to become more competitive in SME's field. In a past few decades, government policies has put a hope to support an innovation among SMEs, on the understanding that the development of an exciting and energetic SMEs sector, requires creativity and innovation to become accustomed the fast changing market situations, short product – life cycles and penetrating market opposition (Rahman and Ramos, 2013).

Furthermore, many SMEs does not aware about how to protect their innovation and do not know to utilise the important of intellectual property to their innovation. This is tending to cause many cheating and infringement among big and small industries. Innovation without protection and just standing alone is not enough for a firm to be as much as profitable comparing with protecting innovation (Naqshbandi and Kaur, 2015).

1.3 Problem Statement

Innovation is the process of translating an idea or invention into a good or services that creates value or for which customer will pay. An idea must be replicable at an economical cost and must satisfy a specific need. First, SME's need to understand that their innovation is not automatically protected by law, they need to make sure they keep their innovation's details secret. After that, they need to define a strategy to protect it.

They must make a strategic decision about whether it is best to manage risk by maintaining a trade secret indefinitely or choosing to file a formal protection for their innovation which has time limits. There is numerous issue to be consider before and after registering. Some of SME's does not have a capacity and capability to make R&D. In terms of capacity, SMEs does not IP expert to courage them to protect the innovation product or process. SMEs need to outsource an expertise in IP and it will highly costly rather than affordable for them. SME's innovations are mainly of an informal nature, without formal R&D investments, R&D laboratories or R&D personnel. In terms of lacking capability, SMEs cannot be maintaining a management capability, technological capability, capital capability and market capability.

When an innovation was created, they do not know how to manage, protect and market the innovation. They do not have enough capital to protect their innovation. Once they made their innovation public, they will ruin all their speciality. Some of innovation need a registration and some not. It will long process and very highly cost to registered. The innovation might be stealing while waiting the long process of registration. They need to invest some money to do that. If they lose their innovation. They will lose their competitive advantages. This is what to make a different compared to the competitors.

SME not alert about the value of their innovation until their innovation being infringement by their competitor. If something like this happens, they cannot argue for their innovation being stolen or copy. They not aware about the importance to protect their innovation. They proudly presenting their innovation in public without thinking the consequences without protecting of their innovation. Then, their competitor or other company used and registered first their innovation under their name. Then, argument, sue and everything need to be settle by law and of course they have nothing to prove and defend.

1.4 Research Questions

1. What are the possible protection for innovation in SME's?

2. What are the challenges to protect the innovation in SME's?
3. What improvement can be made for protecting innovation for SME's?

1.5 Research Objectives

1. To identify the possible protection for innovation in SME's
2. To study the challenges to protect the innovation in SME's
3. To examine the improvement can be made for protecting innovation for SME's

1.6 Methodology Adopted

For method use in finding, the researcher uses qualitative research. This method used to gain an understanding of underlying reasons, opinions, and motivations. The researcher used this toward provide insights into problem ideas or hypothesis. It also used by researcher to expose tendencies in understood and thoughts, and dive deeper into problem (Sekaran, 2013). The research is to find what are the possible protection for innovation in SMEs by interviewing people which is have a complete characteristic that can be relate with this research. The interviewee will be the key person to innovation in the selected company, the key person to SMEs and the person who have a knowledge about IP and how IP related to the business. The sample size is small, and respondents are selected to fulfil a given quota using an individual interview in the selected SME's company in Melaka Tengah including Batu Berendam and Ayer Keroh. The interview will conduct by researcher in SMEs that produce an innovation either product innovation or process or services. The focus of SMEs will be the manufacturing company that prone to produce an innovation in a product or process or services provider. The interview session will conduct by the researcher by interviewing the middle or top management of the SMEs company.

By using a semi-structured interview, it will consist five section including background of interviewees, knowledge about intellectual property, innovation,

challenges, and recommendation. The number of interviewees will be five respondents. According to (Baker and Edwards, 2012), the total number of interviewee is depends because one interviewee is sometimes quite enough and efficient to establish something is possible stated by Howard S. Becker. Interview with focus on a singular expertise and experience can be sufficient with just one interview (Flick, 2009). According to Jennifer Mason, the qualitative interviews was depending on what the research questions and the research objectives. So that, as comparable this three from expert voice, the answer for how many the qualitative interviews is enough is depends on the usefulness of this resource for students, lecturers and the number of interview is does not matter (Baker and Edwards, 2012).

1.7 Scope & Limitation

Based on this research, the scope is focusing on the challenges and the reason why SMEs does not protect their innovation. There were issues arise when the SMEs want to protect their innovation whether they do not have enough capacity in terms of cost or capability in term of research and development of their innovation. The result of this research will come up with the main reason they do not protect their innovation and help them realize the importance of intellectual property to increase their market share and improve profit margin. The respondent for this research will be selected among the SMEs staff that play important role in their company which is the person who knows about IP, innovation or R&D teams and other person who knows a lot about the company process and planning which is the upper management.

This research will have focused at Melaka Tengah with the SMEs that involving in manufacturing sectors. It was because they will be prone in conducting an innovation. Manufacturing sectors usually creating an innovation because they want to ease all their employees and decide to move forward to gain a sustainable competitive advantage. Limitations of this research basically about the respondent itself. They might not know about intellectual property right and how important to protect their innovation to gain competitive advantage and survive in this field. The other limitations are also about time factor which is the researcher do not have enough time

to interview more interviewees because it was difficult to make an appointment with them separately because the available time for them is different. The researcher also faced some of costs limitations because conducting a research require a lot of costs. It might be hold a researcher from go more far to collect the data. The researcher assume that the respondent can give a cooperation and have an adequate knowledge to give a firm data collection. The researcher also assume that the respondent has more experience to share to researcher about the topic of research conduct by researcher.

1.8 Importance of the study

The researcher will give a benefits and contribution to the SMEs industries for their reference to improve their awareness and how will SMEs get from protection their innovation in a long-term profit and market share. SMEs need to utilise intellectual property to become an important economic tool to create the competitive advantage but at the same time need to face a challenges by conducting the innovation into IP system implementation (Sukarmijan and Sapong, 2014). Besides that, this research also contributes the information about most of the challenges that SMEs will face when to registering the innovation or any intellectual property.

It may take various step that SMEs do not alert and aware about the step, time and cost. Furthermore, this research also helps the SMEs industries about what will they get after utilising and integrating an IP system into SMEs innovation towards improving the quality of product, gain market share and increase the profitability of the firms. Infringement issues will be deducted if the innovation by SMEs can be well protected by intellectual property right. Other than, this study also can be contribution for academic research in the future because as the technology going advance, SMEs being more and more productive, IP rights become more complicated to determine each of the intellectual property, so that, the future researcher can differentiate how the time passed by changes a lot of things in this field. So that, challenges and improvement for SMEs in the future might be different in many ways because of the exploitation of technology.

1.9 Conclusion

The researcher can say that all the inventions and innovations must be protected to gain and build competitive advantage in the market. In broad sense, the inventor must improve their awareness about the important to protect their own inventions or innovations to evade the innovation or innovations being plagiarism. Some of SME's lacking in capital and capability to protect their innovation. So, the researcher wants to make some point to give a SME's an encouragement to improve the market share and business in terms of innovativeness and effectiveness. In a wide view, there were so many improvements for SME's to protect their invention or innovation to keep their pace on track in achieving a successful entrepreneur in the future.