Limiting Institutions of Limitations

Institutions of Limitations

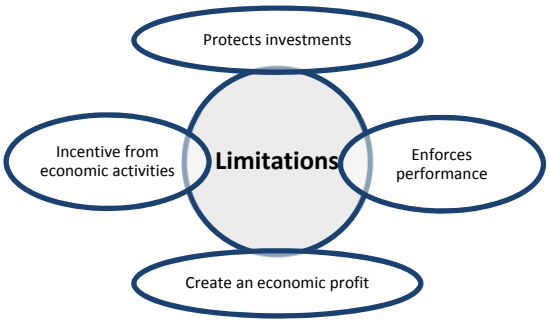
The concept of 'Institutions of Limitations' can be defined as the strongholds of rules and their enforcement. As such, it may sound abstract, bizarre and extracted from a philosophical discussion with limited practical application into our daily issues and duties as human beings.

However, Institutions of Limitations are the essence of our lives. Our behaviors are shaped by them and actually we need them as a basic pillar to ensure the good functioning of our social and economic structures. This assertion can be further developed by asking just a few questions such as: Have you ever signed any kind of contract? Are you married or have you any kind of relationship? What about your friendships? Does your country have a constitution?

The common ground for all these questions can be defined by using four concepts present in any Institution of Limitations:

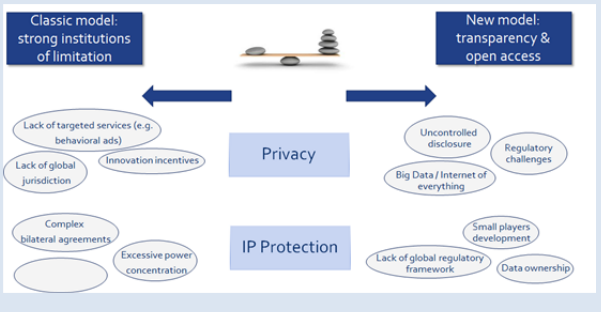
- Barriers to entry/exit
- Enforcement mechanisms according to the limits agreed
- Costs of enforcement
- Benefits derived from the Institution

Dimensions of limitations in business



The age of open access has shifted the paradigm from a classical model of strong Institution of Limitations to a new model where transparency and open access are king.

SNAPSHOT:
Two opposite potential scenarios will lead to different business risks and opportunities



Internet Privacy

With the development of the World Wide Web and other network technologies, the concept of privacy has been deeply reshaped and there is no common consensus on the boundaries of freedom and protection of personal data.

The dilemma resides in the fact that internet users are initially disclosing personal data on a voluntary basis (i.e. to access additional services for free or to get personalized advertising). At the same time, though, they are losing control over their data as a consequence of a number of development scenarios being observed in the social and economic environment as pictured in the figure below.

Development scenarios

Privacy in light of growing trend of *Bring your own device*

Social media as provider of data

Internet of things / internet of everything

These development scenarios hence generate a number of dilemmas at different levels:

- Individual: Is your privacy worth more than the benefits you can get out of disclosing your data?
- Business: What will you gain by disclosing information i.e. for talent attraction purposes or does it expose you to much bigger risks?
- Executives: What is the implication from a regulation perspective?

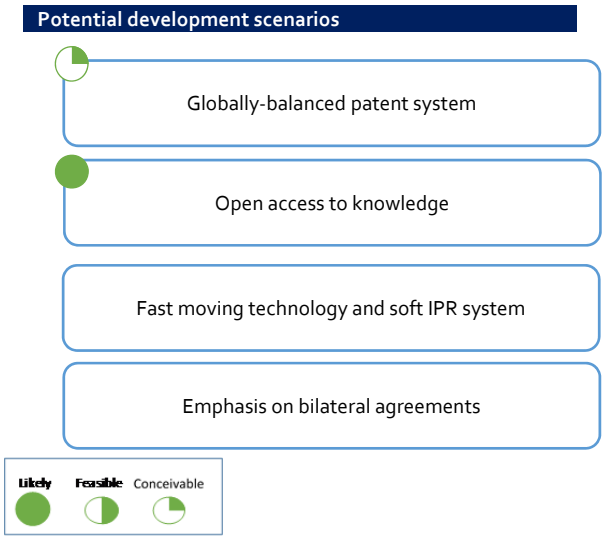
On the other hand it's undeniable that business opportunities are being generated by those development scenarios. Personal data has become a trade commodity on the net and the current phase of data collection will result in the appearance of players specialized in data analysis, offering profiling of consumers and increasingly personalized services. More organizations will buy data from social media, as the analytics is becoming a core competency for companies. Opportunities for users, such as faster searches and personalized offers, will lead to a further disclosure of personal data.

Intellectual Property Rights

Intellectual Property Rights (IPR) are exclusive rights to a creation from the mind. IPR include copyright, patents, trade secrets, etc. If compared to Privacy, IPR have been more specifically regulated since earlier times, due to their older link with business.

Pharma and Crop Science are examples of industries heavily reliant on IP protection for the realization of long-term profitability.

On the basis of our research and analysis, we have identified four potential future scenarios. Three of them could be heading towards a more open access to IPR and the other (with emphasis on bilateral agreements) could be pushing towards more restrictive IPR policies.



These trends have generated a number of dilemmas and questions in the pharma and crop science industries about the ability of strong IPR policies to really foster innovation. At the same time they have created opportunities for alternative business models in other industries (as you can see from the Tesla case below).

SNAPSHOT:
Open access from Tesla

In a press release dated June 12, 2014, Tesla CEO Elon Musk declared that all the patents developed by the company belong to the community.
The strategy followed by Tesla seems to have two drivers. On the one hand, the car manufacturer needs an expansion of infrastructures for the use of its vehicles (e.g. electric recharge stations). On the other hand, by opening its technology Tesla may attempt to create a standard in the technology used in the electric car industry.

We therefore can see how limiting Institutions of Limitations creates dilemmas as well as business opportunities in terms of:

- Opportunities for more agile small players to participate in innovation because of lower entry barriers
- Possibility to share innovation risk

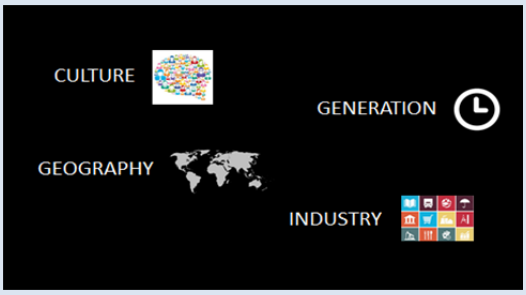
Those opportunities do not come for free though and there are risks that the business can lose out in terms of diluting the intellectual knowledge or, even worse, getting lawsuits for violating IP that was previously given away for free.

Conclusion

In conclusion, the truth is that we're in an age of open access and that Institutions of Limitations are being somewhat limited. At the same time the extent of the limitation really depends on

- The industry (pharma/ crop science vs automotive, for example)
- The generation (gen Y people willing to give away their privacy vs older generations being extremely conscious about that)
- The geography (developed vs developing economies)
- The culture

Limiting Institutions of Limitations to what extent?



Therefore it's up to business leaders to shape the future of their industries and adapt to different extent the opportunities that the time of open access is giving us.