Mastering the Art of Camouflage

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"The secret of success is sincerity. Once you can fake that, you've got it made." - Jean Giraudoux

Firms camouflage for survival and growth. In the business context, firms camouflage their strategies or certain aspects of their operations to shield themselves from competitive threats, market uncertainties, or regulatory scrutiny. Firms can camouflage by using vague language and equivocal communications**.** For example, Instead of saying, "We are investing $2 million in this new project," a company might say, "We are making significant investments in a promising new project." Patents serve as a significant strategic conduit for firms, providing essential information for various stakeholders. Evidence suggests that **70%** of nanotechnology researchers utilize patents for technical information, and **90%** of senior Intellectual Property practitioners routinely monitor other firms' patent activities. Furthermore, numerous intelligence products employ patent records to map the technological landscape and scrutinize competitive positions held by different patent owners.
Fear of exposure, firms experience a 14.9% increase in the vagueness of their R&D voluntary disclosure.

Given the disclosure function inherent in patent systems, firms are faced with the task of balancing transparency and secrecy to fulfill diverse strategic purposes. On one side of the spectrum, increasing the transparency of disclosure into the public domain can lure corporate venture capital investors, enhance visibility, and foster trust among stakeholders. Conversely, divulging more patent information risks exposing firms to unintended audiences, such as competitors and acquirers. This exposure not only escalates screening and cognitive costs but also heightens the risk of imitation and unwanted knowledge spillovers. Unintentionally, firms have focused on explicit and aggressive communication tactics to increase transparency but have largely overlooked ***how they can strategically communicate to maintain secrecy in the face of exposure risk.***

Based on the insights of strategic communication and camouflage strategy from biological ecosystems, **camouflage** could involve a range of tactics, from maintaining a low profile in marketing and publicity to complex financial structuring that obscures the true nature of a company's financial health or strategic intent. Camouflaging can also include concealing certain aspects of a company's operations to protect proprietary information or intellectual property. A **vague language** refers to the use of linguistic devices to make the meaning of communication nonspecific and imprecise. The use of vague terms can be ambiguous (e.g., all, etc., the rest), nonnumerical terms to refer to indefinite amounts (e.g., mostly, few, rather small), approximation terms (e.g., may, could be, perhaps), and bluffing terms to shift onto receivers the responsibility of making sense of the information (e.g., as a matter of fact, in any event, as far as).

Firms use vague language to camouflage for strategic purposes: preserving flexibility, obtaining resources, and reducing rivalry. After a regulatory shock for patent information disclosure, firms with higher risk exposure, are more likely to use vague language in public disclosure to make the organization harder to identify, locate and interpret. First, vagueness can provide isolation effect when a firm wants to strategically hide, control, conceal, and preserve the information disclosure process. Second, vagueness can create uncertainty associated with linguistic information or intuitive information. Third, vagueness provides missing information relevant to a prediction thus reducing the pace of external reaction.

While vagueness can sometimes be a useful tool for camouflaging a firm's activities, the effectiveness of employing such a "camouflage strategy" can vary greatly depending on the firm's specific circumstances and the characteristics of its market and collaborations. A significant determinant is the firm's technological concentration. When a firm primarily operates within a specific technological niche, the effectiveness of vagueness can be diminished. Competitors, aware of the firm's focus, may be capable of reading between the lines of vague disclosures, thus neutralizing the firm's attempt to camouflage its operations. Similarly, the degree of competitive pressure within the firm's market can affect the utility of employing vagueness. In highly competitive markets, other firms may be more incentivized to thoroughly analyze the firm's vague communications, to glean any potential advantage. They may invest more resources into deciphering the firm's messages, thus diluting the effect of the camouflage.

In conclusion, when external factor breaks the firms' balance of transparency and secrecy, firms with higher risk exposure, are more likely to camouflage through vagueness communication to preserve flexibility, conceal strategic intentions, and hide strengths and weaknesses. Firms should consider their technological concentration, and the level of competition in their market when designing their camouflage strategies.

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