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The Development and Protection of Business and E-Commerce Ideas

Learning Objectives

1
To identify various sources of ideas for new ventures.

2
To discuss methods available for generating new venture ideas.

3
To discuss creativity and the techniques for creative problem solving.

4
To discuss the state of e-commerce in Canadian SMEs.

5
To understand the benefits of e-commerce and the different e-commerce business models.

6
To discuss e-commerce business ideas.

7
To identify and distinguish intellectual property assets of new ventures.

8
To understand the nature of patents, the rights they provide, and the processes for filing them.

Geoff Ballard—An Entrepreneur with a Vision to Changes in the Environment

As the price of oil and gas continues to rise, one cannot help but wonder whether Geoff Ballard is thinking, “I told you so.” Ballard, founder of Ballard Power, has been saying for more than 30 years that the oil and gas reserves on this planet are not going to last forever and science has to provide a solution. Ballard first made the claim in 1974 when he was working as a U.S. government adviser on energy conservation during the Arab oil embargo. Ballard realized that people would continue to see their cars as their main form of transportation, thus dooming most conservation plans before they were ever initiated. Ballard concluded that the answer was not in changing people’s driving habits, but in changing the car, or, more specifically, the car engine so that it didn’t burn fossil fuels. Many people thought Ballard was a foolish scientist chasing a pipe dream, but like so often in his life, Ballard decided to follow his own path.

Up to this point in his career, Ballard was a respected scientist who frequently changed jobs because he often felt that his employers were too controlling, too stifling of his creativity, and not willing to take risks. He continued to seek out paid employment opportunities, if for no other reason than he lacked direction or vision himself. However, this new idea, replacing the car engine and society’s dependence on fossil fuels, provided the direction that

he was lacking. Ballard says, “The sense of superiority I always had, which was quite unfounded, I think led me to assume that I could do anything I put my mind to and left me with very few doubts that I could change the world if I really wanted to change it. I always felt that I knew what was right and what needed to be done, and how the future would unfold.”

Now armed with a solid sense of direction, Ballard ventured out on his own to change the world. He originally tried to develop a super lithium battery to replace the car engine, but after many fruitless attempts decided it couldn’t be done. Upon reflection, Ballard decided his goal of replacing traditional car engines was fine, but his choice of replacement was the problem, not the vision itself. Ballard notes that, although the vision may be right, inventors must often be flexible and willing to modify or change their solutions based on research results. Ballard says, “If your vision is very early, you start down a path with it, like I did with the battery. Eventually you have enough data to tell you if the path is wrong. The person who doesn’t make it is the person who ignores the vision.”

Ballard decided the answer was hydrogen fuel cells, which had existed for 160 years but were too large and too expensive to be used in an automobile. Thus it was up to Ballard to modify the fuel cell so that

it would work. Ballard decided to move his company from Arizona to Canada and continue his dream in Vancouver, B.C. Upon arrival, Ballard had to switch hats from that of a scientist to that of a fundraiser, because his dream would require millions of dollars of investors' money to see it through to fruition. Initially he relied on government funds, but when he finally built a school bus powered by fuel cells, investors came forward with million of dollars. As of 2007, Ballard's dream of designing cars powered by fuel cells has not been completely

fulfilled, but Ballard Power has announced that they expect to develop such an engine by 2010. He has, however, been a leading-edge entrepreneur as well as an inventor, and has changed the once-firm belief that we will always be reliant on oil and gas to power our vehicles.

Source: Margot Hornblower, "In a Hurry to Prove the 'Pistonheads' Wrong," *TIME* magazine, March 8, 1999, www.time.com/time/reports/environment/heroes/heroesgallery/0,2967,ballard,00.html; and Leonard Brody and David Raffa, *Everything I Needed to Know about Business...I Learned from a Canadian* (Toronto: John Wiley & Sons Canada Ltd., 2005), p. 14.

INTRODUCTION TO CREATIVITY

All businesses start with one thing—an idea. Without ideas there would be no businesses or entrepreneurship. This chapter's focus is on encouraging students and entrepreneurs to see all the ideas that surround them. The next chapter will focus on the assessment of ideas and distinguishing between ideas and business opportunities. Since many traditional employers ask employees to think creatively and develop new concepts, this chapter should be helpful to those who have no intentions of starting a business in the near term.

Studying and employing the techniques in this chapter should be enjoyable. You are looking for ideas, both big and small. Most entrepreneurs and innovators agree that looking for innovative ideas is a fun learning experience. Try to develop as many ideas as possible when using the techniques below. Don't worry if they appear to be impossible to create, sound silly, or are insignificant. Many great ideas originally sounded this way—think about bottled water, minivans, and the Internet. Do you think that 50 years ago any of these ideas would have sounded practical?

SOURCES OF NEW IDEAS

Some of the more frequently used sources of ideas include past or current occupations, hobbies, personal experiences, observations, consumers, consumer trends, existing products and services, distribution channels, deliberate searches, family and friends, federal government sources, research and development, and demographics.

Although some business ideas may just come to you over the course of a day, there are other methods that may help you recall past experiences. These include all of the creativity methods in the chapter and the following activities:

- *Reflect and List:* Think about your job, past experience, and day-to-day activities, and list all the problems that you encountered. Then think about solutions.
- *Keep a Journal:* Write down all the opportunities, problems, and random thoughts that you encounter over a period of time (at least seven days). Now dream up solutions and/or businesses to address these problems.
- *Write it Down:* List business ideas as they come to you or do so when you are going to bed.

Past or Current Occupations

Work experience, whether current or prior, is the most common source of new business ideas. It is estimated that over 80 percent of new businesses are based on an entrepreneur's current or previous job. Since entrepreneurs have the greatest chance of being successful if they start a business in an area in which they have some past experience, it makes sense to seize opportunities from your work experience. Gerry Price launched Price Mattress Inc., a Toronto company that sells low-priced mattresses, after spending 14 years in the industry. Price used his experience to develop a manufacturing method that allows him to beat the price of larger competitors.¹ Kevin Halliday, founder of Spindle, Stairs & Railing, also relied on his past experience when he found himself unemployed. Halliday, who had worked in the stair and railing business, felt that he had a key sense of what consumers wanted for their homes in the Calgary market and decided to start his own company. Rather than focus on building staircases that are functional, Halliday saw them as decorative centrepieces, a fashion statement that can greatly enhance a home. To create these "showcase" staircases, Halliday developed a new way to manufacture circular stairs, making them easier and more cost efficient to install. He also introduced such concepts as a base post with an aquarium inside or with a flip top that can store things such as a wallet or car keys. Halliday entered into the custom staircase market telling customers, "If we can imagine it we can build it." Halliday then took his innovative products to the market using a variety of low-cost but effective marketing techniques. For example, during the company's early years he would drive to building sites and staple his business card to unfinished stairs. Sometimes he would even take measurements and call the client with a quote right on the spot. Halliday's company, with its grass-roots marketing and innovative products, grew its bottom line results from approximately \$400,000 in 1999 to almost \$6 million in 2006.²

Hobbies

Getting an idea from your hobbies ties back to the notion of starting a company in an area in which you have previous knowledge. Furthermore, one can assume that you enjoy your hobby, so perhaps working in that industry will provide similar enjoyment. Sometimes starting a business based on a hobby can be as simple as a comic book collector starting a comic Web site, or an avid hiker starting a backpacking business. For example, Lee Rolfe of Winnipeg, a self proclaimed movie enthusiast, invented a movie trivia game called Flickers.³ The box titled "Turning Passion into Entrepreneurship" is a great example of

While Still in School

Kristen McLaren, a business student at Assiniboine Community College based in Manitoba, used her experience of growing up on a family farm to start 5405505 Manitoba Ltd., an agricultural consulting company. Originally inspired by the liquidation of her family's farm, which she attributes to the BSE scare, McLaren began helping farmers exit the farming busi-

ness and to successfully manage what is at times a difficult transition. Soon afterwards she started offering logistical management consultation to potato farmers. Kristen sees a great deal of opportunity in the farming community, and plans to expand her growing business to include the purchasing of farm land for commercial and/or agricultural development.⁴

>> Turning Passion into Entrepreneurship

CHRIS WEBB IS RECOGNIZED as one of Canada's up-and-coming artists. He has been hired to speak at events across North America and recently started an arts program for underprivileged children. What is interesting about Chris is that if you ask his friends what he does for a living, they will most likely respond that he is a painter, a speaker, and an educator. But what you often won't hear is what Chris really is—an entrepreneur.

Chris Webb has taken all the characteristics that embody entrepreneurship and applied them to art, which is his true passion in life. Think about this for a minute. When you ask people to consider entrepreneurial characteristics, they generally mention risk taking, a high need for achievement, and a desire to be one's own boss. Then ask people to imagine an entrepreneur. They will most likely depict someone in a business suit, someone running a restaurant, or someone selling a product they invented. What they rarely imagine is an artist. Nevertheless, the world of art is a perfect example of creating something from nothing, taking risks, and having the desire to have your work surpass the work of others. What makes Chris Webb unique and ultimately successful is that he understands this link between the two terms artist and entrepreneur.

Like many high school graduates, Chris ventured off to university, unsure of his future. He wasn't really passionate about anything beyond his painting hobby, which he loved, but by the time he was 18 he had heard enough stories about starving musicians, artists, and writers to realize that he would be foolish to follow his dream of becoming a professional artist. Upon graduation, Chris landed a job working for the government. Initially, he was thrilled to make more money than many of his friends and to be given an opportunity to influence government policy. Unfortunately, Chris was miserable. He recalls, "I hated going to work, I didn't like my life, and I wasn't happy. I knew I wanted to paint for a living but was just afraid to take the risk." Then one day Chris decided to quit. "I walked in and resigned. I thought it would be so hard to do, but it wasn't. The hard part was walking in the office to tell my boss. After that everything was easy."

After leaving, Chris decided to go to Italy to rediscover his heritage and spend some time painting. He thought this would give him time to think about what

he wanted to do and whether he was indeed making the right decision. When Chris returned to Canada, he was convinced that he was going to be a successful professional artist; the only thing he was unconvinced about was how. "I just kept hearing my grandmother in my head: 'artists are starving—it's a nice hobby but it's not a job.'" Chris wondered who he could turn to for advice. He thought about art teachers, but then thought that if they could paint for a living, wouldn't they be doing so instead of teaching? So one day, out of desperation, he decided to call a successful Canadian artist and ask for advice.

Unsure of what steps to take, he picked up the telephone book and looked up the phone number of his boyhood hero, Alex Colville, one of Canada's most prestigious and successful artists. After completing numerous searches, the best he could find was a listing for A. Colville, but he decided to give it a try. When someone answered, Chris said he was looking for the painter Alex Colville, and, to his surprise, he was the person on the line. Chris recalls, "I was shocked. I had no idea this was the right number and I had no plan, no questions. I panicked for a second. Then I thought, 'Should I hang up?'" Instead Chris recounted his story and spent the next 90 minutes talking to one of Canada's top painters. After hanging up the phone, Chris was certain he knew what it would take to succeed. Then he was struck by something else—he had just spoken with Alex Colville, one of Canada's leading artists, and over the course of the conversation they had not mentioned the word art once.

What do you think they talked about? If you answered entrepreneurship, then you are right. Although that exact word never crept into the conversation, they did talk about risk taking, planning, marketing, and creativity. After hanging up the telephone, Chris knew that he would be successful because he now knew what it took. He could fulfill his lifelong dream of painting for a living by remaining passionate about his work and applying entrepreneurial concepts to selling his art and himself.

Today, Chris has sold paintings for thousands of dollars a piece, is in demand as a motivational speaker, and runs an inner-city program teaching at-risk children about art. Chris has fulfilled his goals: he is an artist, but he is also an entrepreneur.

a young entrepreneur starting a business based on a hobby he loves. Bonnie Stern, one of Canada's best-known food experts and owner of Bonnie Stern School of Cooking and Cookware Shop in Toronto, is another example. Stern, while attending George Brown College, decided to forgo her original plans of becoming a librarian to concentrate on her love of cooking.⁵

Experience

One of the best ways to develop a new idea is to reflect on past experiences and think about consumer habits and demands. Sandra Wilson did this when she created Robeez Inc. from her home in British Columbia.⁶ She had recently quit her job to be a stay-at-home mom, and noticed that her son kept slipping in traditional children's shoes. Sandra proceeded to make him a pair of soft-sole leather shoes which enabled him to grip the floors better. Her son loved the shoes so much that she decided to make 20 pairs and take them to a trade show. The response: 15 retailers wanted to sell her product. Sandra recently sold her company, one that she started from her kitchen table based on a simple experience with her toddler, for \$30.5 million. Young entrepreneur Christopher Rowland, founder of Equitrans Global Logistics, followed a similar approach to Wilson. Upon graduating from Centennial College, Rowlands drew on his experience in working in the trucking industry to start his company that serves as a broker between truckers and manufacturers of goods. Rowland's company has recently been identified as one of the companies to watch by *PROFIT* magazine.⁷

Observations

One of the best methods of finding business ideas is to simply observe your current environment. Often, some of the best ideas come from your day-to-day activities. If you are looking for a specific idea in an industry or geographic location, you may want to engage in a deliberate search. A relatively easy way to engage in a deliberate search is to watch CBC's *Dragons' Den*, a show that has entrepreneurs pitching their ideas to investors who decide whether or not to invest in the product or service. Each episode contains seven to ten ideas in a number of product categories. Recent pitches included a specialized tea company; exercise mats that focus on building core strength; and a pizza box that breaks into plates.

Consumers

Entrepreneurs should continually pay close attention to potential customers. This attention can take the form of informally observing consumers to identify gaps in the marketplace, monitoring potential ideas and needs, or formally arranging for consumers to have an opportunity to express their opinions. Matthew von Teichman, owner of Toronto-based company Life Choices Natural Foods, observed the trend in society toward organic foods. By doing so he noticed a gap in the marketplace—very few companies were producing child-friendly organic food. Teichman proceeded to address this gap by developing organic pizza, chicken nuggets, and cookies. Recently his company's sales surpassed \$1 million and he is planning for \$20 million in sales by 2010.⁸

Julie Mitchell's path into entrepreneurship followed a similar pattern. She noticed that most corporate gifts were of poor quality and did not make any lasting impression. So she formed Parcel Design Inc., an Ontario company that specializes in developing unique and meaningful corporate gifts. One of Mitchell's more successful products is Parcel's Garden in a Bag, which, when opened and watered, grows grass that will last up to six weeks.⁹

>> Web Sites Trend Watchers Watch

1. Wired magazine: Focuses on news about innovative concepts. The Web site can be found at www.wired.com.
2. Springwise.com: Run by Dutch trend watcher Rainer Evers, who draws on the support of 8,000 trend watchers.
3. Statistics Canada: Find out about consumer trends and household expenditures.
4. www.joshspear.com: Highlights truly original products.
5. www.trendwatching.com: Trend watchers around the globe find new emerging trends.

Consumer Trends

Entrepreneurs should also pay attention to consumer trends. Duplicating an existing trend or designing a product to meet a trend in consumers' lifestyles can be extremely profitable. Holey Soles, a Vancouver company, has achieved \$3.5 million in sales by manufacturing candy-coloured plastic clogs.¹⁰ The product is almost identical to Crocs, which the owner of Holey Soles notes had no legal protection on the concept. Robyn Waters, Target's VP of Trend, Design and Product Development, states that people can spot trends by observing others, being in close contact with consumers, and asking them questions about what is really important to them. She says that entrepreneurs should talk to customers not only about a product or service, but also about their values and what's in their hearts.¹¹ You can spot trends by discovering what people are passionate about.

Existing Products and Services

Potential entrepreneurs and intrapreneurs should also establish a formal method for monitoring and evaluating competitive products and services on the market. Frequently, this analysis uncovers ways to improve on these offerings that may result in a new product or service that has more market appeal. For example, Vancouver native Andrew Scott founded Digital Payment Technologies Corp. (DPT), a company that developed a replacement for traditional grey parking meters. Scott spent \$1 million in research and development to build his new improved parking meters, which enable remote monitoring by parking enforcement officials, six locking points to deter theft, full-colour graphic screens,

>> What's Next: Check Out These Cool Consumer Ideas/Trends

1. Cutting the electric cord. The aim is to reduce the need for wires that connect appliances/electronics such as a TV to the wall. Powercast is a small company that is attempting to send electronic currents through the air.
2. Free music downloads. LimeWire.com is considering offering free music if consumers watch an advertisement first.
3. Websurfers agree to be spied upon. Attentron.com lets people display to friends and companies the Web sites they have visited.
4. Glasses that broadcast movies into your field of vision.
5. Live TV on your cell phone.
6. Installing green (grass-covered) roofs.

surveillance cameras, and a wide variety of payment options including coins, bank cards, credit cards, and payment via cellular phone. The meters are so advanced that users can register their cellular phone numbers with a parking meter, and the meter will call them to notify them that more money is required. The parking meters have been a huge hit at some large universities because the advanced technology has allowed them to remove parking kiosks, at an estimated annual savings of \$300,000.¹² The technique of taking an existing product and/or service and making it better has resulted in a successful TV show on CNBC called *The Big Idea*. Here successful entrepreneurs are interviewed and explain how they took a traditional product and made it better. The host constantly asks viewers at home, “Can you make it better?” to inspire others to create solutions to common household products or services.

Distribution Channels

Members of the distribution channels are also excellent sources for new ideas because of their familiarity with the needs of the market. Not only do channel members frequently have suggestions for completely new products, but they can also help in marketing the entrepreneur’s newly developed products. One entrepreneur found out from a salesclerk in a large department store that the reason his hosiery was not selling was its colour. By heeding the suggestion and making the appropriate colour changes, his company became one of the leading suppliers of non-brand hosiery in that region.

Deliberate Search

These usually occur when someone is looking for a business opportunity. Entrepreneurs deliberately searching for an idea may discuss ideas with friends and family, search through specific publications, and attend presentations and/or conferences.

Family and Friends

Often the best ideas can come from your own personal network. Justin Belobaba was looking for a business idea and asked his father for advice. His father promptly referred him to his friend Alan West, a doctor who felt that there was a need for a business in Canada to help doctors collect for all the uninsured services they provide. Medical Telecom Corp. (MTC) was soon born, a company that specializes in just such a service.¹³ In a few short years the company has achieved millions in sales and has been recognized as one of the fastest growing companies in Canada. When asking family and friends for help, entrepreneurs should have a plan about how they are going to proceed. They should let the person know why they are speaking to them in advance and when meeting with the person they should discuss their interests, listen attentively, and then compile a list of ideas.

Federal Government

The federal government can be a source of new product ideas in two ways. First, the files of the Patent Office contain numerous new product possibilities. Although the patents themselves may not be feasible, they can frequently suggest other more marketable product ideas. In Canada, the Patent Office maintains the largest collection of publicly available technology information and provides entrepreneurs with a variety of methods to search through the applications. David Reynolds, who is featured in the Opening Profile in Chapter 1, frequently uses the Patent Office Web site (accessible through the Canadian Intellectual Property Office site at www.cipo.gc.ca) to search for ideas.¹⁴

Second, new product ideas can come in response to government regulations. For example, many local governments have instituted recycling by-laws whereby homeowners have to maintain a green bin of compost items for disposal. Unfortunately, the bins don't always empty completely, and homeowners are left to scrub away excess waste. In various regions, businesses such as the Ottawa-based Bin Doctor or the international franchise Wheelie Bin have sprung up to offer a bin-cleaning service to homeowners. Another example is the explosion of anti-smoking by-laws that are forcing bar and restaurant owners to build separate smoking sections in their restaurants. Some contractors are starting to specialize in this activity and are marketing themselves as experts in the field.

Research and Development

The largest source of new ideas is the entrepreneur's own "research and development" efforts, which may be a formal endeavour connected with one's current employment or an informal lab in a basement or garage. One research scientist in a Fortune 500 company developed a new plastic resin that became the basis of a new product, a plastic-moulded modular cup pallet, as well as a new venture—the Arnolite Pallet Company, Inc.—when the Fortune 500 company was not interested in developing the idea.

Demographics

As discussed in this chapter's Opening Profile, demographics can have a significant influence on the attractiveness of markets. *Demographics* refers to the age of the population and how it can be divided into significant categories based on when people were born. If you know how many people of each age group are going to be around today and in the future, you can make reliable forecasts about what products and services people will buy tomorrow. For example, in Canada, baby boomers, people who were born between the years 1946 and 1966, make up one-third of the population. Obviously, if you are inventing a product or starting a business that appeals to this large segment, then you have a much better chance of succeeding. In Canada, there are two significant groups that you will want to consider when starting a business or creating a product: the baby boomers and their children, the so-called echo generation.

Baby Boomers Baby boomers are people who are born between the years 1946 and 1966 and who make up one-third of Canada's population. The front half of the baby boomers—those born between 1946 and 1956—offer the greatest potential for entrepreneurs because this group has been generally extremely successful. They started careers at a time when the job market was flourishing and have managed to acquire a great deal of wealth. Today's front-end boomers have expandable income, are more interested in quality over price, and have time to travel. Businesses that appeal to this market offer nostalgia products, health-related services, and travel and tourism services. For example, the successful introductions of Chrysler's PT Cruiser and Chrysler 300 have been driven by boomers who want to recapture memories of the cars of their youth.

Two small Canadian companies are also trying to benefit from the growing trend of the baby boom, albeit in different manners. Both Medicard Finance Inc. and Closing the Gap are growing Ontario companies that focus on health care, although they use very different approaches. Closing the Gap offers baby boomers and their parents a variety of care and rehabilitation services.¹⁵ Medicard Finance Inc. is a finance company that offers loans and lines of credit to boomers who are interested in elective medical surgery, including facelifts and hair restoration.¹⁶

>> Publications, Presentations, and Conferences

MANY PUBLICATIONS ARE AIMED at generating entrepreneurial thinking. Some of the better known publications are: *PROFIT: The Magazine for Canadian Entrepreneurs*, *Entrepreneur*, *Canadian Business*, *Fortune*, the *Financial Post*, and *Report on Business Magazine*, published by the *Globe and Mail*.

A number of provinces and municipalities have local inventor clubs which are a great place to look for ideas. In addition, major inventor shows are held in various North American cities. Check www.inventnet.com/tradeshows.html. Trade shows are also full of entrepre-

neurial ideas. Check out these Web sites for trade show information:

1. Trade Shows Worldwide, Gale Research Company www.gale.com
 2. Tradeshowsbiz.com provides lists of tradeshows and conventions
 3. Allconferences.com provides a directory full of conferences and trade shows
- And remember, Google and other search engines are our friends.

The back end of the boomer generation, or Generation-Xers—those born after 1956—have not been as successful as the front-end baby boomers. They entered the job market when the majority of positions were filled by the front-end boomers and have had a difficult time advancing their careers due to the large number of front-end boomers that started working ahead of them. As a result, the back-end boomers bought their first homes later than the front-end boomers, waited longer to have children, and have garnered less disposable income. This group of people would mostly be interested in businesses such as career coaching or financial planning.

The Echo Generation The echo generation is made up of people born between 1980 and 1995. This group comprises the children of the baby boomers. Although not as large as the baby boomers, the echo generation has been a driving economic force since birth and will continue to be so for the rest of their lives. For example, the increase in university enrolment numbers is a result of the echo generation reaching university age. The echo generation as a whole are more receptive to technology than their parents, more conscious of the environment, and well educated. Much like the baby boomers, the front end of the echo generation will more than likely be more prosperous than the back end. This is the generation that is currently buying cars, looking for their first homes, and starting families. Thus, many of the products and services that fell out of favour as boomers aged should start to return around 2008; examples, include daycare centres, minivans, and starter homes.

METHODS OF GENERATING IDEAS

Even with a wide variety of sources available, coming up with an idea to serve as the basis for a new venture still poses a problem. The entrepreneur can use several methods to help generate and test new ideas, such as focus groups, brainstorming, reverse brainstorming, brainwriting, and problem inventory analysis.

Focus Groups

Focus groups have been used for a variety of purposes since the 1950s. A moderator leads a group of people through an open, in-depth discussion rather than simply asking questions to solicit participant response. For a new product area, the moderator focuses the

focus groups
Groups of individuals
providing information in
a structured format

discussion of the group in either a directive or a nondirective manner. The group of 8 to 14 participants is stimulated by comments from other group members in creatively conceptualizing and developing a new product idea to fulfill a market need. One company interested in the women's slipper market received its new product concept for a "warm and comfortable slipper that fits like an old shoe" from a focus group of 12 women from various socioeconomic backgrounds in the Boston area. The concept was developed into a new product that was a market success. The basis of the advertising message came from comments of focus group members.

In addition to generating new ideas, the focus group is an excellent method for initially screening ideas and concepts. Using one of several procedures available, the results can be analyzed quantitatively, making the focus group a useful method for generating new product ideas.¹⁷

Brainstorming

brainstorming

A group method for obtaining new ideas and solutions

The *brainstorming* method allows people to be stimulated to greater creativity by meeting with others and participating in organized group experiences. Although most of the ideas generated from the group have no basis for further development, sometimes a good idea emerges. This has a greater frequency of occurrence when the brainstorming effort focuses on a specific product or market area. Ross McGowan and his friends used brainstorming to develop ideas for a golf-related business. They eventually opened a facility specializing in helping golfers master their short game in Winnipeg. When using brainstorming, these six rules should be followed:

1. No criticism is allowed by anyone in the group—no negative comments.
2. Small groups work much better than large groups.
3. Freewheeling is encouraged—the wilder the idea, the better.
4. Quantity of ideas is desired—the greater the number of ideas, the greater the likelihood of the emergence of useful ideas.
5. Combinations and improvements of ideas are encouraged; ideas of others can be used to produce still other new ideas.

>> Methods to Stimulate Results

SOMETIMES GROUPS CAN LOSE momentum when thinking about new ideas/concepts. An easy way to get it back is to engage in any of the following:

Immerse yourself in the topic—If you are developing ideas about candy, immerse yourself in candy. Grab as much candy as possible, touch it, eat it, put it together in weird combinations. If you are looking for ideas about golf—watch golf on TV, swing a club, play with a golf ball, go to a practice facility.

Brain dump—Each person has to write as many ideas as they can on one filing card. The cards are then thrown into a hat or pillowcase and pulled out one at a time. The group members then have to argue why the idea is

great. The key is to generate as many ideas as possible. Eventually, after going through each idea, the group can vote on the ideas that they liked most.

Develop a number system—If you are thinking about ideas for a new candy, decide on six possible target markets (example: children, teenagers, adults, desserts, snacks, and so forth). Then develop a list of possible ingredients—potato chips, chocolate, ice cream, pizza, cookies. Now randomly draw out of a hat a target market and three ingredients. The group then has to develop as many ideas as possible using the ingredients and the target market. Repeat!

HAVE FUN!

6. The brainstorming session should be fun, with no one dominating or inhibiting the discussion.

A large commercial bank successfully used brainstorming to develop a journal that would provide quality information to its industrial clients. The brainstorming among executives focused on the characteristics of the market, the information content, the frequency of issue, and the promotional value of the journal for the bank. Once a general format and issue frequency were determined, focus groups of vice-presidents of finance of Fortune 1000 companies were held in three cities—Toronto, Vancouver, and Montreal—to discuss the new journal format and its relevancy and value to them.

Reverse Brainstorming

reverse brainstorming A group method for obtaining new ideas focusing on the negative

Reverse brainstorming is similar to brainstorming, except that criticism is allowed. In fact, the technique is based on finding fault by asking the question, “In how many ways can this idea fail?” Since the focus is on the negative aspects of a product, service, or idea, care must be taken to maintain the group’s morale. Reverse brainstorming can be used effectively before other creative techniques to stimulate innovative thinking.¹⁸ The process usually involves the identification of everything wrong with an idea, followed by a discussion of ways to overcome these problems.

Brainwriting

Brainwriting is a form of written brainstorming. It was created by Bernd Rohrbach at the end of the 1960s under the name Method 635 and differs from classical brainstorming by giving participants more time to think than in brainstorming sessions, where the ideas are expressed spontaneously. Brainwriting is silent, written generation of ideas by a group of people. The participants write their ideas on special forms or cards that circulate within the group, which usually consists of six members. Each group member generates and writes down three ideas during a five-minute period. The form is passed on to the adjacent person, who writes down three new ideas, and so on, until each form has passed all participants. A leader monitors the time intervals and can reduce or lengthen the time given to participants according to the needs of the group. In a variation of this idea-generation method, the participants are located at their own workplaces and the sheets are rotated by e-mail, in which case the time interval can be longer.¹⁹

>> The Next Big Ideas Should Come From . . .

Baby Boomers: Think healthcare consultants; estate planning; health products

Immigrants: By 2011, foreign-born Canadians will number nearly 8 million or 23.1 percent of the population. Think ESL schools; HR consulting; food; making mainstream products culturally relevant

Green Products and Services: Installing environmentally friendly products such as LED lights and triple-glazed glass; cutting or measuring carbon emissions; climate change

Staff Recruitment: Canada’s labour shortage has just begun. Manpower Inc. suggests that two-thirds of employers are struggling to fill job openings. Think referral job sites; foreign recruiting; HR outsourcing.

Web 2.0: The Web is revolutionizing the way people live. Think content-rich sites that build consumer value; business services on the Internet; wireless businesses

problem inventory analysis A method for obtaining new ideas and solutions by focusing on problems

Problem Inventory Analysis

Problem inventory analysis uses individuals in a manner that is analogous to focus groups to generate new product ideas. However, instead of generating new ideas themselves, consumers are provided with a list of problems in a general product category. They are then asked to identify and discuss products in this category that have the particular problem. This method is often effective since it is easier to relate known products to suggested problems and arrive at a new product idea than to generate an entirely new product idea by itself. Problem inventory analysis can also be used to test a new product idea.

An example of this approach in the food industry is illustrated in Table 2.1. One of the most difficult problems in this example was in developing an exhaustive list of problems, such as weight, taste, appearance, and cost. Once a complete list of problems has been developed, individuals can usually associate products with the problem.

Results from product inventory analysis must be carefully evaluated as they may not actually reflect a new business opportunity. For example, General Foods' introduction of a compact cereal box in response to the problem that the available boxes did not fit well on

TABLE 2.1 Problem Inventory Analysis

Psychological	Sensory	Activities	Buying Usage	Psychological/Social
A. Weight <ul style="list-style-type: none"> Fattening Empty calories 	A. Taste <ul style="list-style-type: none"> Bitter Bland Salty 	A. Meal planning <ul style="list-style-type: none"> Forget Get tired of it 	A. Portability <ul style="list-style-type: none"> Eat away from home Take lunch 	A. Serve to company <ul style="list-style-type: none"> Would not serve to guests Too much last-minute preparation
B. Hunger <ul style="list-style-type: none"> Filling Still hungry after eating 	B. Appearance <ul style="list-style-type: none"> Colour Unappetizing Shape 	B. Storage <ul style="list-style-type: none"> Run out Package would not fit 	B. Portions <ul style="list-style-type: none"> Not enough in package Creates leftovers 	B. Eating alone <ul style="list-style-type: none"> Too much effort to cook for oneself Depressing when prepared for just one
C. Thirst <ul style="list-style-type: none"> Does not quench Makes one thirsty 	C. Consistency/ texture <ul style="list-style-type: none"> Tough Dry Greasy 	C. Preparation <ul style="list-style-type: none"> Too much trouble Too many pots and pans Never turns out 	C. Availability <ul style="list-style-type: none"> Out of season Not in supermarket 	C. Self-image <ul style="list-style-type: none"> Made by a lazy cook Not served by a good mother
D. Health <ul style="list-style-type: none"> Indigestion Bad for teeth Keeps one awake Acidity 		D. Cooking <ul style="list-style-type: none"> Burns Sticks 	D. Spoilage <ul style="list-style-type: none"> Gets mouldy Goes sour 	
		E. Cleaning <ul style="list-style-type: none"> Makes a mess in oven Smells in refrigerator 	E. Cost <ul style="list-style-type: none"> Expensive Takes expensive ingredients 	

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>> Fire Up Your Idea Machine

10 Ways to Find New Directions for Your Business

WHERE DO YOU GET your best ideas? The shower, your car, your office? Truth be told, it doesn't matter where you get your ideas—only that you do. "Businesspeople lose their competitive edge if they don't find new ways of doing things," says Lola Rasminsky, a Toronto-based creativity teacher. "Creative thinking is imperative."

Generating ideas and problem-solving both spring from creativity, says Rasminsky, director of Beyond the Box, a corporate arts training program at the Avenue Road Arts School in Toronto. However, many of us tend to associate creativity only with artistic endeavours, such as music, painting and sculpture. In fact, creativity is all about thinking differently and seeing possibilities that others haven't seen.

Ideas are the lifeblood of business, but they're whimsical, ephemeral, and capricious: you can't conjure them up at will or predict the shape they'll take. What you can do is train your mind to produce more ideas, says Rasminsky: "Think of it as cross-training for the brain."

Here are 10 ways to unlock your imagination and spark your own creativity:

1. *Shake up your usual routine and move beyond your comfort zone.* For example, have breakfast for dinner or get up an hour earlier than usual. "If you're comfortable, you'll do things the way you always have," says Rasminsky. Christian Gerard, CEO of Webfeat Multi Media Inc., an Internet consulting firm in Toronto, takes a different route to work each day. Gerard bypasses highways and busy thoroughfares for sidestreets through residential neighborhoods. It takes him 20 minutes longer, he says, but he arrives at the office energized and ready to work.
2. *Eat foods high in vitamin B.* Linda Naiman, a Vancouver consultant who teaches firms how to be creative, says that B vitamins are brain vitamins. You'll find them in foods such as peas, beans, liver and chicken. Naiman also recommends taking herbal supplements such as Ginkgo biloba and gotu kola, which increase blood flow to the brain.
3. *Do something creative.* "It's about making stuff," says Steve Marsh, an executive coach and founder of Toronto's Alchemy Inc. "When you're working with your hands, you use your brain differently." Activities such as cooking, home improvement projects, painting, playing piano, and woodworking all foster out-of-the-box thinking. The tactic certainly worked for Marsh. A trained silversmith, Marsh had spent hours thinking about the perfect name for his new executive coaching company. The word "alchemy" surfaced while he was tinkering with a silver bowl. "Alchemy is all about transforming base metals," says Marsh. "I was reshaping my career and transforming people's lives and businesses."
4. *Exercise.* Rhythmic activities such as walking, running, or swimming help block your mind's constant chatter. They'll also increase oxygen in the bloodstream and help the brain release feel-good endorphins. Gerard recharges by actively pursuing extreme sports such as sky and scuba diving: "They're totally different experiences that help bring me a new perspective."
5. *Widen your horizons.* Read anything and everything. And surround yourself with inspiring people. Scott Christie and Kevin Hoch, partners in Toronto-based Pylon Design Inc., involve all of their staff at the idea-generating stage. Says Christie: "We find [that] different perspectives, cultural backgrounds and experiences add greatly to the creative process."
6. *Discover your idea-friendly zone.* Are there particular times, places, or activities that boost your creativity? Cynthia Richards, president of Event Spectrum Inc., a corporate event planning firm in Toronto, knows that ideas often bubble away in her subconscious, then surface just before she goes to sleep or as she wakes. So she leaves paper and pen beside her bed ready to capture ideas as they occur. In fact, notes Marsh, "Great opportunities are often missed because ideas were forgotten or lost."
7. *Listen to music.* Research shows that music enhances spatial reasoning ability and trains the brain for higher forms of thinking.
8. *Blast away your mental blocks.* Jumpstart your brain by using your non-dominant hand to write

continued

Fire Up Your Idea Machine (continued)

a few words, color a picture or pick up small objects. The unusual movements will help trigger electrical flow to the non-dominant side of your brain, resulting in new connections—and new perspective.

9. *Play with abandon.* Nerf guns, video games, stuffed animals, a mini jukebox packed with M&Ms ... Gerard's office is full of toys. "I play with the toys," says Gerard, "and try to figure out how they made them and why."

10. *Build an idea bank.* If you're grappling with a particular problem, shoot out every imaginable solution / idea and record them, then revisit each of them to determine which ones may be viable. The longer your list of possibilities the more likely you are to find a winning idea. Besides, adds Rasminsky: "It's far easier to tame a wild idea than energize a limp one."

Source: Reprinted with permission of Rogers Media, "Fire up your idea machine," by Kara Kurylowicz, *PROFIT* magazine, October 2002.

the shelf was not successful, because the problem of package size had little effect on actual purchasing behaviour. To ensure the best results, problem inventory analysis should be used primarily to identify product ideas for further evaluation.

CREATIVE PROBLEM SOLVING

Creativity is an important attribute of a successful entrepreneur. Unfortunately, creativity tends to decline with age, education, lack of use, and bureaucracy. Creativity generally declines in stages, beginning when a person starts school. It continues to deteriorate through the teens and continues to progressively lessen through ages 30, 40, and 50. Also, the latent creative potential of an individual can be stifled by perceptual, cultural, emotional, and organizational factors. Creativity can be unlocked and creative ideas and innovations generated by using any of the *creative problem-solving* techniques indicated in Table 2.2.²⁰

creative problem solving
A method for obtaining new ideas focusing on the parameters

Gordon method
Method for developing new ideas in which the individuals are unaware of the problem

Gordon Method

The *Gordon method*, unlike many other creative problem-solving techniques, begins with group members not knowing the exact nature of the problem. This ensures that the solution is not clouded by preconceived ideas and behavioural patterns.²¹ The entrepreneur starts by mentioning a general concept associated with the problem. The group responds by expressing a number of ideas. Then a concept is developed, followed by related concepts, through guidance by the entrepreneur. The actual problem is then revealed, enabling the group to make suggestions for implementation or refinement of the final solution.

TABLE 2.2 Creative Problem-Solving Techniques

- | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none">• Brainstorming• Reverse brainstorming• Brainwriting• Gordon method• Checklist method• Free association | <ul style="list-style-type: none">• Forced relationships• Collective notebook method• Attribute listing method• Big-dream approach• Parameter analysis |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

checklist method

Developing a new idea through a list of related issues

Checklist Method

In the *checklist method*, a new idea is developed through a list of related issues or suggestions. The entrepreneur can use the list of questions or statements to guide the direction of developing entirely new ideas or concentrating on specific “idea” areas. The checklist may take any form and be of any length. One general checklist is as follows²²:

- Put to other uses? New ways to use as is? Other uses if modified?
- Adapt? What else is like this? What other ideas does this suggest? Does past offer parallel? What could I copy? Whom could I emulate?
- Modify? New twist? Change meaning, colour, motion, odour, form, shape? Other changes?
- Magnify? What to add? More time? Greater frequency? Stronger? Larger? Thicker? Extra value? Plus ingredient? Duplicate? Multiply? Exaggerate?
- Minify? What substitute? Smaller? Condensed? Miniature? Lower? Shorter? Lighter? Omit? Streamline? Split up? Understated?
- Substitute? Who else instead? What else instead? Other ingredient? Other material? Other process? Other power? Other place? Other approach? Other tone of voice?
- Rearrange? Interchange components? Other pattern? Other layout? Other sequence? Transpose cause and effect? Change pact? Change schedule?
- Reverse? Transpose positive and negative? How about opposites? Turn it backward? Turn it upside down? Reverse roles? Change shoes? Turn tables? Turn other cheek?
- Combine? How about a blend, an alloy, an assortment, an ensemble? Combine units? Combine purposes? Combine appeals? Combine ideas?

>> As Seen in *Entrepreneur Magazine*

Try This Technique for Creative Solutions

YOU’VE HEARD THE STORIES about how chance, an accident or a mistake led to valuable inventions—penicillin, Velcro, and Post-It Notes are just a few. But you don’t have to rely on fate to provide inspiration. You can create conditions that spark new ideas any time by using creativity techniques such as the novel prompt. Once you’ve clarified the ideas you’re looking for—say, a spin off of a highly successful product or ideas for a new ad campaign—introduce a novel and unlikely prompt as a catalyst for the free association of ideas. After you generate lots of ideas, sort and refine them into practical and innovative actions.

A novel prompt can be anything: a word, an object, a fantasy, a color. The theory behind this technique is that by using something unusual to launch your thinking, you’ll generate ideas you wouldn’t otherwise. Many people find objects are the most evocative prompts.

You can use one or more objects for this exercise. The following example uses three.

Place a mask, a bell and a moveable child’s toy (or any objects you like) on the table in clear view. Notice everything you can about each object: its function, color, shape, texture. Focus on only one object or each in turn, or the objects in relation to each other. List the qualities of the objects and then see what they suggest to you, or think about the function of the object and see what that generates. For example, if you’re trying to generate new marketing strategies, the mask might suggest what people don’t know about your product or service; the bell may evoke ideas about the reach and clarity of your message. The child’s toy may be green, which reminds you of spring, and that prompts the idea of doing a special promotion. Let your ideas flow freely.

Don’t stop until you come up with at least 10 ideas. When you first begin to free-associate, it may seem difficult to come up with that many, but keep going. This

continued

As Seen in *Entrepreneur Magazine* (continued)

forces you to move past your limiting judgments about what is appropriate or possible. You never know what will work or what will spark another idea that might work. Remember, in this generating stage, the ideas that come to you don't have to be realistic. You want to go for volume. Quality control comes later. By using the novel prompt technique, inspiration no longer has to depend on chance.

Try This! Choose a topic, use this technique, and come up with 10 ideas.

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free association

Developing a new idea through a chain of word associations

Free Association

One of the simplest yet most effective methods that entrepreneurs can use to generate new ideas is *free association*. This technique is helpful in developing an entirely new slant to a problem. First, a word or phrase related to the problem is written down, then another and another, with each new word attempting to add something new to the ongoing thought process, thereby creating a chain of ideas ending with a new product idea emerging.

forced relationships

Developing a new idea by looking at product combinations

Forced Relationships

Forced relationships, as the name implies, is the process of forcing relationships among some product combinations. It is a technique that asks questions about objects or ideas in an effort to develop a new idea. The new combination and eventual concept is developed through a five-step process²³:

1. Isolate the elements of the problem.
2. Find the relationships between these elements.
3. Record the relationships in an orderly form.
4. Analyze the resulting relationships to find ideas or patterns.
5. Develop new ideas from these patterns.

>> Business Ideas by the Dozen

YOU CAN ADOPT ANY of these ideas and use them as your own. Better yet, take one or two of the ideas and modify them, make them your own, and start a profitable company!

Pets: doggie day care; dog walking; pet grooming; vets, pet insurance; specialty pet food; organic pet food

Children: Pre-primary learning centres; day care; night care; tutoring company; indoor playgrounds; gyms for children; athletic training

Baby Boomers: Part-time personal assistants; travel; adventure tourism; medical devices; spas; nursing homes (eventually); homemaking services; day care centres for the elderly

Business: Consultants of all shapes and types; environmentally safe or friendly products

Food: Healthier products; organic products; products that do not produce carbon emissions; healthy snacks; protein/energy bars; energy supplements; specialty products

TABLE 2.3 Illustration of Forced Relationship Technique

Forms	Elements: Paper and Soap	
	Relationship/Combination	Idea/Pattern
Adjective	Papery soap	Flakes
	Soapy paper	Wash and dry travel aid
Noun	Paper soaps	Tough paper impregnated with soap and usable for washing surfaces
	Soaped papers	Booklets of soap leaves
Verb-correlates	Soap “wets” paper	In coating and impregnation processes
	Soap “cleans” paper	Suggests wallpaper cleaner

Source: William E. Souder and Robert W. Ziegler, “A Review of Creativity and Problem Solving Techniques,” *Research Management* (July 1975), p. 37.

Table 2.3 illustrates the use of this technique with paper and soap.

Collective Notebook Method

collective notebook method Developing a new idea by group members regularly recording ideas

In the *collective notebook method*, a small notebook that easily fits in a pocket—containing a statement of the problem, blank pages, and any pertinent background data—is distributed. Participants consider the problem and its possible solutions, recording ideas at least once, but preferably three times, a day. At the end of a month, a list of the best ideas is developed, along with any suggestions.²⁴ This technique can also be used with a group of individuals who record their ideas, giving their notebooks to a central coordinator who summarizes all the material. The summary becomes the topic of a final creative focus group discussion by the group participants.

Attribute Listing Method

attribute listing Developing a new idea by looking at the positives and negatives

Attribute listing is an idea-finding technique that requires the entrepreneur to list the attributes of an item or problem and then look at each from a variety of viewpoints. Through this process, originally unrelated objects can be brought together to form a new combination and possible new uses that better satisfy a need.²⁵

Big-Dream Approach

big-dream approach Developing a new idea by thinking without constraints

The *big-dream approach* to coming up with a new idea requires that the entrepreneur dream about the problem and its solution; in other words, thinking big. Every possibility should be recorded and investigated without regard to all the negatives involved or the resources required. Ideas should be conceptualized without any constraints until an idea is developed into a workable form.²⁶

Parameter Analysis

parameter analysis Developing a new idea by focusing on parameter identification and creative synthesis

A final method for developing a new idea—*parameter analysis*—involves two aspects: parameter identification and creative synthesis.²⁷ As indicated in Figure 2.1, step one (parameter identification) involves analyzing variables in the situation to determine their relative importance. These variables become the focus of the investigation, with other variables being set aside. After the primary issues have been identified, the relationships between parameters that describe the underlying issues are examined. Through an evaluation of the parameters and relationships, one or more solutions are developed; this solution development is called creative synthesis.

Whose Idea Is It?

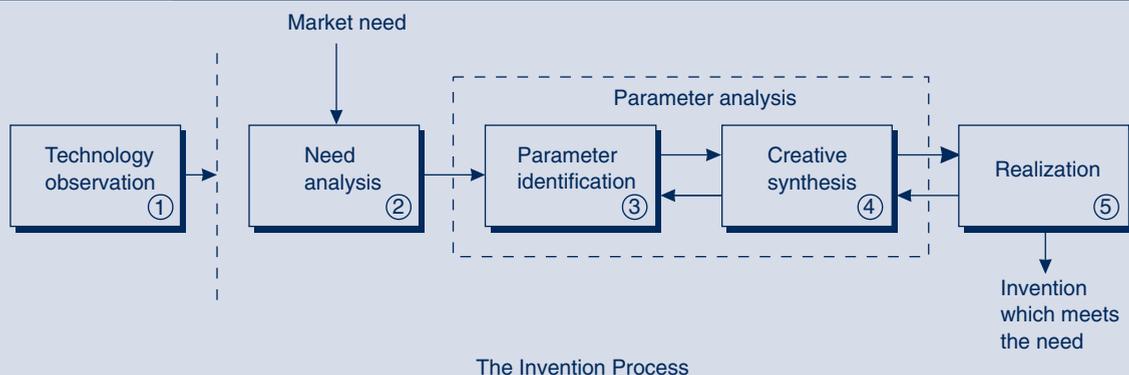
Nick Kelleher loves teaching entrepreneurship at the local university. As a successful entrepreneur, he enjoys brainstorming ideas and assisting students in writing business plans. Over the last five years he has been amazed by some of the ideas students have developed and has encouraged them to follow through on their entrepreneurial dreams. Unfortunately, Nick has noticed a trend that most students leave the course quite excited at the prospect of running their own business but rarely follow through on their goals. When questioned, most students say that they lack the capital needed to start a business and hope to one day return to the venture.

Frustrated by his students' lack of success in finding capital, Nick started investing money in some of his students' opportunities, often by taking a percentage in ownership in return for his dollars and his advice. Originally, Nick asked for very little equity, but after realizing that at least one in every four businesses was failing, he began to ask for upwards of 49 percent, which he felt was a fair deal as the students would never have been able to access the capital, and he was starting to play a more active role in some of the companies. Eventually, Nick bought two of the companies from the student entrepreneurs and sold them a short time later for a significant profit.

As Nick became more successful, some of the other faculty heard about what he was doing and started investing their money in some of their students' ideas. The administration soon became aware of this activity and was not sure how to address the situation. From one perspective, what faculty chose to do with their money was not really something the administration could or wanted to be concerned with, and no students to date had complained about the arrangements. The students are, after all, adults, and are free to make any business decision they feel is acceptable. But the faculty members no doubt were in a position of authority over the students and could take advantage of the relationship. The majority of students trusted the faculty members immensely and often did not consult a lawyer prior to signing any deals. The administration was particularly concerned with Nick purchasing businesses from students and selling them a short time later. The administration wondered if the university would be liable if the students decided they were in fact short-changed and sued Nick and the university.

What do you think of the arrangement of faculty investing in student enterprises? What potential problems do you see? Is there a way to avoid such problems? Should the university have the right to tell faculty to stop investing in students' enterprises?

➔ **FIGURE 2.1** Illustration of Parameter Analysis



E-COMMERCE AND BUSINESS START-UP

The terms e-commerce and e-business will be used interchangeably in this section. It is important to establish a definition for the terms, as researchers and scholars have yet to establish clear definitions. Some authors have drawn a distinction between the terms e-commerce and e-business, defining the former specifically in terms of the buying or selling of goods or services on the Internet, while the latter is expanded to include business activities that extend far beyond that of just sales. Yet the majority of researchers in the field continue to use the terms interchangeably. For our purposes, e-commerce/e-business will be defined as: The use of Internet technologies including, but not limited to, e-mail, EDI, electronic transactions, intranets, and Web sites to exchange or share information, maintain or build business relations, and conduct transactions. Students should note that additional information on e-marketing and social marketing is covered in the text's marketing chapter.

The growth of e-commerce has enabled entrepreneurs to start new businesses that weren't even imaginable a few short years ago. One example is Gord Hotchkiss's Enquiro Search Solutions Inc., a company that focuses on assisting businesses in optimizing their Web presence by maximizing their placement with search engines. Hotchkiss, who has conducted research on the issue, says that most Web surfers will look at the first three search engine hits and scan the first page, and a significant number of searchers do not expand their search beyond the first page of Web hits. Hotchkiss's company works with other companies to design Web pages, meta tags, and other content information to make them more likely to receive premier placement in search engines. Hotchkiss has also adopted a marketing program that is aimed at delivering exactly what consumers want. Hotchkiss describes the process: "We don't spend a lot of time explaining the company and what we do." Instead, his sales staff works to understand the client's business models and what they want to accomplish. "If we can understand the value of a Web site lead in terms of dollars, we can build a case for our service."²⁸

The Internet has also allowed entrepreneurs to start businesses with limited capital and resources. As noted in a recent *National Post* article, "the Web has lowered the bar for people with skills and ideas. People don't need a development team or a big budget; they just need a good idea and a laptop." For example, Saint Mary's University student Duncan Enman, owner of Can Stock Photo Inc. (www.canstockphoto.com), a Halifax-based company that acts as an online intermediary between photographers and marketing and advertising companies who purchase the photos, started with very limited resources. The Internet allowed Enman to start his business with limited funds. He has grown it into a successful online company with 22,000 registered photographers representing 167 countries who have sold over 400,000 images using Enman's Web site.²⁹

State of E-Commerce in Canada

As stated previously, over 99 percent of businesses in Canada can be classified as SMEs.³⁰ Since the focus of the book is on creating new enterprises, of which the majority will be classified as SMEs (less than 500 employees), the text will focus on this specific area. In Canada, e-commerce adoption by SMEs can best be described as stalled: 50 percent of SMEs have adopted e-commerce, with the remaining 50 percent opting not to use the technology (excluding e-mail). Furthermore, of the non-adopters, 28 percent have no intentions to adopt.³¹ In addition, of the SMEs that have adopted e-commerce, the majority have only adopted basic technologies such as Web sites, and/or basic online procurement. Since research has indicated that the benefits increase with increased sophistication of technologies used, studies have concluded that Canadian SMEs/entrepreneurs are not realizing the full potential of the Internet. What is most surprising about these results

is that business owners are not adopting the technology in the face of strong supporting evidence that SMEs will benefit from:

- An increase in revenue and a decrease in cost of goods sold
- Improved communications with stakeholders
- Improvements in marketing including lower costs, expanded reach, enhanced promotional efforts
- Improvements in customer service
- Ability to sell goods online

Throughout the evaluation process of a potential new idea, as well as in the development of marketing strategy, the role of e-commerce needs to be continually assessed. E-commerce offers the entrepreneur the opportunity to be very creative and innovative. Its increasing importance is indicated in the continual increasing amount of both business-to-business and business-to-consumer e-commerce sales. The total value of e-commerce sales in North America alone is projected to be in excess of \$250 billion in 2007 and is forecast to exceed \$400 billion by 2010. E-commerce sales have increased year by year on an annualized basis since 2000. Factors that facilitated the high growth of electronic commerce on a business-to-consumer or business-to-business basis are still in existence today: widespread use of personal computers, the adoption of intranets in companies, and the acceptance of the Internet as a business communications platform. Numerous benefits—such as access to a broader customer base, lower information dissemination costs, lower transaction costs, and the interactive nature of the Internet—will continue to expand the volume of e-commerce.

Types of E-Commerce

There are several types of e-business:

- Business to consumer (B2C): These businesses use the Internet to generate revenue primarily from consumers.
- Business to business (B2B): Businesses that rely on other businesses for their revenue streams. Statistics indicate that roughly 75 percent of online revenue results from B2B transactions.
- Business to government (B2G): This concept has business earning revenue from government. In Canada the government procures over \$8 billion annually, and much of this is done using online exchanges and tenders.
- Consumer to consumer (C2C): Consumers earn revenue from the sale of goods or services to other consumers. Common examples include listings on eBay or Craigslist.
- Consumers to business (C2B): Consumers can sell their products or services to businesses.

E-Commerce Business Models

There are a number of business models that are currently generating revenue on the Internet. It is important to understand that the speed of change on the Internet is so quick that some of these business models could be outdated in a short time period and new ones could be introduced. Furthermore, some companies are using a combination of the business models below to generate revenue. The current business models are:

- *Transaction Fee Models*: The site offers a product or service in exchange for cash. An example of a firm engaging in this strategy is the Ontario company Simply Audiobooks Inc. Simply Audiobooks, an online company that sells and rents audio books, had grown its sales from less than \$200,000 in 2003 to over \$4.5 million by 2006.³⁴

>> Canadians Finding Success on eBay

JADE PEARCE, A UNIVERSITY student from Winnipeg, captured the 2007 “eBay Young Entrepreneur of the Year Award.”³² Jade, who started his business part time selling video games, has expanded his operations to include a full eBay store and four employees. The winner of the Canadian 2007 “eBay Entrepreneur of the Year Award” was Trevor Weldon of West Chezzetcook, Nova Scotia. He started his online business to supplement his wife’s income as he stayed home with his daughter. Trevor’s online store has tapped into the growing worldwide popularity of golf by selling golf practice nets.³³

Tips on becoming an eBay entrepreneur:

1. *Do research prior to selling products on eBay.* Find out what is selling, at what prices, and where they are getting their products. eBay has a community and research centre that provides sellers and buyers with a great deal of research.
2. *Select your product.* Try to be different or create a strategy that differentiates your product mix. eBay provides sellers with information on where to source products (see the International Expansion chapter for other sources).
3. *Determine price and listing format.* This includes the terms of sale, shipping fees, product description, pictures, and so forth.
4. *Remember that eBay is a virtual online community.* So make sure that you offer excellent customer service. Offer guarantees and be sure to answer all e-mails promptly.
5. *Market your products.* Entrepreneurs will tell you that just putting an item up on eBay does not guarantee sales. Rather, sellers should try to promote buyers to their products’ listing (see the Marketing chapter for a discussion of online marketing).
6. *Conduct research.* eBay allows sellers to see various reports about their sales. Do not be afraid to try different categories of products until you determine what works for your business.
7. *Use eBay communities and information for help.* For example, eBay publishes research on what products are selling, using what channels, and at what price.

- *Advertising Support Model:* Web sites offer content to visitors who may or may not pay a fee to visit the site. Companies pay the Web site a fee to advertise on their site. Kaboose Inc., a Toronto company which was founded in 1999, specializes in providing content for children and mothers. The site recently averaged 10 million users per month, 2 million registered users, and over \$11 million in revenue.³⁵
- *Intermediary Model:* A Web site can act as an intermediary, bringing buyers and sellers together. Auctionwire Inc., located in Toronto, offers online auction services and PR. The site helps sellers maximize their auction revenue and create a relatively cheap distribution channel that reaches millions of potential customers. The most common of these sites is eBay (www.ebay.com), where thousands of products are sold daily using an online auction format. In addition, eBay offers sellers the opportunity to open their own online store. Yahoo (www.yahoo.com) also offers this service).
- *Infomediary Model:* Firms collect and sell data about their online users to generate revenue.
- *Affiliate Model:* Often, more popular Web sites redirect their visitors to other sites for a fee. Kaboose Inc. and Amazon are currently using this approach.
- *Subscription Models:* Sites may charge users a fee for their content. Sports Direct, a Halifax company that offers comprehensive information to gamblers on sports betting, is such a company.
- *Crowdsourcing:* These sites bring together communities of volunteers to build a project that has commercial prospects. Cambrian House Inc., a Canadian company founded by Calgary entrepreneur Michael Sikorsky, is an early entrant into this business. Under Cambrian House’s business model, entrepreneurs submit

Web-based ideas to the site, and the community of volunteers votes on the best monthly ideas. The company then conducts market research on the winning concept and, if there is market support, the volunteers work to bring the concept to life. So far, Cambrian has produced two commercial products, an online game called Gwabs and Prezzle.com, a service for sending virtual best wishes and gift certificates.³⁶

Using E-Commerce Creatively

An entrepreneur starting an Internet commerce venture needs to address the same strategic and tactical questions as any other entrepreneur. Additionally, some specific issues of doing business online need to be addressed, due to the new and perpetually evolving technology used in Internet commerce. An entrepreneur has to decide whether he or she will run the Internet operations within the company or outsource these operations to Internet specialists. In the case of in-house operations, computer servers, routers, other hardware and software as well as support services such as Web site information have to be maintained. Alternatively, there are numerous possibilities for outsourcing the Internet business. The entrepreneur can hire Web developers to design the company's Web pages and then upload them on the server maintained by the Internet service provider. In this case, the entrepreneur's main task is to regularly update the information on the Web pages. Another option is to use the packages for e-commerce available from different software companies. The correct decision for in-house operations or outsourcing depends on the size of the Internet-related business, particularly whether Internet operations are the company's primary business and the relative costs of each.

The two major components of Internet commerce are front-end and back-end operations. Front-end operations are encompassed in the Web site's functionality. Search capabilities, shopping cart, and secure payment are only a few examples. The biggest mistake of many companies on the Internet is believing that an attractive, interactive Web site will secure success; this leads to underestimating the importance of back-end operations. Seamless integration of customer orders should be developed, with distribution channels and manufacturing capabilities that are flexible enough to handle any specific customer's desire. The integration of front-end and back-end operations represents the greatest challenge to doing Internet business and at the same time provides the opportunity for developing a sustained competitive advantage.

E-Commerce as an Entrepreneurial Company

The decision to go online for the first time and develop an e-commerce site for your business needs to be a strategic one and should be based on several factors. First, the products should be able to be delivered economically and conveniently. Fresh fruits and vegetables for individual consumers, for example, may not be appropriate for online sales and long-distance deliveries. Second, the product has to be interesting to a large number of people, and the company must be ready to ship the product outside its own geographical location. Third, online operations have to bring significant cost reductions compared with the present brick-and-mortar operations. The fourth factor reflects the company's ability to economically draw customers to its Web site.

Conflict between traditional and online marketing channels (channel conflict) arises because of disagreements between manufacturers and retailers, which eventually lead to a hostile, competing position of once-partnering companies. Partners in supply chains have to focus on their core competencies and outsource the non-core activities. When introducing the competing distribution channels, companies have to weigh the costs and benefits of that decision, while taking into account the loss of existing business. Students and potential entrepreneurs should realize that starting an online business or taking a company online is

While Still in School

Daniel Shiner founded SoulShine Digital (www.soulshinedigital.com), a company that specializes in Web site development and design and the production of print media, while still attending high school. Shiner proceeded to enrol at McGill University and continued to manage his growing business. Shiner advises fellow youth entrepreneurs that to be successful in the media industry they must portray a positive and professional image to prospective clients. "The industry I'm in is all

about business image," Shiner said. "I didn't have the proper business image that would let a big business trust the huge responsibility of a Web site or all our marketing materials with me, some kid in high school. I transformed my own business image from a kid who designs Web sites, to a kid who operates a graphic design company." Shiner's focus on professionalism is paying off: he has managed to grow his client list by 600 percent by his second year of operations.³⁷

>> As Seen in *PROFIT* Magazine

Your Next Big Thing: Web 2.0—A Bold New Wave of Online Innovation Is Generating Vast Business Possibilities

JUST AS BUSINESS AND consumers are becoming used to being linked together via the Internet, yet another buzzword is changing the relationship. It's called Web 2.0, part design/technology, part philosophy, and part community. For business it's about using new technology and "social networking" to build rich communities that include employees, partners and customers.

"Web 2.0 is here to stay," declares Sonal Ghandi, an analyst with New York-based Jupiter Research. "It's growing, and just starting to gain momentum."

One of Web 2.0's most successful service providers has been around since, well, before Web 2.0. Salesforce.com's mantra for years has been "no software," coupled with an insistence that Web-based services are the wave of the future.

While Salesforce.com (NYSE: CRM) didn't anticipate the expression "Web 2.0" when it was founded in 1999, the customer relationship management firm certainly embodies one of the movement's fundamentals: to use the Web to accomplish business tasks without requiring software. As one of the fastest growing companies in its sector, the San Francisco-based company is benefiting from the ongoing shift in business thinking to "Web as platform." Third quarter revenue for its fiscal 2007 (ended October 31, 2006) was US\$130 million, a record 57 percent increase on a year-over-year

basis and 10 percent quarter-over-quarter (revenue for its fiscal 2006 totalled US\$309 million, up 200 percent since 2004).

Adam Gross, VP of developer marketing, says Salesforce.com is in the right place at the right time. "The whole idea of using business applications on-demand through a Web browser is something that really [has become] mainstream. Years ago, there were a lot of questions about whether this model would survive." In the days before dependable, high-speed Internet access was common, the idea of business relying on relatively immature Web-based tools was considered foolish. (According to Industry Canada, today 81 percent of Canadian firms have high-speed Internet access.)

Calgary-based Intergraph (Nasdaq: INGR), a provider of spatial information management software, is a Salesforce.com customer that has adopted several of the latter's products such as Apex Builder (a point-and-click application creation tool) with positive results. Dan Rusheinski, director of business development for Intergraph, says Salesforce.com's Web 2.0-like apps have improved process flow, communication, consistency and collaboration within and among the teams. "It really boils down to everybody having access to the same information, and when you've got the whole team looking in the same direction they're going to start to cooperate and work together."

But it wasn't always smooth sailing. Some employees were initially skeptical of this new way of doing business, but ultimately, he says, "most, if not all" were

continued

As Seen in *PROFIT* Magazine (continued)

converted by the products' ease of use. "We had a lot of old-time people who were used to software-based systems where they had control of their data."

Unlike Salesforce.com, and despite launching in 1998, Burlington, Ont.-based content management company iUpload considers itself native to 2.0. CEO Robin Hopper says he realized in 2005 that customers wanted to manage smaller pieces of information and encourage broader participation than a Web content management system would allow. And so was born the Customer Conversation System (CCS). The product integrates blogs and related social media technologies within the enterprise to create what the company calls a "market conversation system"—essentially, new sales and marketing channels.

iUpload client Petro-Canada has adopted social media as a method for building and retaining its corporate knowledge base, given its aging workforce. While e-mail is still the most popular publishing tool, it's not an effective way to share large volumes of information. CCS allows employees to use blogs and wikis to capture day-to-day, anecdotal information. Says Hopper, "Petro-Canada gives blogs out to individuals and encourages them to write whatever they want, which creates a corporate memory."

Arguably the most popular social networking element of Web 2.0, the blog, or online journal, has found increasing favour among business. Sun Microsystems' CEO Jonathan Schwartz writes about innovations at his company. GM's Vice Chairman Bob Lutz shares his perspective on GM vehicles, racing, and the auto industry in general. Similarly, podcasting, another 2.0 staple, is not just about entertainment but is now used for conference proceedings, investor meetings and corporate press announcements.

The surge of interest in Web 2.0 is paying dividends for iUpload, whose other clients include McDonald's, Coca-Cola, Aetna and Motorola. "The volume that's been placed on our lead funnel has been phenomenal month over month, and growth has been tremendous," says Hopper. He adds that for 2006 revenue growth is up 200 percent. And fourth quarter numbers are also up 200 percent from third quarter. "We've done this with no outbound sales effort, no real outgoing marketing initiatives. It's all been responding to incoming demand and incoming interest based on how other people have deployed [the system]. And the word of mouth that's gone on within our client base has driven that. We're trying to grow quite quickly to take advantage of all the interest right now."

While Sudbury, Ont.-based ConceptShare could be considered a new kid on the block, it's seeing success very early on. The three-man application service company was born in June 2006 out of a need to collaborate on design documents after its founders decided using e-mail and instant messaging was too limiting.

The ConceptShare tool is Web-based and allows people to share designs in a contextual way. Upload any image into the workspace and invitees can then mark up the document in real time and make comments.

Bolstered by a local angel's investment of about half a million dollars, ConceptShare has just completed its beta testing phase. The public service was launched in November.

Not to be outdone, pioneering technology firm IBM (NYSE: IBM) is embracing Web 2.0 in an innovative way. In November 2006 the company launched its IBM@Play program, a social networking initiative designed to bring together the company's far-flung employees. It has found expression on such platforms as Second Life and India's Planeshift, where people interact using life-like digital personas called "avatars."

IBM's Chuck Hamilton, solutions leader for IBM's Center for Advanced Learning at its Innovation Centre in Burnaby, BC, says, "We are learning that Virtual Social Worlds (VSWs) offer us the advantage of quickly building new relationships across IBM, regardless of our home geography. While traditional on-boarding will continue, we feel that we can leverage VSWs to get people over the initial learning curve sooner."

If today is about Web 2.0, then consider what the future—Web 3.0—might look like. Hamilton says it will be about having everything humans do be visible in a digital 3D world, such as an avatar greeting you at a help desk or providing virtual support for an e-commerce transaction. Salesforce.com's Gross believes focus will next shift to how 2.0 is impacting the enterprise in terms of completely new applications. "One of the things we think is just really beginning to tip now is the idea of mashups [an application or Web site such as Mappr that combines content from more than one source]. We're seeing that now within the enterprise and it's being used to build new business applications, whether it's mashups with Google, things like Skype, or other kinds of Internet services."

Source: "Your Next Big Thing: Web 2.0—A Bold New Wave of Online Innovation Is Generating Vast Business Possibilities," by Kimberly Silk, *PROFIT* Magazine, December-January 2007. Reprinted with permission.

not something that should be done without careful planning and analysis. Start-up online companies require thorough business planning, and existing businesses that plan on entering the online world should make this decision part of their business planning process.

E-Commerce Opportunities and Value Chains

E-commerce offers entrepreneurs the chance to eliminate players in traditional value chains and to create an opportunity to offer consumers value while realizing significant profits for themselves. For example, Dell eliminated the need to have a retailer sell its computers to end users by selling them directly to consumers. Thus, they earn a higher percentage of profit per unit sold and pass some of the savings on to consumers. When looking for e-commerce opportunities, entrepreneurs can start by drawing out traditional value chains and assessing where the Internet can eliminate an intermediary and unleash value to the entrepreneur and the consumer. For example, let's look at a simplified version of a value chain for the lobster industry. The chain starts with the fisherman, who passes the fish to a wholesaler, who passes it on to a retailer, who sells it to a consumer. During the process, the lobster touches the hands of two intermediaries who offer little in the form of value-added activities beyond marking up the product. If you could offer the fisherman the chance to sell his fish via an electronic marketplace directly to the retailer, you can successfully eliminate the wholesaler. The fisherman would receive more money for the fish, the retailer would pay less, and you would profit by establishing the electronic marketplace. Try drawing out value chains for other industries and looking for areas where the Internet will allow you to eliminate participants.

PROTECTING YOUR BUSINESS IDEAS AND CONCEPTS

Many entrepreneurs fear that their next great idea will be stolen, duplicated, or plagiarized to become someone else's next great idea. It is important to understand that many ideas are just that—ideas—and once spoken in public they become public property. But some things like hard products, intellectual property, computer code, trademarks, and so forth can be protected under Canadian and international law.

What Is Intellectual Property?

intellectual property
Any patents, trademarks, copyrights, or trade secrets held by the entrepreneur

Intellectual property—which includes patents, trademarks, copyrights, and trade secrets—represents important assets to the entrepreneur and should be understood even before engaging the services of an attorney. Too often entrepreneurs, because of their lack of understanding of intellectual property, ignore important steps that they should have taken to protect these assets. This section will describe all the important types of intellectual property, including software and Web sites, that have become unique problems to patent and intellectual property protection offices.³⁸

The issues surrounding the copying of intellectual property have been problematic for many companies across Canada. The Internet does not recognize national borders, and material is accessible in parts of the world where laws on intellectual property are either weak or nonexistent. As you will read in this chapter, any patent registered in Canada can be viewed online, and anyone with an Internet connection can duplicate a product. Ron Foxcroft, the Ontario inventor of the pea-less whistle, has spent over \$750,000 fighting infringements on his patent and trademark (see the box on p. 83). Thus, the question to entrepreneurs becomes twofold: What can you do to protect your intellectual property? and, What should you spend defending your intellectual property?

patent Grants the holder protection from others making, using, or selling a similar idea

Patents

A *patent* is a contract between the government and an inventor. In exchange for disclosure of the invention, the government grants the inventor exclusivity regarding the invention

for a specified amount of time. At the end of this time, the government publishes the invention and it becomes part of the public domain. As part of the public domain, however, there is the assumption that the disclosure will stimulate ideas and perhaps even the development of an even better product that could replace the original.

Basically, the patent gives the owners a negative right because it prevents anyone else from making, using, or selling the defined invention. Moreover, even if an inventor has been granted a patent, in the process of producing or marketing the invention he or she may find that it infringes on the patent rights of others. The inventor should recognize the distinction between utility and design patents and some of the differences in international patents that are discussed later in this chapter.

What Is Patentable?³⁹ Many entrepreneurs develop an idea, a concept, or a product and immediately start to think about protecting the item through the patenting process. Unfortunately, not everything is patentable in Canada; there are certain requirements that must be met to patent an item. In order for a patent to be issued, the invention must meet the requirements of novelty, utility, and ingenuity. It is important to note that U.S. patent rules allow ideas and concepts to be patented.

- *Novelty*: To be eligible for a patent, the invention has to be the “first such item” in the world and the original inventor or an assignee of the inventor must file the application. In addition, the invention must not have been made public or it becomes ineligible (in Canada, there is a one-year exception).
- *Utility*: In order to gain a patent for an invention it must have some useful purpose and actually work. For example, if you have invented an anti-theft device, it must actually work in order for you to get a patent. This prevents people from filing for patents for inventions that cannot be constructed using today’s technology such as flying saucers that run on orange juice.
- *Ingenuity*: To receive a patent, an invention must not be obvious to anyone with average skill in the field. For example, your anti-theft device must trigger an “I should have thought of that” reaction.

Patents can be obtained for the following inventions as long as they meet the requirements discussed above:

- New product
- Device for building a product
- Maintenance process
- Improvements to any of these

You cannot obtain a patent for the following inventions:

- An invention that is in the public domain
- Scientific principle
- Method of doing business
- Computer program
- Medical treatment⁴⁰

International Patents

With the World Trade Organization (WTO) and its predecessor, the General Agreement on Tariffs and Trade (GATT), more global free trade was encouraged. Although international trade increased at the rate of about 6 percent per year since GATT was created in 1948, there still was the problem with internationalizing patent law that would protect firms from imitations and knock-offs. Another mechanism was needed to provide firms some protection in global markets.⁴¹

>> As Seen in *PROFIT* Magazine

Defensive Strategy: Patent and Trademark Protection Is a Whole New Game for a Retired Referee with a Winning Product

SUMMER IN INDIANAPOLIS CAN be extremely hot, but it wasn't the temperature that had me on edge as I walked across the floor of the gymnasium to referee a Pan-American basketball game. I was clutching one of only two operating prototypes of my new Fox 40 pea-less whistle. We had spent three-and-a-half years and \$150,000 in production, and the whistle had never been heard by anyone other than our small development group. Would the new whistle work when it counted most?

The idea for a pea-less whistle came to me in 1984 after I needed a police escort out of a gymnasium in Brazil when my regular whistle failed to blow at a crucial point in a pre-Olympic basketball game. Now, as I crossed the floor for the start of the Pan-Am game, I made a mental note of where the exits, security staff and police were located—in case my new invention failed to utter a sound.

The whistle not only worked, it was so loud and clear that it startled everyone in the gym. When the games were over, I came home with orders for 20,000 Fox 40 pea-less whistles, and the funds to put my invention into full production.

Today, we have sold close to 100 million whistles in 126 countries. The Fox 40 whistle is used in almost every professional and amateur league and sports association worldwide, and we have developed variations for dog trainers, hunters, hikers, campers, rescue workers and police departments. We know the whistle works, it's accepted and it sells. Now we're fighting another battle—one that has cost us legal fees in the hundreds of thousands of dollars—with no end in sight. Fox 40, like many companies with useful new products, faces the scourge of imitators supplying cheap rip-offs. But I've learned that with some foresight and planning, any inventor can nip this problem in the bud with proper patent and trademark protection.

When you look for money for a new invention, your bank manager and potential investors always ask those same two questions: 1) Do you have a business plan, and; 2) Do you have a patent? Although you need both to raise money to bring your product to market, most business people never read the full business plan; even fewer understand how patents and trademarks work, or

how they protect your product. For the record, patents describe exactly what your products are. Trademarks describe who you are and what your company is all about.

Thousands of patents are filed every year. Few commercial patents ever reach the marketplace and those that do are successful only if the patent is written properly and the product marketed aggressively. Patent searches must be conducted worldwide to protect your invention from infringement by others, and also to protect you from infringing on other patents. The process is incredibly detailed and far too complicated for novices to attempt on their own. Some companies advertise that they can raise money for your invention or help get your invention to market. Get references and check them out thoroughly. Many inventors have learned very expensive lessons trying to get to market using the services of these companies.

I knew we needed help navigating the patent process. The late Chuck Shepherd, from Oakville, Ont., was a guru in the field of developing and patenting new products and ideas. But when I first showed him my concept, he immediately declined to take on the project. He soon changed his mind, not because of the whistle itself, but because he found out I was the guy who owned Fluke Transport Group, the trucking company with the slogan, "If it's on time ... it's a Fluke." He said if I could be successful with that slogan, I could probably sell a pea-less whistle.

We protected our whistle with dozens of patents. Chuck made sure that the technical description of the Fox 40 pea-less whistle was comprehensive and all-encompassing. When the whistle design was complete, he took me to meet Stan Rogers of Rogers & Scott, Patent Attorneys, in Oakville. Chris Scott soon joined the team and together we filed world patents for the Fox 40 whistle.

This team prepared me to take my invention to market. They told me that having a patent wouldn't make a product successful. Success would only come from making a better whistle and marketing it more aggressively than the competition. It was simple yet sound advice.

Patents—valuable assets that can be sold or licensed if necessary—are important and are absolutely necessary if you have a product with a world market or a product that can be copied easily. But I soon learned that I also needed trademark protection. Patents have an expiry date and others can patent or introduce similar patents.

continued

As Seen in *PROFIT* Magazine (continued)

Trademarks, however, are yours and provide greater protection against new products. Products are recognized by their name, and as the product becomes more popular so does the value of the trademark. I have never had a customer call me and order two-dozen of a specific patent number. They ask for two-dozen black Fox 40 pea-less whistles. I needed to protect the name.

My team had prepared me for this phase of our development and had filed trademarks in all the markets where we would be doing business. I often say that there is a great deal of Chuck Shepherd in the Fox 40 whistle and there was a great deal of Fox 40 in Chuck Shepherd. I owe a great deal to him and to Stan Rogers and Chris Scott.

We have now spent over \$750,000 on patent and trademark registrations to protect our product and our name. We are currently involved with 11 infringement cases against the Fox 40 patents or trademarks. These patent and trademark infringements usually originate from one of three sources:

1. competition who have the capability of making a similar product;

2. companies who see that a large profit can be made by selling a similar product and have the resources to fight us in court, and;
3. companies who get in and get out of the market fast, passing their cheap imitation off as our product.

These imitators find it tougher to beat a charge of trademark infringement than one of patent infringement. Companies can argue that their pea-less whistle is different than our pea-less whistle or that their patent does not infringe on ours. But no one can say that they own the Fox 40 pea-less whistle.

Imitation may be the highest form of flattery, but fighting it without the proper protection can also be extremely costly. When all is said and done, our trademarks provide the best long-term protection for our products. My best advice is to patent for design protection and trademark for revenue protection.

Source: Reprinted with permission of Rogers Media, Rox Foxcroft, "Defensive Strategy," *PROFIT* magazine, August 2002, www.profitguide.com/magazine/article.jsp?content=1019.

The Patent Cooperation Treaty (PCT), with over 100 participants, was established to facilitate patent filings in multiple countries in one office rather than filing in each separate country. Administered by the World Intellectual Property Organization (WIPO) in Geneva, Switzerland, it provides a preliminary search that assesses whether the filing firm will face any possible infringements in any country.⁴² The company can then decide whether to proceed with the required filing of the patent in each country. It has a 20-month time frame to file for these in-country patents. In 2002 there were over 5,000 international applications received by the WIPO, an increase of 800 percent from five years earlier.⁴³

The Patent Application The patent application must contain a complete history and description of the invention as well as claims for its usefulness. The actual form can be downloaded from the Canadian Intellectual Property Office Web site, www.cipo.gc.ca. In general, the application will be divided into the following sections:

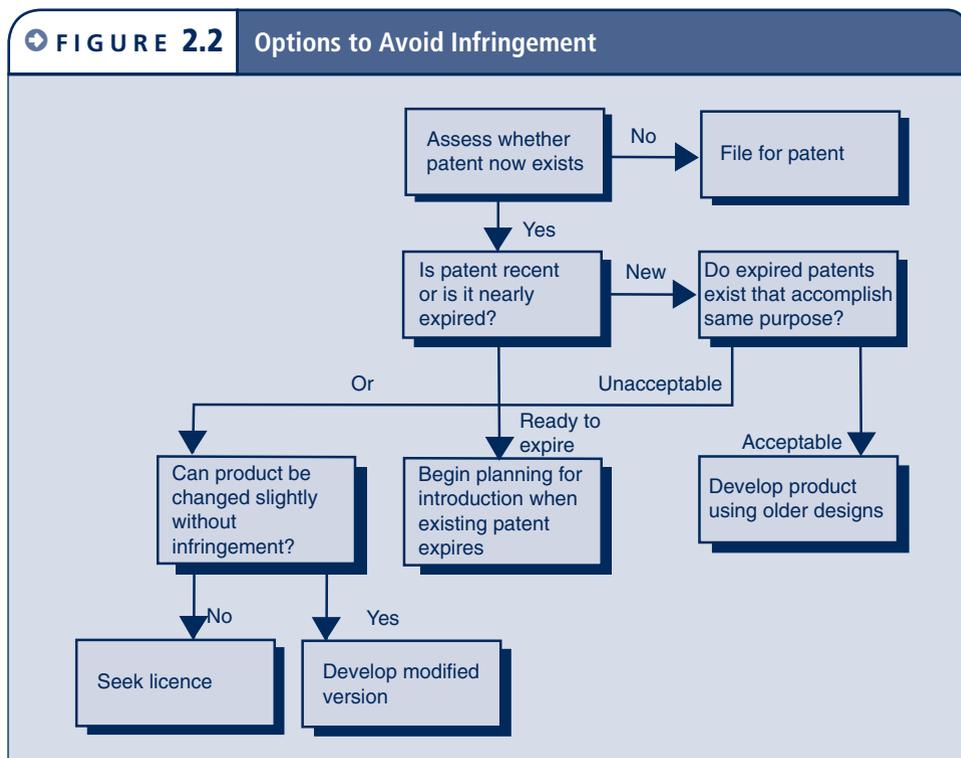
- *Abstract.* This section should contain the background and advantages of the invention and the nature of problems that it overcomes. It should clearly state how the invention differs from existing offerings.
- *Description of Invention.* Next the application should contain a brief description of the drawings that accompany it. Following this would be a detailed description of the invention, which may include engineering specifications, materials, components, and so on, that are vital to the actual making of the invention.
- *Claims.* This is probably the most difficult section of the application to prepare because claims are the criterion by which any infringements will be determined. They serve to specify what the entrepreneur is trying to patent. Essential parts of the invention should be described in broad terms so as to prevent others from getting

around the patent. At the same time, the claims must not be so general that they hide the invention’s uniqueness and advantages. This balance is difficult and should be discussed and debated with a patent attorney or agent.

A carefully written patent should provide protection and prevent competitors from working around it. However, once granted, it is also an invitation to sue or be sued if there is any infringement.

The fees for filing an application will vary, depending on the patent search and on claims made in the application. Attorney or patent agent fees are also a factor in completing the patent application. Filing fees are mentioned earlier in the chapter. There are also maintenance fees that are paid at intervals during the life of a patent.

Patent Infringement To this point, we have discussed the importance and the procedure for filing a patent. It is also important for the entrepreneur to be sensitive about whether he or she is infringing on someone else’s patent. The fact that someone else already has a patent does not mean the end of any notions of starting a business. Many businesses, inventions, or innovations are the result of improvements on, or modifications of, existing products. For example, in Canada, 95 percent of patents are for improvements on other patents. Copying and improving on a product may be perfectly legal (no patent infringement) and actually good business strategy. If it is impossible to copy and improve the product to avoid patent infringement, the entrepreneur may try to license the product from the patent holder. Figure 2.2 illustrates the steps that an entrepreneur should follow as he or she considers marketing a product that may infringe on an existing patent. To ascertain the existence of a patent, the entrepreneur can now make use of the Internet. If there is an existing patent that might involve infringement by the entrepreneur,



Source: Adapted from H. D. Coleman and J. D. Vandenberg, “How to Follow the Leader,” *Inc.* (July 1988), pp. 81–82.

TABLE 2.4 Checklist for Minimizing Patent Risk

- Seek a patent attorney who has expertise in your product line.
- In lieu of a patent attorney, a patent agent can do the same job for less
- Before making an external disclosure of an invention at a conference or to the media, or before setting up a beta site, the entrepreneur should seek legal counsel since this external disclosure may negate a subsequent patent application.
- Evaluate competitor patents to gain insight into what they may be developing.
- If you think your product infringes on the patent of another firm, seek legal counsel.
- Verify that all employment contracts with individuals who may contribute new products have clauses assigning those inventions or new products to the venture.
- Be sure to properly mark all products granted a patent. Not having products marked could result in loss or damages in a patent suit.
- Consider licensing your patents. This can enhance the investment in a patent by creating new market opportunities and can increase long-term revenues.

licensing may be considered. If there is any doubt as to this issue, the entrepreneur should hire a patent attorney to ensure that there will not be any possibility of patent infringement. Table 2.4 provides a simple checklist that should be followed by an entrepreneur to minimize any patent risks. Table 2.5 provides tips on hiring a lawyer.

Business Method Patents With the growth of Internet use and software development has emerged the use of business method patents. For example, Amazon.com owns a business method patent for the single clicking feature used by a buyer on its Web site to order products. eBay was recently sued by Tom Woolston and his company MercExchange,

TABLE 2.5 Tips for Hiring a Lawyer

The hiring of an attorney is very important for an enterprise, particularly given the many legal issues that come to the forefront during day-to-day business practices. The following are some specific tips to follow:

- Hire a specialist. Many first-time entrepreneurs will seek legal advice from the family's attorney or assume that one lawyer is the same as the next. If you are involved in detailed business transactions that involve one aspect of the law, either hire a lawyer with expertise in that field or work with a large firm that can provide a plethora of legal opinions in a variety of areas. For example, if you are considering buying a franchise, then consult specifically with a lawyer who has experience in franchise law and franchise agreements. The franchise agreement is often 200 to 300 pages, and a generalist attorney will not have the experience to interpret all the clauses correctly.
- Check references. Hiring a lawyer is like hiring an employee: If you hire a poor one it will cost you time and money and, unfortunately, you have no one to blame but yourself. Ask any lawyer or law firm for references and check them yourself. Ask questions about experience, pricing, and satisfaction level.
- Find out who your lawyer will be. Many entrepreneurs hire a large firm to conduct their legal affairs without ever interviewing the actual lawyer that they will deal with. Confirm that you will be assigned to one lawyer and ensure that you are not going to be passed from attorney to attorney. If you are comfortable with the idea that your files may be reviewed by a team of lawyers, ensure that you meet them all in advance.
- Insist on clear billing. Legal bills have a way of increasing quickly. Ensure that you receive written quotes in advance for any basic work such as forming a corporation, reviewing a lease, or buying a small building. If the legal issue is of a larger scale, insist on biweekly updates of the legal costs involved. This is the best way to ensure that there are no major surprises. For example, one small furniture store was shocked to see a legal bill for \$20,000 for handling an employee dismissal that resolved itself in two months without any court action.

claiming a violation of a patent he owned that covered many fundamental aspects of eBay's operations such as the buying and selling of products through a reverse auction process. Priceline.com claims that it holds a patent related to its service which allows a buyer to submit a price bid for a particular service. Expedia was forced to pay royalties to Priceline.com after being sued for patent infringement by Priceline.com. Many firms that hold these types of patents have used them to assault competitors and subsequently provide a steady stream of income from royalties or licensing fees. Whether these types of patents will hold up over a long period of time is still being debated.⁴⁴ (This remains a grey area in Canadian and American patent law.)

trademark A distinguishing word, name, or symbol used to identify a product

Trademarks

A *trademark* may be a word, symbol, design, or some combination of such, or it could be a slogan or even a particular sound that identifies the source or sponsorship of certain goods or services. Unlike the patent, a trademark can last indefinitely, as long as the mark continues to perform its indicated function. The trademark is given an initial 15-year registration with 15-year renewable terms. One key requirement is actual use; if you fail to use the trademark, it can be revoked by the Canadian Trade-marks Office.

Trademark law allows the filing of a trademark solely on the intent to use the trademark in interstate or foreign commerce. The filing date then becomes the first date use of the mark. This does not imply that the entrepreneur cannot file after the mark has already been in use. In fact, there are benefits to registering a mark that has already been in use. For example, if the business is not yet national in scope, the filing for a mark already in use on a regional basis will provide freedom to expand nationally under the same name.⁴⁵

There are three basic categories of trademarks: (1) *ordinary marks* are words or symbols that distinguish the products or service of a specific company. For example, if you operate a party business under the name "Panda," you could register the business name as a trademark; (2) *certification marks* are marks that identify products or services as ones that have met certain standards. For example, if your party service has met national certification standards, a symbol may be applied to any products identifying their compliance with these standards; (3) *distinguishing guise* identifies the unique shape of a product or package. For example, if you manufacture a candy product in the form of a centipede, you may want to register the shape.⁴⁶

Registering a trademark can offer significant advantages or benefits to the entrepreneur. Table 2.6 summarizes some of these benefits.

Registering a Trademark The Trade-marks Office is responsible for the registration of trademarks. To file an application, the entrepreneur must complete a simple form that can be downloaded from the CIPO Web site.

TABLE 2.6 Benefits of a Registered Trademark

- It provides notice to everyone that you have exclusive rights to the use of the mark throughout Canada.
- It entitles you to sue in court for trademark infringement, which can result in recovery of profits, damages, and costs.
- It establishes incontestable rights regarding the commercial use of the mark.
- It establishes the right to deposit registration with customs to prevent importation of goods with a similar mark.
- It entitles you to use the notice of registration.®
- It provides a basis for filing trademark applications in foreign countries.

Filing of the trademark registration must meet four requirements: (1) completion of the written form, (2) a drawing of the mark, (3) examples of use of the mark, and (4) the fee. Each trademark must be applied for separately. Upon receipt of this information, the Trade-marks Office assigns a serial number to the application and sends a filing receipt to the applicant.

After the Trade-marks Office has received an application, it goes through the following steps:

1. Completes a search of trademark records to ensure that your trademark is original or does not come into conflict with any other registered trademarks. If your trademark is in conflict, the office will inform you of this occurrence.
2. Screens the application to ensure it meets the requirements of the *Trade-marks Act*.
3. Publishes the application in the weekly *Trade-marks Journal* publication.
4. Allows time for challenges to the application. If an objection is raised, the Trade-marks Office considers the evidence and decides whether to accept or reject your application.
5. If no objection arises, then the application is approved and your trademark is registered.⁴⁷

Copyright

copyright Right given to prevent others from printing, copying, or publishing any original works of authorship

A *copyright* protects original works of authorship. The protection in a copyright does not protect the idea itself, and thus it allows someone else to use the idea or concept in a different manner.

Copyright law has become especially relevant because of the tremendous growth of the use of the Internet, especially to download music, literary work, pictures, and videos, to name a few. Although software was added to copyright law in 1980, the issues surrounding access to material on the Internet have led to major legal battles for the entertainment industry.

When Napster made its entrance in 1999, Internet users were able to exchange music files at will. The music industry scrambled and fought against this use because its sales of CD albums were significantly impacted. After three years the music industry was able to win its battle with Napster. However, other file-swapping services that have sprung up, such as KaZaa and Grokster, have been more difficult to shut down.⁴⁸ Napster lost its battle because it used central directory computers to keep track of the music each user was making available online. New players in this market have avoided the use of a central directory computer; instead, requests for a file are simply passed from one user's computer to another. With these new ventures the legal battles have heated up and the music industry has begun warning users of possible legal action if they continue.

In response to these questionable file-swapping services the music industry began backing several subscription-based online music services such as Rhapsody, Pressplay, and MusicNet. On April 28, 2003, Apple launched iTunes Music Store, where users pay \$0.99 for each track that is downloaded. Instead of buying an entire CD, users can download the tracks they want and create their own personalized music CD.⁴⁹

Copyright protection related to the Internet will continue to be a concern and a grey area until precedents and regulations are made clear. Although these issues seem complicated, the registering procedure for copyright protection is fairly simple. Copyrights are registered with the Copyright Office and will not usually require an attorney. All that is necessary is that the form—which can be downloaded from the Copyright Office Web site, and the appropriate fee be sent to CIPO. The term of copyright is the life of the author plus 50 years.

Besides computer software, copyrights are desirable for such things as books, scripts, articles, poems, songs, sculptures, models, maps, blueprints, collages, printed material on

board games, data, and music. In some instances, several forms of protection may be available. For example, the name of a board game may be protected by trademark, the game itself protected by a patent, and the printed matter on the board protected by a copyright.⁵⁰

>> As Seen in *Entrepreneur Magazine*

Provide Advice to an Entrepreneur about International Trademark Protection

YOUR TRADEMARK IS A valuable asset because that's how customers recognize your product or service. But in many countries, trademark protection belongs to the first company to register a trademark, not the first to use it. "Companies that have been using a mark for a long time sometimes don't bother with a search until there's a problem," says attorney Kara Cenar of the intellectual property firm Welsh & Katz in Chicago. But that approach could lead into trouble. "You [might] find that some other company has rushed to the trademark office and registered your mark," she says. The company might be trying to extract payment for the legal rights to your own mark, or it may want to hitch a ride on your reputation.

Just as it is in the United States, it's important to conduct a trademark search by hiring a firm that specializes in it, then to register your mark and defend it. There's no way to search all countries simultaneously. You have to do one at a time. A U.S.-only trademark search costs \$400 to \$500. It comes back in a thick bound report, telling which businesses have used your trade name for which products or services, and who has trademarks similar to yours. But you'd do well to have an experienced intellectual property lawyer formulate the search in the first place, to make sure you're not missing crucial elements, and then examine the results with an expert eye. Even if a given company lets its rights to your trade name lapse, it might still have common law rights to the name in a given state. You don't want to have to stay away from that state or operate there under a different name. The lawyer's time for all this typically costs \$500 to \$1,500—or even more.

Now multiply that by the world's 190 jurisdictions, and imagine the cost. That's why Cenar recommends a strategic approach to global trademarks. First, she says, consider which trademarks are most important. You might have several trademarks, but you only plan to use one of them overseas in the near future. Then decide where you want trademark protection first. Because the NAFTA

treaty (North American Free Trade Agreement) makes North America one single market, first international registrations should be in Canada and Mexico. Then you'll want a Community Trademark, which covers the 15 countries of the European Union. After that, you may expand to other countries a few at a time, depending on your marketing plans. If the firm that handles your intellectual property has a relationship with a firm in that country, a few calls may be all that's needed.

Registering your business's trademark in another country doesn't necessarily give you all the rights you enjoy here at home. How your trademark is regulated depends on the laws of that country. But intellectual property law is broadly similar around the world, Cenar says. So with some strategic planning and investment in legal services, before long you can use your trademarks worldwide without unpleasant surprises.

Advice to an Entrepreneur

An entrepreneur who wants to expand internationally over the next few years has read the above article and comes to you for advice:

1. Here we go again, more money for intellectual property protection. Are the lawyers just being overly conservative and not taking into sufficient consideration the cost of diverting resources away from growing my business and into funding these searches and registrations?
2. Should I even bother going through the process of registering my trademark in countries that don't seem to respect intellectual property protection?
3. I don't plan on entering into China, Thailand, and Malaysia for another four years. When do you suggest that I register for trademarks in these countries?

Source: Reprinted with permission of Entrepreneur Media, Inc., "Imperial Guard. If You Want a Global Empire, You'll Have to Tackle International Trademark Protection," by Steven C. Bahls and Jane Easter Bahls, February 2003, *Entrepreneur* magazine: www.entrepreneur.com. Please contact Jeremy at Scoop Reprint Source to assist you with your reprint needs: (800) 767-3263, ext. 307.

trade secret Protection against others revealing or disclosing information that could be damaging to business

Trade Secrets

In certain instances, the entrepreneur may prefer to maintain an idea or process as confidential and to sell or license it as a *trade secret*. The trade secret will have a life as long as the idea or process remains a secret.

A trade secret is not covered by any law. Employees involved in working with an idea or process may be asked to first sign a confidential information agreement that will protect against their giving out the trade secret either while an employee or after leaving the organization. A simple example of a trade secret nondisclosure agreement is illustrated in Figure 2.3. The entrepreneur should hire an attorney to help draw up any such agreement. The holder of the trade secret has the right to sue any signee who breaches such an agreement.

What or how much information to give to employees is difficult to judge, and is often determined by the entrepreneur's judgment. Historically, entrepreneurs tended to protect

FIGURE 2.3 A Simple Trade Secret Nondisclosure Agreement

WHEREAS, New Venture Corporation (NVC), Anywhere Street, Anyplace, Canada, is the Owner of information relating to; and

WHEREAS, NVC is desirous of disclosing said information to the undersigned (hereinafter referred to as "Recipient") for the purposes of using, evaluating, or entering into further agreements using such trade secrets as an employee, consultant, or agent of NVC; and

WHEREAS, NVC wishes to maintain in confidence said information as trade secret; and

WHEREAS, the undersigned Recipient recognizes the necessity of maintaining the stricter confidence with respect to any trade secrets of NVC.

Recipient hereby agrees as follows:

1. Recipient shall observe the strictest secrecy with respect to all information presented by NVC and Recipient's evaluation thereof and shall disclose such information only to persons authorized to receive same by NVC. Recipient shall be responsible for any damage resulting from any breach of this Agreement by Recipient.
2. Recipient shall neither make use of nor disclose to any third party during the period of this Agreement and thereafter any such trade secrets or evaluation thereof unless prior consent in writing is given by NVC.
3. Restriction on disclosure does not apply to information previously known to Recipient or otherwise in the public domain. Any prior knowledge of trade secrets by the Recipient shall be disclosed in writing within (30) days.
4. At the completion of the services performed by the Recipient, Recipient shall within (30) days return all original materials provided by NVC and any copies, notes, or other documents that are in the Recipient's possession pertaining thereto.
5. Any trade secrets made public through publication or product announcements are excluded from this agreement.
6. This agreement is executed and delivered within the Province of _____ and it shall be construed, interpreted, and applied in accordance with the laws of that Province.
7. This agreement, including the provision hereof, shall not be modified or changed in any manner except only in writing signed by all parties hereto.

Effective this _____ day of _____, 20 ____

RECIPIENT: _____

NEW VENTURE CORPORATION:

By: _____

Title: _____

Date: _____

sensitive or confidential company information from anyone else by simply not making them privy to this information. Today, there is a tendency to take the opposite view—that the more information entrusted to employees, the more effective and creative employees can be. The argument is that employees cannot be creative unless they have a complete understanding of what is going on in the business.

Most entrepreneurs have limited resources, so they choose not to find means to protect their ideas, products, or services. This could become a serious problem in the future, because acquiring competitive information legally is easy to accomplish, unless the entrepreneur takes the proper precautions. For example, it is often easy to learn competitive information through such means as trade shows, transient employees, media interviews or announcements, and even Web sites. In all instances, overzealous employees are the problem. To try to control this problem, entrepreneurs should consider some of the ideas listed below.

- Train employees to refer sensitive questions to one person.
- Provide escorts for all office visitors.
- Avoid discussing business in public places.
- Keep important travel plans secret.
- Control information that might be presented by employees at conferences or published in journals.
- Use simple security such as locked file cabinets, passwords on computers, and shredders where necessary.
- Have employees and consultants sign nondisclosure agreements.
- Debrief departing employees on any confidential information.
- Avoid faxing any sensitive information.
- Mark documents confidential when needed.

Unfortunately, protection against the leaking of trade secrets is difficult to enforce. More important, legal action can be taken only after the secret has been revealed. It is not necessary for the entrepreneur to worry extensively about every document or piece of information. As long as minimal precautions are taken most problems can be avoided, primarily because leaks usually occur inadvertently.

Time to Take Action

If you are interested in starting a business or using innovation to improve an existing business, it's time to take action. Readers should focus on doing the following after reading this chapter:

- Start a journal of all the ideas you think about. Some people find it useful to force themselves to write down at least two to three ideas a day. At this point in time you may want to aim for a large quantity of ideas. The list can be reduced in the next chapter.
- Put a pen and a piece of paper by your bed. Some great ideas come to us in the middle of the night, and you don't want to forget what they are.
- Scan the Internet, including some of the sites mentioned in this chapter. Write down some of the trends that are emerging. If you live in a small city or town, pay attention to what is happening in larger cities. Often trends in larger cities become trends in smaller towns as well.
- Engage in at least three of the creativity methods discussed in this chapter.
- Interview or at the very least talk to people who are working in industries that you may want to start a business in. This will improve your knowledge, and these networks will prove useful in the future.

in review

summary

The starting point for any successful new venture is the basic product or service to be offered. This idea can be generated internally or externally through various techniques.

The possible sources of new ideas range from the comments of consumers to changes in government regulations. Monitoring the comments of acquaintances, evaluating the new products offered by competitors, becoming familiar with the ideas contained in previously granted patents, and becoming actively involved in research and development are techniques for coming up with a good product idea. In addition, there are specific techniques entrepreneurs can use to generate ideas. Another consumer-oriented approach is problem inventory analysis, through which consumers associate particular problems with specific products and then develop a new product that does not contain the identified faults.

Brainstorming, a technique useful in both idea generation and problem solving, stimulates creativity

by allowing a small group of people to work together in an open, nonstructured environment. Other techniques useful in enhancing the creative process are checklists of related questions, free association, idea notebooks, and the “big-dream” approach. Some techniques are very structured; others are designed to be more free form. Each entrepreneur should know the techniques available.

E-commerce offers entrepreneurs a number of benefits such as increased revenue and lower costs. In addition to assisting entrepreneurs in running a business, the Internet offers various entrepreneurial opportunities.

After developing ideas, many entrepreneurs want to protect their intellectual property. The problems with intellectual property have become more complicated with the growth of the Internet. Methods of protecting ideas include patents, trademarks, and copyrights.

hands-on activity

1. Have students break into groups and develop ideas for new products and services for the baby boomer and echo generations, using the variety of methods discussed in this chapter. Try to assign methods to groups, as they are most likely to revert to the brainstorming method out of familiarity. Have students present what method they used and its pros and cons to the class along with what they think are the best two ideas.
2. Have students write a small plan for a company that will sell goods using the Internet as its main sales device. Have the students present the concepts to class and explain why the business is suited to e-commerce.
3. Visit the Patent Office Web site at www.cipo.gc.ca and follow the links to the database of patented inventions. Select three inventions that you think hold promise and present them to the class. Do you see any way to improve the items to the point that you could apply for a new patent?
4. Have students break into groups and develop ideas for new products that they could build with materials that they have or can quickly find. Have students prepare a brief marketing mix for their products and present their ideas to the class. An alternate approach would be for faculty to provide students with some materials such as paper clips, paper, tape, and so forth.

research tasks

1. Choose a product or technology. Interview five consumers who buy that product and ask them what major problems they have with the product (or what major things they dislike about it). Then ask them to describe the attributes of the “perfect product” that would satisfy all their needs and replace the existing product. Next, interview the representatives of five companies that offer the product and ask them what they believe are the major problems customers experience with their product and to come up with some futuristic solutions.
2. Obtain a patent of a technology (e.g., go to the Patent Office Web site) and come up with 10 creative uses of the technology.
3. Choose three different products that you might be interested in purchasing and that are sold on the Internet. For each product, visit three Web sites and go through the process as if you were going to actually purchase the product. Which Web site was the best? Why? Which was the worst? Why? If you could create the perfect Web site, what features would it have?
4. Using the Internet, obtain copies of three patents that are at least three years old. What are the elements that are common across these patents? What are the differences? Which do you believe will be the greatest success? Can you find any evidence of products that are now on the market that incorporate any of these patented technologies?
5. Search press reports for patent infringement cases. Describe the process and the outcome. Of particular value are examples that list the legal costs of defending patent infringements and the amount awarded for a successful defence.

class discussion

1. Take the following problem statement and brainstorm solutions. Be prepared to present your three most “creative” solutions. Problem statement: “Customers too frequently use an airline and fly to a destination only to find out that their luggage has not arrived.”
2. Choose a product and use the checklist method to develop new ideas. Be prepared to state your product and the three most creative ideas generated.
3. Do you think that the Internet can be a source of advantage for one firm over other firms or do you think that it is a necessity just to be able to compete? Be prepared to justify your answer.
4. Should copyrighted music be available on the Internet free of charge, even if it is against the wishes of the artist and the recording company? Consider both sides of the argument to make a more convincing argument.

selected readings

Amabile, Teresa M. (September–October 1998). How to Kill Creativity. *Harvard Business Review*, pp. 77–87.

This article explains what kinds of management practices foster creativity and which practices inhibit creativity in organizations. Creativity needs to be understood in light of its three individual-level components: creative thinking skills, expertise, and motivation. Managerial practices that affect creativity fall into six general categories: challenge, freedom, resources, work-group features, supervisory encouragement, and organizational support.

Brush, Candida G.; Patricia G. Greene; and Myra M. Hart. (2001). From Initial Idea to Unique Advantage: The Entrepreneurial Challenge of Constructing a Resource Base. *Academy of Management Executive*, vol. 15, no. 1, pp. 64–80.

This article includes the case studies that illustrate the challenges entrepreneurs confront in identifying, attracting, combining, and transforming personal resources into organizational resources. Two analytical tools for assessing initial resource needs and developing a resource strategy that can enhance

possibilities for wealth creation are also presented in the article.

Dahl, Darren W.; and Page Moreau. (2002). The Influence and Value of Analogical Thinking during New Product Ideation. *Journal of Marketing Research*, vol. 39, pp. 47–60.

This article describes research that analyzes three empirical studies that examine how analogical thinking influences the idea-generation stage of the new product development process. Findings indicate that the originality of the resulting product design is influenced by the extent of analogical transfer, the types of analogies used, and the presence of external primes.

Davis, Craig R. (Summer 2002). Calculated Risk: A Framework for Evaluating Product Development. *MIT Sloan Management Review*, pp. 71–77.

Most companies evaluate new product development investments using accounting-based metrics that rarely reveal inherent risks. The new product development framework creates a net present value that considers the impacts of product portfolio, user needs, and technical marketing risks.

Duffy, John F. (2002) Harmony and Diversity in Global Patent Law. *Berkeley Technology Law Journal*, vol. 17, pp. 685–726.

This article, while acknowledging the value of harmonization of patent laws across nation-states, explores the possible costs of the harmonization movement. It concludes that the patent law in the 21st century would be enriched if national and international policymakers learned to value variety.

Fillis, Ian. (2002). An Andalusian Dog or a Rising Star? Creativity and the Marketing/Entrepreneurship Interface. *Journal of Marketing Management*, vol. 18, pp. 379–95.

This paper discusses the origins of the study of creativity, from social psychology to the business discipline. Creativity is then viewed as a key competency at the Marketing/Entrepreneurship Interface, linked with related issues such as innovation, leadership, vision, and motivation. A model of creativity as competitive advantage is developed and recommendations are made, focusing on the need to challenge convention in order to move ideas, products, and services into the new century.

France, M.; and S. Siwolop. (1996). How to Skin a Copycat. *Business Week*, pp. 4–7.

Small businesses are particularly vulnerable to knock-offs because of their limited resources. A number of examples with effective strategies that can be used to fight knock-offs are presented.

Goldenberg, Jacob; Roni Horowitz; Amnon Levav; and David Mazursky. (March 2003). Finding Your Innovation Sweet Spot. *Harvard Business Review*, pp. 120–29.

Most ideas for new products are either uninspired or impractical. This article introduces a systematic process based on five innovation patterns that can generate ideas that are both ingenious and viable.

Hean Tat Keh; Maw Der Foo; and Boon Chong Lim. (Winter 2002). Opportunity Evaluation under Risky Conditions: The Cognitive Processes of Entrepreneurs. *Entrepreneurship Theory and Practice*, pp. 125–48.

The article describes a study that uses a cognitive approach to examine opportunity evaluation, because the perception of opportunity is essentially a cognitive phenomenon. The findings indicate that the illusion of control and belief in the law of small numbers are related to how entrepreneurs evaluate opportunities. Results also indicate that risk perception mediates opportunity evaluation.

Huang, Xueli; Geoffrey N. Soutar; and Alan Brown. (2002). New Product Development Process in Small and Medium-Sized Enterprises: Some Australian Evidence. *Journal of Small Business Management*, vol. 40, no. 1, pp. 27–42.

This article examines the new product development process in 267 Australian small and medium-sized innovative firms. The findings suggest that marketing-related activities were undertaken less frequently and were less well executed than technical activities in developing new products. However, the existence of the new product strategy seemed to have a significant positive impact on the quality of new product development activities.

Kambil, Ajit; Erik, D. Eselius; and Karen A. Monteiro. (March 2000). Fast Venturing: The Quick Way to Start Web Businesses. *Sloan Management Review*, pp. 55–67.

The article argues that established companies stand a better chance of getting a jump on e-commerce if they look outside their ranks—for both venture capital financing and the scaling-up experience of incubators and professional service firms.

Kelley, Donna J.; and Mark P. Rice. (2002). Leveraging the Value of Proprietary Technologies. *Journal of Small Business Management*, vol. 40, no. 1, pp. 1–16.

This paper examines the relationship between technology portfolios and the rate of alliance formation in new, technology-based firms. It uses a knowledge-based perspective to build an argument that new firms can enhance their capacity for forming alliances by building portfolios of technologies and increasing the communicability of their value through patents.

Kim, W. Chan; and Renee Mauborgne. (September–October 2000). Knowing a Winning Business Idea When You See One. *Harvard Business Review*, pp. 129–38.

Identifying which business ideas have real commercial potential is one of the most difficult challenges that executives face. The article identifies three tools for determining the utility, price, and business model that can help them invest wisely.

Krueger, Norris F. Jr. (2000). The Cognitive Infrastructure of Opportunity Emergence. *Entrepreneurship Theory and Practice*, vol. 24, no. 3, pp. 5–23.

Understanding what promotes or inhibits entrepreneurial activity requires understanding how we construct perceived opportunities. This paper proposes an intentions-based model of the cognitive infrastructure that supports or inhibits how we perceive opportunities.

Tidd, Joe; and Kirsten Bodley. (2002). The Influence of Project Novelty on the New Product Development Process. *R&D Management*, vol. 32, no. 2, pp. 127–38.

This paper reviews the range of formal tools and techniques available to support the new product development process, and examines the use and usefulness of these by means of a survey of 50 projects in 25 firms. Cross-functional development teams are commonplace for all types of projects, but are significantly more effective for the high-novelty cases.

Ronde, Thomas. (2001). Trade Secrets and Information Sharing. *Journal of Economics & Management Strategy*, vol. 10, no. 3, pp. 391–417.

If trade secrets are weakly protected by law, firms risk losing their valuable information when employees are hired by competitors. It may therefore be optimal to limit the number of employees who share the trade secrets even if it reduces the firm's productive efficiency. This paper shows that it is more profitable to reduce information sharing by giving the employees different information than by giving some employees more information than others.

Shapiro, Carl. (2001). Navigating the Patent Ticket: Cross Licenses, Patent Pools, and Standard Setting. *NBER Innovation Policy & the Economy*, vol. 1, no. 1, pp. 119–50.

In several key industries, including semiconductors, biotechnology, computer software, and the Internet, our patent system is creating a patent thicket: an overlapping set of patent rights requiring that those seeking to commercialize new technology obtain licences from multiple patentees. The article states that cross-licences and patent pools are two natural and effective methods used by market participants to cut through the patent thicket, but each involves some transaction costs.

Steingold, F. S. (1998). *Legal Guide for Starting and Running a Small Business* (Vol. 1). Berkeley, CA: Nolo Press.

This is a practitioner-oriented guidebook that covers various legal issues important for small-business formation and operation.