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Editorial

Chris McPhee and Saad Bashir

From the Editor-in-Chief

The editorial theme for this issue of the OSBR is Economic Development and I am very pleased to welcome Saad Bashir, Manager of the Economic Development Branch at City of Ottawa, as Guest Editor.

We encourage readers to share articles of interest with their colleagues, and to provide their comments either online or directly to the authors.

The editorial theme for the upcoming December issue of the OSBR is Humanitarian Open Source and the guest editor will be Leslie Hawthorn, Open Source Outreach Manager at Oregon State University Open Source Lab. Submissions will be accepted up to November 15th. January's theme is The Business of Open Source and submissions are due by December 1st. Please contact me (chris.mcphee@osbr.ca) if you are interested in making a submission.

Chris McPhee

Editor-in-Chief

Chris McPhee is in the Technology Innovation Management program at Carleton University in Ottawa. Chris received his BScH and MSc degrees in Biology from Queen's University in Kingston, following which he worked in a variety of management, design, and content development roles on science education software projects in Canada and Scotland.

From the Guest Editor

Economic development: these two simple words are excessively used and often misused in many contexts, including municipal government. In this issue of the OSBR, we offer a mainly municipal perspective under which we discuss what economic development means and what it can deliver.

Economic development acts as a headlight that can guide a city like Ottawa through a fog of national and international competition and uncertain economic realities. It is an overarching role that nudges the local government towards smart decisions around long-term investments such as infrastructure.

Achieving sustainable economic development for Ottawa means investment in the creation of a toolkit that consists of tourism development, community and social economic development, transportation access, entrepreneurship support, investment attraction, workforce development and academia, export development, and performance measurement. Such a toolkit is what encourages partnerships between stakeholders and facilitates the environment for healthy economic development conditions.

This last element, performance measurement, deserves honest attention but is often found missing in an economic development plan. Just like a private sector firm that must always have its eyes on its bottom line and profitability, a city must constantly measure its economic development execution and adapt to changing circumstances. This can be achieved through a comprehensive scorecard or dashboard that analyzes trends over time, as well as compares Ottawa's performance versus its competitors.

Economic development is no different than the business development unit of a firm that not only has the responsibility of creating market opportunities for its company's products, but also the crucial task of conveying back-market intelligence. From the City of Ottawa's perspective, the product we should be selling to both local residents and international community is the city brand, including business, tourism, and academia, as well as gathering competitive intelligence to continuously tweak our offering.

Similar to cities whose future is dependent and linked to natural resources, Ottawa's economic future is tied to a rare resource as well. However, it is not found under the earth but between the ears of the knowledge-based workers that drive innovation in Ottawa. In today's environment, where both the knowledge-based work force and investment capital are highly fluid, the economic development challenge is to relentlessly retain and grow this knowledge resource.

Economic development is the type of investment that will help Ottawa earn its way to be one of the world's leading centres for business, tourism, and academia. Conversely, lack of economic development vision and investment will undoubtedly leave the city's fortunes to luck.

In this issue, the authors provide diverse perspectives and insights that will help all of us address the challenges of economic development and the knowledge-based economy.

Robert Poole, entrepreneur and business intelligence consultant, describes the creation of a regional economic development platform. With all stakeholders deriving benefits from their participation in a transparent and open process, the platform is designed to meet the challenges faced by regional governments.

George Brown, President of the Ottawa Community Loan Fund, describes the importance of microcredit for small businesses in North America and illustrates how it acts as a stimulant for economic development.

Bob Yates, Senior Partner at Yates, Thorn & Associates, examines the costs and benefits of major event hosting on economic development, including the decision-making processes and long-term strategies that can lead to future opportunities.

Sonia Riahi, Manager at Ottawa Innovation Challenge, reviews the diversity of Ottawa's youth entrepreneurship programs to illustrate their benefits to economic development through employment creation, product and service innovation, market competition, community revitalization, and income generation.

Ian Graham, Founder of TheCodeFactory business incubator, describes the shift to a knowledge economy and the corresponding impacts on business models. To meet the challenges brought by these changes, he proposes a stakeholder-based model of business incubation.

David J. French, intellectual property attorney and CEO of Second Counsel Services, argues that Canadian industry should not increase patenting efforts to meet the challenges of foreign competition. Rather, businesses should focus on innovating to deliver value and meet the needs of their customers.

Saad Bashir

Guest Editor

Saad Bashir is Manager of Economic Development for the City of Ottawa. Previously, he was with Calgary Economic Development, as a Senior Business Development Manager with the responsibility of leading economic development activities for Calgary's Energy sector. Saad has also worked with leading international and Canadian corporations including Nortel Networks, Canadian Pacific Railway, Citibank, and Flextronics. He holds a Bachelor of Computer Engineering degree from Queen's University and is a past board member of Immigrant Services of Calgary.

A New Engine of Economic Development

Robert Poole

"It's coming like the tidal flood
beneath the lunar sway,
imperial, mysterious,
in amorous array:
Democracy is coming to the U.S.A."
Leonard Cohen

As our global economy shifts from one dominated by production to one based on knowledge, governments are looking for new ways to add value to the people they serve. Open Government initiatives have emerged as one response to these new economic realities. In this article, we discuss how the theory of a multi-sided stakeholder platform can be applied to create an innovative engine of regional economic development. We describe that engine, its parts, and the value that the participants realize from it.

Introduction

A new form of Democracy *is* coming. It is riding on a tide of new technologies that will bring "the people" much closer to their elected representatives and, through an architecture of participation, will provide them with the means to be more personally and pervasively connected to the decisions of their government. And governments are responding. A growing number of towns, cities, states, provinces, and countries are embracing Open Government and Government Open Data initiatives (http://wikipedia.org/wiki/Open_government). The global movement marked a milestone when President Obama, on his first day in office, signed the Memorandum on Transparency and Open Government (http://tinyurl.com/buqaqh).

The 3 basic principles of Open Government (transparency, participation, and collaboration) have been used in effective and innovative ways by many businesses and other non-government organizations for much of the past decade. New technologies and innovative business models have changed the landscape of personal interactions, creating more varied forms of global connectedness. In 2010, there are an estimated 50 million Skype users (http://tinyurl.com/yfqgqqd), 500 million active Facebook users (http://tinyurl.com/356y6s), and almost 5 billion people who use a cellphone (http://tinyurl.com/ykcqvkn). The cost of reaching around the globe to connect with someone at any time has been reduced to a level that the average 14-year-old Canadian can afford. New technologies are making it possible to create game-changing innovations by people who think differently about how to use technology. For example, Wikipedia's global platform, available in 273 languages (http://tinyurl.com/38rt96j), allows anyone to contribute to a growing body of knowledge. The contributions of one person on one subject represent an input into a continual, living process of validation and change by others. Over a handful of years, Wikipedia has disintermediated the 110-year-old Encyclopaedia Britannica as the go-to reference source and is widely accepted as an accurate representation of the current state of knowledge on a particular topic (http://tinyurl.com/7mcbp).

When citizens are quickly and regularly self-assembling into formidable, politically relevant groups around every kind of issue, from local ones (like neighbourhood traffic congestion and graffiti) to global ones (like free trade agreements and illegal immigration), governments will have to function differently. How will technology-enabled connectedness change the role that stakeholders play in influencing government actions? The Open Government movement is examining this question and others that deal with the role of the individual. What mechanisms, technological and otherwise, will be used and how will they be used? In the Technology Innovation Management program (TIM; http://carleton.ca/tim) at Carleton University in Ottawa, students and faculty are studying these questions and others as they relate to business formation and growth and to regional economic development.

This work at Carleton is part of a larger initiative to dissect and examine several, newly-emerging business models to understand how they work and how they can be applied to create new business models. In particular, one of these new business models, the multi-sided stakeholder platform, shows tremendous potential and was recently described in articles by Bailetti in the June 2010 (http://tinyurl.com/2fzzp8w) and September 2010 (http://tinyurl.com/3287e9q) issues of the OSBR. The essence of this model can be summarized as follows: First, the model is based around a platform which is a product, service, or technology that delivers value to two or more groups of people (stakeholders). Second, the platform enables multiple groups of stakeholders to co-create unique things of value that they could not do one their own. In the context of this article, co-creation would yield innovative solutions to economic development problems, more effective and efficient ways of executing economic development actions, and more business deals for economic development stakeholders. Third, the value of the platform to the people who belong to one stakeholder group increases as more people who belong to the other stakeholder groups increase. This is known as a network effect.

Here, we describe the creation of a multi-sided stakeholder platform to serve as an innovative engine of regional economic development.

The Problem

Decision makers in matters of regional economic development face several challenges:

1. Effective economic development policies and initiatives typically take a long time before measurable and meaningful results are available. However, elected officials need to show tangible progress quickly (certainly before the end of their elected term) in order to prove to their constituents that they are doing good things for economic development.

2. The traditional approach to economic development has been to create clusters of companies who do business in the same industry. This approach dates back to 1890, when Alfred Marshall published *Principles of*

Economics (http://tinyurl.com/yd5n747). Marshall's book was one of the first attempts by an economist to discuss the advantages of "industrial districts." This notion made sense when collocated companies would have easier and cheaper access to the physical inputs of their production process. However, a resource-based approach is much less relevant in today's "information age." After over a century of traditional cluster-based economic developement activity, the time may be right to look for alternative approaches. A recent study by Sal Kukalis on clusters in the semiconductor and pharmaceutical industries, found that there was no advantage to companies that were part of an industry cluster (http://tinyurl.com/2b8ymoz).

3. There is a large number of stakeholders that are affected by economic development policies and initiatives, and their input is required or desired to make the best possible decision. The knowledge and insight that these opinions are based on must somehow find their way into the decision-making process in order for the outcomes to be seen as legitimate.

4. Most economic development decisions have some basis in objective, quantitative data. However, different data often are presented by different stakeholders, resulting in confusion and decisions that are difficult to defend or support. Different versions of the truth can taint the entire process.

5. There is great uncertainty regarding what metrics should be used to measure the economic health of a region. In researching just 12 North American cities, the author of this article found that there are over 100 metrics in common use to measure and report on the economic health of a community.

The Solution: A New Engine for Economic Development

In the September 2010 issue of the OSBR, Bailetti describes one of the main benefits of a multi-sided stakeholder model: "it enables organizations of different types to rapidly co-create products, services, and solutions" (http://tinyurl.com/3287e9q). The multi-sided stakeholder platform proposed here defines a new approach to economic development. This new approach seeks to first establish a common understanding of the inputs to the decision-making process and second to democratize, through the direct participation of stakeholders, the way that decisions, or outputs, are derived.

More specifically, the economic development platform described here will overcome the five challenges to economic development described above:

1. The platform makes it possible for all stakeholders to have equal access to the same relevant economic development information and to have the ability to provide insight, context, and observable results of the consequences of economic decisions. Essentially, it is a real-time system for capturing and conveying what is happening at the lowest level of granularity. As the lag between a decision and the impact (or consequence) of the related actions is reduced, the decision-making process becomes more effective and timely. Rapid feedback is good. If a business owner has been able to win new business or access a new market opportunity because of a particular economic development policy or funding initiative, the platform will not only capture that information, but will make it readily available and highly visible to all stakeholders, including elected decision makers.

2. The platform changes the focus of economic development from a traditional, industrial-cluster-centric view to a global view that is focussed on the fundamental drivers of economic health: finding new customers, earning new revenue, and creating new jobs. The cluster-based approach does not need to disappear. Perhaps we can maintain their economic development value by defining them differently (through innovation-based clusters, for example) and leveraging the social networking capabilities of the platform to help us to find them.

3. New and already widespread technologies have made it possible for large numbers of people to have direct input into the processes that interest them so that they can achieve their desired outcomes. The tools and techniques that enable mass coordination and collaboration are in the public domain and are being used by innovative people to create new business paradigms. Examples include Threadless (http://wikipedia.org/wiki/Threadless), an online t-shirt company that has thousands of people donating their time and creativity to design t-shirts, and the tens of thousands of open source software developers contributing to create some of the world's most widely-used software, such as Linux, Apache, and MySQL. The platform described here is yet another example. Our multi-sided platform will provide the collaboration tools and capabilities so that all stakeholders can play an equal role in co-creating new decision-making process around economic development. The knowledge that lives in the heads of the participants will be brought together enhanced through a process of validation and modification to create a body of new, searchable knowledge that could not have been created otherwise.

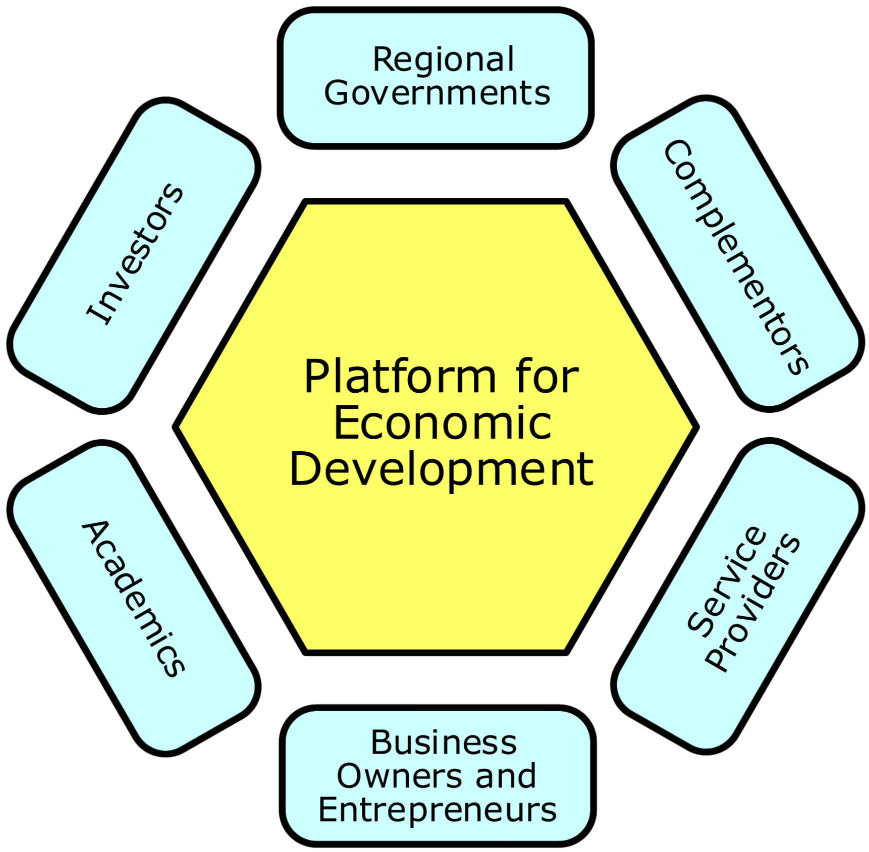
4. A single version of the truth must be the starting point for data-driven decisions. No game can be won if the different teams cannot agree on the rules of the game and where the goal posts should be placed. Whatever that single version of the truth is, it can only be achieved through a process of shaping and validation by the various stakeholders using some mechanism of coordination and cooperation. Our platform provides these mechanisms by capturing stakeholder contributions that are qualitative and binding them to the data that they relate to. Truth is the end result of a process that captures and organizes the insight and context from many people from all sides of the issue. The starting point of an issue is not as important as the process that is used to come to a collective understanding.

5. Finding metrics to measure different aspects of the economic health of a community is not a problem. The issue is finding the metrics that are most relevant and reliable for measuring the things that matter. But what makes one measure more relevant or reliable than another? Once again, the collective wisdom of the participants to this process is the key to validating and assigning meaning to the specific metrics so that the usefulness of each one can be understood by everyone. In fact, it is this process that promises to discover new metrics and new approaches to measuring economic development.

The Multi-sided Platform

Figure 1 illustrates the multi-sided stakeholder approach described in this article. The economic development platform is located in the centre and is surrounded by each of the different groups of stakeholders. The

Figure 1. The Regional Economic Development Platform



platform is shown at the centre of the diagram because it is the capabilities of the platform that make it possible for all of the players to participate in a process of collaborative production. This process, also known as co-creation, means that people are able to come to the platform, access the same data using the same tools, and make collective choices in the face of several different decision paths. The decisions made and the resulting actions taken would not have been possible without the value provided by the platform. Elected decision makers will be able to see and explore the health of their specific constituency, to see their part of the city benchmarked against other parts (both urban and rural), and will be able to engage in a dialogue with their electorate to make their positions clear and supportable.

The platform uses web-based tools and makes them freely available to all so that everyone has the same capability to explore and understand common sets of data and thus to make sense of a single version of the truth. Also, the platform leverages social networking tools so that insights or understanding from an individual can be vetted and validated by many other people. Specific insights that are deemed by others to be particularly useful and relevant rise to the top, where they become key inputs into a deliberation process that feeds collective choices. The resulting body of new, collective knowledge is then made searchable using the platform's social networking tools.

Although each side of the platform shown in Figure 1 is classified by the type of stakeholders it represents, they represent distinct sides only because they derive unique benefits from participating, as examined below:

1. Regional Governments: In most cases, regional governments provide the money to fund economic development initiatives and will often also fund other economic development groups. However, it is the decision makers (both elected and non-elected) at the level of regional government who face the full ferocity of all stakeholders for decisions made (or not made) and for the actions taken (or not taken). Similarly, disharmony usually erupts within the walls of the regional government if one elected official feels that they are not getting their share of economic development resources to be used to improve the community that elected them.

The economic development platform will provide regional governments with value in the following ways: i) providing access to a process for creating a collective understanding of the relevant issues; ii) reducing the time it takes to get feedback on the impact of actions taken, and iii) overcoming skills barriers that prevent non-technical users from using data analysis and exploration tools to understand and share important data.

2. Business Owners and Entrepreneurs: As a group, business owners and entrepreneurs are on the front line of economic development. At its most fundamental level, economic development is about creating jobs within the community and paying for those jobs with revenue or capital from outside of the community. Whether it is from tourism, conventions, venture capital funding of startup businesses, or businesses winning new customers in new markets, the net inflow of capital into a community is the single biggest driver of economic development and the largest contributor to a healthy business community.

However, business owners and entrepreneurs have their share of problems with the traditional paradigm of economic development. Competition, as everyone knows, is not only becoming more intense, but it is coming from further away geographically and it is crashing on their shores in unanticipated waves of new technologies. Business owners are at the forefront of the need for better access to a workforce with the right skills and better access to capital and to new markets. This group, more than any other, can prosper and grow or wither and die by the economic development decisions made (or not made) by regional governments.

The economic development platform will provide the members of this highly motivated stakeholder group with value by overcoming barriers that limit or delay access to the decision makers and that limit input into the decision-making process. It will also provide greater access to money, either from investors or from business growth. As investors are attracted to the platform as a place where they can find more businesses and thus do more deals, the platform becomes more attractive to the business owners and entrepreneurs looking for investment money.

3. Service Providers: These stakeholders represent a fairly diverse group of people who provide a service to other stakeholders. Service providers in the context of this regional economic development platform can be global. It does not matter where they come from as long as they can add value to the platform and in turn receive value from their participation in it.

As an example of a service provider, economic development consultants, and in fact many different kinds of consultants and experts, have a very important role to play within this platform ecosystem. As experts in the field of economic development, they have an incentive to establish and even to enhance their own brand and reputation through insightful and valuable contributions in the public discussions. The platform's vetting and validation mechanism ensures that value (useful insight from an expert) is rewarded with value (enhanced profile and reputation of the expert by the community). The economic development platform will provide service providers and complementors with value by enabling contributions of ideas, opinions, expertise, or products (for free and or for a fee) to a community consisting of many different groups, including possible customers. The platform also reduces the time and cost that it would otherwise take to reach individual members of the community outside of the platform.

4. Complementors: As with the service providers, complementors represent a diverse and potentially global group. As the name implies, complementors have something (an asset such as a product or piece of software) that adds value to the platform itself. The platform adds value to complementors by providing them with access to the platform and to potential customers who will use (and maybe even pay for) access to that complementary asset. An example of a complementor would be an individual who has developed, with proprietary or open source software, some new charting capability. If this new charting feature is useful to some other member of the platform, the complementor may choose to provide it for free or, if it provides sufficient value to that member, they could charge a fee. The platform also reduces the time and cost that it would otherwise take to reach individual members of the community outside of the platform.

5. Academics: This stakeholder group has resources and assets that can help to solve real-world problems. These resources include students, who study and apply theories on innovation and then observe the results and compare the results to expectations, thereby adding to our understanding and capacity to innovate. Academics also contribute intellectual resources that can enhance the capabilities of economic development agencies. The platform provides value to academics by reducing the time required to advance academic thinking around innovative business models through the study of their application in real-life situations.

6. Investors: This stakeholder group is quite diverse and includes venture capitalists, angel investors, corporate venture funds, universities (research funding), and governments (local, provincial, and federal funding). Capital has never come quickly to new, innovative companies. The criteria for capital are still based on a production-centric view of business. But as companies achieve success and profitability using innovative (and non-traditional) business models, investors are taking notice. Savvy institutional and private investors are getting better at sniffing-out opportunities for deals. Similarly, research and development funding sources naturally seek out places of innovation as they provide them with the best chance for a home-run success.

Investors receive value from the platform through access to a community of businesses and information about businesses and trends in a particular region. Ultimately, they receive a greater number of potential deals, and thus a greater potential for profit. These stakeholders save time by creating relationships in a many-to-one fashion, relative to the one-by-one processes that occur without the platform. The potential savings of time and money are particularly important when the investor does not have an operation in the region.

Conclusion

As our global economy transitions from an industrial economy to a knowledge economy, businesses, institutions, cities, and governments need to be able to meet the demands of their customers and their constituents while they adapt to their new environment. In the arena of economic development, those regional governments who do not or cannot innovate will surely become competitive weaklings compared to those quick and clever governments who wield new business models and processes to collaborate with their stakeholders to overcome big challenges. While the often heard cry of "innovate or die" may be a tad extreme in the case of regional economic development, it would not be an exaggeration to say that governments and the other stakeholders must "innovate or suffer greatly."

We have described an innovative approach that could serve as an engine for regional economic development. We have also described the different stakeholders involved in regional economic development and discussed the value that each group would receive from their association with the platform. We conclude that a multi-sided stakeholder platform consisting of tools for exploring and understanding data, as well as social networking tools for collaboration, holds potential for solving some of the biggest challenges for regional governments.

Robert Poole is a Chartered Accountant with 15 years of experience building and deploying business intelligence and social analytic solutions to global enterprises. As a consultant, Robert has provided his expertise to private and public-sector clients including Federal and Regional governments. As an entrepreneur, Robert has created several technology-related companies and has appeared on CNBC's Power Lunch. Robert is also in the Technology Innovation Management program at Carleton University.

When Small is Big: Microcredit and Economic Development

George Brown

> *"Microfinance recognizes that poor people are remarkable reservoirs of energy and knowledge. And while the lack of financial services is a sign of poverty, today it is also understood as an untapped opportunity to create markets, bring people in from the margins, and give them the tools with which to help themselves."*
>
> Kofi Annan

Microcredit – the extension of small loans – gives people who would otherwise not have access to credit the opportunity to begin or expand businesses or to pursue job-specific training. These borrowers lack the income, credit history, assets, or security to borrow from other sources. Although the popularity and success of microcredit in developing countries has been trumpeted in the media, microcredit is established and growing in the United States and Canada as well. Its appeal comes from its capacity to provide the means for those who have the ability, drive, and commitment to overcome the hurdles to self-sufficiency.

In this article, the role of microcredit as a stimulant for economic development is examined. First, its importance for the establishment of small businesss is described. Second, the article provides an overview of the general microcredit climate in the United states and the local situation in the Ottawa area. Third, brief stories about individuals who have received this type of loan reveal the human impact behind the economic benefits. Finally, the role of microcredit in funding startups is analyzed in comparison to other sources of available funding. The article concludes with a summary of the benefits of microcredit as a win-win proposition for economic development.

Introduction

Microcredit has proven itself as a strong stimulant to economic development. It is an investment in people that pays back many times its initial outlay. Loan recipients support themselves through their increased income, as well as employing others and generating business for their supply chain. Governments benefit through decreased social assistance costs and increased tax income. Most microcredit is offered by non-profit social enterprises; as the loans are repaid, the money is invested into other loans, bringing the benefits of microcredit to an ever-expanding pool of entrepreneurs.

In Canada and the United States, microcredit varies in size, from very small loans of a few hundred dollars to purchase the basic tools to offer goods or services, to slightly larger loans in the thousands of dollars that enable borrowers to cover initial marketing and working capital costs for their business. No definitive upper limits are established for microloans, with each microcredit organization determining its own parameters; however, microloans are generally substantially smaller than those undertaken by most financial institutions.

The Power of Small Business

In the United States, the Bureau of the Census indicates that small businesses (with fewer than 500 employees) create 90% of net new jobs, with the Small Business Administration noting that about 90% of employers have fewer than 20 employees (http://tinyurl.com/29wmf4h). Approximately 15% of the labour force in Canada is self-employed (with no employees) and almost 98% of private enterprises with employees are classed as small businesses (fewer than 100 employees), with over 85% of these having fewer than 20 employees. These small businesses are a central component of the Canadian economy, especially in uncertain times, creating almost 70% of all new private sector jobs in 2008 (http://tinyurl.com/25tvmqz). In this context, the role of microcredit in economic development is clear: by supporting the formation and expansion of small businesses, microloans help create jobs and stimulate the economy.

The majority of microcredit lenders are not-for-profit organizations with a commitment to community economic development; their funding comes from governments, donors, and foundations. Canadian credit unions such as Alterna (http://alterna.ca/) and Vancity (http://vancity.com) are also active in microcredit, although their interest rates are often higher than those of non-profit organizations. Most financial institutions do not offer microcredit, since microlenders invest the same staff time as for a larger loan (and frequently more, especially in the case of new businesses), thereby incurring proportionately higher processing and administration costs. As well, the lack of loan security makes it riskier for the lender, even though the vast majority of microloans are repaid, with most organizations citing repayment rates over 90%.

A recent interview in the Globe and Mail with the president of Alterna Savings, John Lahey, indicates why the credit union has taken up microfinance: "Too often, microfinance gets treated as if it's a charitable donation. It is not – it creates real benefits. It's good public policy. It helps create jobs and get people off social assistance." In fact, Alterna estimates that its microfinance program has brought the credit union more than $1 million in additional business, as entrepreneurs take out mortgages and access other services (http://tinyurl.com/2w9bsjw). While the return on the microloan does not necessarily pay for all of the staff time on the original loan, microcredit customers are often loyal to the organization that was willing to invest in them and recommend it to others. There are also microfinance brokers, for example Prosper.com (http://prosper.com) and the Funding Circle in the UK (http://fundingcircle.com). Microfinance brokers connect individual lenders with small and medium-sized companies that the banks may not find profitable to serve. These organizations charge fees to both lenders and borrowers.

Microcredit plays an especially important role in enabling immigrants to establish small businesses, since they face significant obstacles to accessing loans from mainstream financial institutions, such as language barriers, unfamiliarity with financial norms, and lack of credit history. Many immigrants turn to self-employment as a means of circumventing the difficulties they have in finding jobs commensurate with their skills and experience. The potential for immigrants to be a powerhouse of entrepreneurial activity and job creation is indicated by a study of immigrant entrepreneurs in New York City in 2000, which found that 36% of New York's population was born outside the US, while foreign-born individuals made up 49% of all self-employed workers in the city. As well, "employment gains in neighborhoods where immigrants own a large share of the businesses significantly outpaced the increase in jobs citywide," with new job creation rising up to 27.9% in immigrant-dominated neighbourhoods as opposed to 6.9% citywide (http://tinyurl.com/3yr4rof). Microcredit organizations assist their clients with business planning, helping immigrants to find their way through the maze of requirements necessary to establishing a successful business. Immigrants' skills, expertise, and experience are considered, offsetting the lack of a credit history. As well, microcredit organizations often work with settlement agencies in offering their loans to newcomers, and some have staff who can work with immigrants in their first language.

Microcredit in the United States

Grameen Bank (http://grameen-info.org/) has become world-renowned for its impact through microloans under the leadership of Muhammad Yunus (http://tinyurl.com/uwvel), who won the 2006 Nobel Peace Prize for his work. Its success has inspired organizations in many countries, including the Grameen Foundation in the United States (http://www.grameenfoundation.org/). According to the Grameen Foundation, more than 37 million people live below the poverty line in the US, with about 74% living in major metropolitan areas. The Grameen Foundation works through Project Enterprise in New York City, giving small loans averaging just $2,600. With over 700 loans disbursed since 1997, the businesses in Project Enterprise's loan portfolio generate US $1.56 million in local wages annually, with a 42% average increase in monthly profit after receiving a microloan (http://projectenterprise.org/About/impact.html).

ACCION USA (http://accionusa.org) is one of the largest US microlenders, with more than 3,000 active borrowers across 46 states and over 19,500 loans since 1991. ACCION USA notes that, "106 million people have limited access to mainstream financial institutions in the US and 28 million people are completely unbanked." ACCION USA's average loan of $6,300 allows small businesses to create an average of 1.7 new jobs and increase family income by 18%. Its business survival rate is an impressive 97% for established businesses and 90% for start-up businesses (http://tinyurl.com/2dx2lyu). In fact, the results of ACCION USA's 2009 impact study, conducted in partnership with the Aspen Institute (http://aspeninstitute.org), showed that results in the extremely difficult period from 2007 to 2008 were remarkable, with an average of 3.4 jobs (including the business owner) retained or created, at a median wage rate that was 24% higher than the federal minimum wage. As well, 98% of existing businesses in the ACCION USA study survived to year-end, compared to the national average of 70% (http://tinyurl.com/23pl7hq).

The Ottawa Story

In Canada, there are a number of groups providing microcredit, including the Ottawa Community Loan Fund (OCLF, http://oclf.org), in the forefront of microcredit and community economic development in Ottawa since its inception in 2000. The OCLF's mission is, "to turn investments and donations into accessible financing to fuel innovation, expand opportunities, and improve lives." It provides loans for small businesses and for job-specific training, as well as for social enterprises and affordable housing projects. By supporting clients in their efforts to become self-sufficient, the OCLF assists them in moving from dependency on social assistance programs and precarious financial situations to a position of contributing to their families and the Ottawa community.

Initially, the OCLF was established to fill a local need by providing loans up to $15,000 to individuals with a solid business plan and experience who were not eligible for traditional financing. A special focus on youth was made possible through a partnership with the Canadian Youth Business Foundation (CYBF, http://cybf.ca). This partnership with the CYBF has resulted in a direct investment of $355,000 in 26 new youth businesses established to date. The OCLF's training loan program began when a coalition of local immigrant agencies identified a financing dilemma. Qualified internationally-trained professionals were unable to participate in a program to obtain Canadian accreditation and employment in their fields of expertise because they were not eligible for student loans or for loans from mainstream financial institutions. The OCLF stepped forward with a specially-designed loan for newcomers accepted into accreditation programs, bridging the finance gap and allowing these newcomers to gain accreditation in Canada and begin working in their fields. Since that time, the program has been expanded to include all Ottawa area residents entering short-term job-specific training.

As of mid-2010, the OCLF is responsible for over $1.2 million of direct investment in the Ottawa community, including 87 loans to small/micro businesses totalling $860,000. The OCLF's clients come from a wide range of backgrounds, with many new Canadians and youth between the ages of 18 and 35. Their business ideas are as varied as the clients, although the small size of the loans precludes capital-intensive operations, and network or multi-level marketing businesses are not eligible. The key consideration is a realistic plan of how the borrower will use the money to create a sufficient level of cash flow to repay the loan. Most borrowers use the loan to pay for production equipment, initial office rental and deposits, office equipment, opening stock, marketing, business licences, professional fees, or startup working capital.

The Facts

In order to gain a clearer understanding of the benefits of its microloan program, offered in partnership with Alterna, the OCLF engaged the Carleton Centre for Community Innovation (http://carleton.ca/3ci) to evaluate the social impact of its program in both 2009 and 2010. The 2010 survey found that the average training loan of $5,285 resulted in 88% of training loan recipients becoming employed, with 11% remaining unemployed. In the previous year, all of the participants found employment or moved to further education. As a result of their training, 68% of clients increased their salaries, with an average increase of $17,707. The average small business loan was $12,340, with 83% of clients financing startups and 17% financing business expansion. With this loan, half of the small business clients improved the location of their business, moving from a home-based business to a storefront location. As well, the small businesses created an average of 3.27 jobs per business, including full and part-time jobs, and increased their business revenue by an average of $14,440 in the time period directly following the loan.

These results are impressive on their own, and become even more significant when combined with the data on the impact of the program on government in terms of increased tax revenue and reduced expenditures. For example, three of the 2010 training loan clients were receiving some form of social assistance before their loan, which they stopped receiving after the loan. For these three clients, the OCLF loans saved the government between $18,000 and $30,000 per year. In addition, the increase in family income for training loan recipients generated an average of $3,019 per person per year in new income tax revenue. For small business loan clients, 66% reported that their income tax increased, 16% reported that it stayed the same and 16% did not disclose this information.

The People Behind the Facts

Each of the OCLF's clients have a compelling story to tell of their efforts to overcome obstacles to economic independence. In addition to accessing financing, OCLF clients cite the individualized assistance they receive in refining their business plans as key to their success. Andriy Azarov had an idea for a floral e-commerce business, but struggled to find financing to take his concept into action. With the OCLF's support, Andriy completed his business plan and attracted additional financing, allowing him to launch Cana Flora (http://canaflora.ca), now the second-largest Canadian-based business in its field. Another OCLF client, Berhanu Desta, decided to go into business for himself two years ago, when the recession was making it difficult to find work. The result was Greencare Home & Office Cleaning, a business that combines his passion for environmentally friendly solutions with his experience in the cleaning industry. Berhanu did the research and refined his plan, but when he approached the banks he found them reluctant to lend to a first-time business. When Berhanu came to the OCLF, it did not matter that his idea was new. The OCLF took the time to evaluate his plan and provide feedback. Thanks to OCLF’s support, Berhanu is now in business and eager to give back to future entrepreneurs.

Microcredit has given these Ottawa residents and many more the opportunity to improve their lives and contribute to the economic development of their community. From landscaping companies and bakeries to the production of environmentally-friendly electronic devices and state-of-the-art digital green screen videos, the OCLF's clients use their skills and expertise to turn their vision into reality. In the words of an OCLF client, "I had direct business experience and a solid business plan, but what I didn't have was a credit history or collateral to prove I was a good risk. The OCLF has given me the solid foundation that I needed to advance my business."

Microcredit and Startups

Mark Cawley, Director of Lending Operations with the OCLF, outlines factors to consider when deciding whether to take on debt in a startup. "If the proposed debt will be incurred to fund equipment and services that are integral to the success of a business idea, determine whether the business can reasonably be expected to generate sufficient profit to cover the costs of that debt and a living for the principals of the business. If this is the case, and the business would not be established without the loan, then it is reasonable to take on that debt on top of – not instead of – any other funds available to the entrepreneur." Mark continues, "If the prospective borrowers have insufficient confidence in their ability to generate a satisfactory level of return or they feel that the viability of the business depends on a difference of one or two percent interest on the debt they are proposing to take on, then they should work to develop a more robust business idea. In this instance, bootstrapping is also inadvisable, because the weakness of the business idea may well lead them to lose their own money. Bootstrapping alone when other finance is available to accelerate the growth of a business with a strong business case results in missed opportunities."

Other potential sources of financing for startups include bank loans, credit cards, family loans, government funding, and venture capitalists or angel investors. Each has its advantages and disadvantages in comparison with microcredit. Generally, family loans or loans from friends are the most flexible option with the easiest terms, but funds available from these sources are usually limited. The most flexible unsecured source of money is normally a credit card; however, interest rates on unpaid balances are often punitive. Government funding in the form of a grant is desirable but of limited availability, usually only to businesses with an established track record engaging in specific activities (for example, export promotion or research and development). Much government funding is conditional on very specific performance requirements. Venture capitalists and business angels may be prepared to wait longer for a return on their investment, although they will have commensurately higher expectations. Such investors will usually want priority when any funds are available for distribution, as well as the control that comes with an equity stake and an inevitable accompanying shareholders' agreement. In contrast, a term loan is based on a known level of payment over a defined period, after which time the business will have fulfilled all of its obligations and will be independent of the lender.

In the commercial lending sphere, the best rates and the most flexible arrangements are offered when the borrower has a significant unencumbered asset such as a property to offer as collateral, which is not the case for most startups. Interest rates on term loans from commercial lenders tend to be lower when the borrower is making a larger contribution to the overall investment, the loan amount is larger, the term is longer, or the potential disposal value of the items bought with the investment is higher. Many commercial lenders are reluctant to advance funds to startups, often requiring businesses to have a two-year track record to be considered for a loan.

In contrast, microloans are usually "character-based" lending, where the personal commitment, experience, and skills of the applicant are considered along with the quality of the business idea. Microlenders often take more time to assist borrowers with business planning and the application process than commercial lenders, and frequently provide free mentoring after the loan has been disbursed. Microloans can be at preferential rates, for example, the microloans offered by the Canadian Youth Business Foundation and the Community Futures organizations (http://communityfuturescanada.ca), but are often at commercial rates. The major benefit for borrowers aside from the business mentoring is that their application is considered, when they would otherwise not be an acceptable prospect because of their credit status. However, microlenders do require a sound business plan to ensure the greatest probability of success and a viable self-supporting future for the borrower. The only potential downside for microcredit borrowers is the risk of default, which will set back their creditworthiness even further.

While technology businesses are eligible for microloans, it may not be the most suitable form of financing for these types of enterprises. Most microloans are based on the premise that borrowers will begin to generate revenue and start to repay the loan after a relatively short period of time, whereas technology businesses frequently require a longer incubation period before they become profitable. Angel or venture capital investors are prepared to wait for results, albeit with expectations of a higher return. As well, since microfinance lending is frequently unsecured, microlenders normally restrict the maximum amount that can be borrowed to limit their own exposure to any particular borrower's success or failure. While IT businesses often have limited investments in equipment, they usually need to pay the living expenses of the entrepreneurs and their staff until sufficient cash flow is generated from the business. Microlenders, however, are reluctant to advance funds that are not put directly into the business, because it might encourage their service to be seen as an opportunity for borrowers with unsustainable business models to “keep their heads above water” a bit longer.

A Winning Formula

Microcredit is truly a win-win proposition for economic development, boosting income and adding jobs for individuals, diversifying the regional economy while lowering government support costs and increasing government revenues. The importance of small business to the health of the economy, especially in difficult times, brings home the potential for microcredit to assist people in turning challenges into opportunities.

In addition, the business support provided by microcredit organizations assists entrepreneurs - particularly immigrants - in overcoming obstacles to success. Through microcredit programs, the talents and energy of an ever-increasing number of entrepreneurs are having a positive impact on their lives, the lives of their families and employees, and on the economic development of their regions.

George Brown is a lawyer and social entrepreneur who presently serves as President of the Ottawa Community Loan Fund (OCLF). Prior to this, George spent nine years as a City and Regional Councillor in Ottawa, where he was Chair of the City’s Economic Affairs Committee and the Region’s Environmental Services Committee. As Chair of Economic Affairs, George played a significant role in initiating and developing the Ottawa Entrepreneurship Centre, as well as promoting community economic development throughout the City of Ottawa including the establishment of the OCLF. George has a Master’s of Science degree in Community Economic Development from New Hampshire College’s Graduate School of Business (now Southern New Hampshire University) and an LL.B. degree from the University of Ottawa Law School. He was called to the Bar in Ontario in September, 2003.

Major Events: Good Economics and Exposure to the World

Bob Yates

"Tonight, here, in the glow and wonder of the Flame, we can all aspire to be Olympian. From whatever continent you have come we welcome you to Canada, a country with a generous heart. We love that you are here."

John Furlong, VANOC CEO
Opening the Vancouver 2010 Olympics

Major events of all kinds, especially sport events, are becoming a major element in the competitive arsenal of cities and and their economic development and tourism offices. Major events bring people to the city, provide attractions for residents, and ensure that the city's name is profiled in the national and international media. But they also can involve major infrastructure investment in facilities and amenities, some of which might have limited post-event utility. This article discusses some of the pros and cons of event hosting as an economic strategy and suggests some useful decision-making guidelines.

Introduction

This has been a bumper year for major event hosting in Canada. In Vancouver, the 2010 Winter Olympics provided both a spectacle of sport that enchanted the nation as well as a haul of medals, including those all-important hockey golds. More recently, the decision of the Pan American Games Federation to confer the right to host the 2015 Pan American Games on Toronto and the Golden Horseshoe communities will ensure a continuing stream of economic activity as the region readies for the event. This will involve the construction of new facilities and the hosting of many lead-up events. Even Hamilton, which was the Canadian bid city for the 2010 Commonwealth Games, can take some solace from the last-minute efforts of Delhi, India to prepare for those Games, which likely overshadowed the later successes of the event.

Event Costs and Benefits

Major events, whether they be sport events, cultural festivals, or events such as the Junos or the East Coast Music Awards, bring significant economic benefits to the cities and regions in which they are hosted.

As was the case in Vancouver with the Winter Olympics, there is significant capital expenditure on new and improved facilities, which are generally funded from the public dollar, as well as investment by the private sector, such as to provide additional hotel rooms and other tourist-related capacity. In addition, the construction of other public infrastructure may well be brought forward in time; the new highway to Whistler and the new light rapid transit from the airport to downtown Vancouver are cases in point.

Major events also have significant operating expenditures. Some event organizing committees may well be run by volunteers, but even a modest triathlon or community festival can involve road closures, extra police time, and the renting of a wide range of facilities and equipment. But of course this is also the stuff of economic development in as much as it keeps businesses operating and workers employed.

This economic development also includes significant participation from private sector entrepreneurs. This might be major international firms that offer ticketing services, IT support (ranging from athlete accreditation to race timing), or security, but it also includes a myriad of small businesses offering hot dogs and merchandise. It can also include innovative relationships and contracting with social agencies. The medal winners' bouquets at the Winter Olympics were prepared by students of Just Beginnings Flowers (http://justbeginningsflowers.com), a social enterprise that provides training, work experience, and job placement services for people in the community who face barriers to employment.

Many major events are justified on the basis of tourism and visitor expenditures. There is no question that major events, such as the Grey Cup, or even a community event, such as an airshow or equestrian competition, do draw people to the host community, often in large numbers. However, crowds at the event can often disguise the fact that there are few out-of-towners and that most of the spectators are local people. True economic impact comes when money flows into the local economy that would not have otherwise done so. Therefore money spent by local people to buy tickets or beer at a hockey game does not count.

On the economic side of the ledger, successful events would: i) involve a minimum of capital expenditure, using existing facilities wherever possible; ii) leverage volunteer resources to the maximum; and iii) attract the maximum number of spectators and participants from out of town. Thus, events such as the Boston Marathon, which attract thousands of participants and their families, use the existing roads and parkways, and are supervised by thousands of volunteers, are in many ways the perfect events. Throw in some good marketing, ensure that people stay for a week instead of just the weekend, and make it happen every year, and you have a great economic engine for the city.

Major events also bring many other benefits that can have significant impacts on economic development, albeit not directly financial. For instance, the facilities constructed for a sport event will be available for many years after, enriching the quality of life in the city and region, and thus enhancing its attractiveness to new migrants and footloose entrepreneurs. The city of Kelowna, for example, has invested heavily in sport facilities and cultural amenities that are used for events and has built a reputation as a great place to move to.

Building a sense of community and building community capacity is another benefit that flows from hosting major events. All those volunteers in the blue jackets who were trumpeted as the hallmark of Vancouver's community so thoroughly enjoyed their experience that many have moved on to volunteering in other sectors and for other events.

Innovation in major event hosting has proceeded very rapidly in recent years, as the variety of information technologies have been adopted by event organizers. In reality, this has changed almost every aspect of the event from the standard prevailing ten years ago. Registration is now online, accreditation is computerized, timing systems are to the thousandth of a second, and results appear instantaneously at both the venue and across the world. Yet there are many aspects of the event process that can still be refined. For example, at Yates, Thorn & Associates (http://yatesthorn.com), we are working with ProGrid (http://progrid.info), a Canadian decision-support software firm, to develop an event assessment and selection support tool to assist cities in strategically selecting events to bid on. As described by ProGrid's CEO, Fraser Barnes, the software, “generates visual comparisons of all the proposals to allow strong proposals to be identified, weak proposals eliminated or improved, and to facilitate discussion and final decisions. In addition, the evaluation methodology and software improves objectivity and transparency, and builds corporate memory of past decisions."

However, perhaps the strongest non-financial benefit that can flow from hosting major events is the international profile and visibility that is provided by television and other media coverage. It is impossible to put a value in dollar terms on this media coverage, but there is no question that the images of Vancouver in February have contributed significantly to its international image as a vibrant economic community with a high quality of life. Indeed looking back at other Olympic cities such as Barcelona, Salt Lake City, and Sydney, all have established themselves as world cities through the hosting of this major event.

Increasingly, the ability to spin this media image also provides the opportunity to present the city in the most positive light. The focus on the environment and sustainability has required that every large event these days have both an environmental and social agenda, which become as important as the economic agenda in positioning the city and its event.

Choosing Events

So for cities contemplating using major events as part of the economic development strategy, what is important and what are the potential pitfalls?

A key guideline must be to choose events carefully. All too often, decisions about which events to bid on are not made strategically. Rather, decisions are made in response to short-term pressures, which are frequently political. In many cases, the analysis measures whether the event will be good for the city economically. If the decisions are made by politicians, the analysis may evaluate whether there is a favorable political climate to be created. In Canada, every year, there are likely in excess of 200,000 sports events and many more cultural and other events. Therefore, when considering one event, the choice is not “Should we or shouldn't we?” Rather, the decision makers should ask: “Is this event better than all the other ones out there that we could be bidding for?” This kind of analysis requires some strategic thinking, an organized process to review potential events, and the collaboration of all the various agencies who will be involved in the bidding and hosting process.

Cities should also be aware of the pitfalls that can be associated with major event bidding and hosting. Some of these pitfalls are as follows:

1. Thinking that any spending is economic impact: The key question to ask is whether the event in question will bring participants or spectators from out of town to spend money in the host city. Events that rely on large numbers of local participants or spectators can be great for building a sense of community or providing recreational opportunities for local people, but they generate very little economic impact.

2. Building white elephants: Many major events require that the host community build facilities that serve a very high level of activity. Examples include an aquatic centre that meets international hosting standards for swimming, or a facility for sliding sports, such as bobsled and luge, as was the case for the Vancouver Olympics. The likelihood of these kinds of facilities being extensively used by local residents after the event is minimal. In contrast, a four-plex for softball or slow pitch can be used for major sports events but also will be extensively used by local residents.

3. Focusing on a single event rather than a stream of events: Some of the facilities noted above may indeed be worth investing in if they are able to host many different events over a long period of time. A major gymnasium with seating for 1,000 or 2,000 people can be the host facility for upwards of 20 different sports, all of which have national and international championships, often for a wide variety of age groups and genders. Building such a facility for one event makes no sense, but with strategic planning and collaboration between local, provincial, and national sport organizations, the economic impact from a number of events would easily outweigh the construction cost.

4. Not knowing the objectives and not building collaborative partnerships: Major events, whether sport, cultural, or any other, require collaboration between a large number of different organizations. For example, an event my require collaboration between the city, facility operators such as universities, local hotel and tourism agencies, and community organizations such as sports or cultural groups. All these agencies have different objectives when it comes to hosting major events, and it is essential that these objectives are understood, articulated, and framed into a strategic plan. Once this is done, it is easy to choose the right events because they are simply the ones that meet the shared set of objectives.

Conclusion

Hosting major events has been a successful strategy for a wide range of cities around the world. Barcelona in Spain used the 1992 Olympics to put itself on the stage as a world-class city. Vancouver did the same in 1986 with its Expo, and reinforced this in 2010 with the Winter Olympics. On a smaller scale, towns like Kamloops, British Columbia and Sherbrooke, Quebec, have both used sport tourism and sport events as the lead for their overall tourism and community development. However one thing links these cities: they all had a clear strategy that they have followed closely over many years.

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Youth Entrepreneurship: Ottawa's Portfolio in Talent Development

Sonia Riahi

"Youth has a natural disposition for innovation and change on which we can capitalize, as long as we are clear that successfully launching a new enterprise - however small - is a process of innovation."

Carlos Borgomeo

Youth's natural disposition for innovation and change make young people well suited for entrepreneurship, provided the community can give youth the right support to overcome their challenges and improve their odds of success. A city's economic development benefits from youth entrepreneurship in terms of employment creation, product and service innovation, market competition, community revitalization, and income generation. Youth entrepreneurs face greater challenges then adult entrepreneurs, and therefore would benefit from talent development programs to support them with skills, mentoring, networking, and access to resources in order to increase their rate of success. This article looks at the youth entrepreneurship programs available in Ottawa, examines how they rate, and identifies some opportunities for improvement in the delivery of programs.

Defining Youth Entrepreneurship

Entrepreneurship holds several definitions in the literature. For the purpose of this article, we use the definition of youth entrepreneurship defined by Francis Chigunta from the University of Oxford: "the practical application of enterprising qualities, such as initiative, innovation, creativity, and risk-taking into the work environment (either in self-employment or employment in small start-up firms), using the appropriate skills necessary for success in that environment and culture" (http://tinyurl.com/2dooc8z).

Canadian youth entrepreneurs are those individuals less than 30 years of age that are typically motivated to begin an entrepreneurial venture due to a variety of factors, including a desire to:

- be their own boss
- obtain an alternative route for advancement from what is perceived to be a dead-end job
- have more control over their own work and life
- provide innovative or competitive products and services
- prove they can do it
- obtain additional income

Youth Entrepreneurship in Ottawa

Sonia Riahi

Entrepreneurship is not the ideal solution for all youth. Luc Lalande, Director of Carleton University's Innovation Transfer office, recently described to the author an 80-10-10 rule of entrepreneurship, which states that states that 80% of the population is content with and currently holds a traditional job; 10% of the population will be involved at a very early stage with entrepreneurial activities; and the final 10% of the population have the potential of choosing entrepreneurship as a career option, provided they receive the right encouragement, training and support from their environment. Youth entrepreneurship support programs and talent development programs are mainly geared toward the latter two segments, a 20% segment, with the intention of providing them the tools, techniques, and opportunities to improve their odds at success.

There exists a long-standing debate on whether entrepreneurship can be taught or if it is an innate ability. Howard H. Stevenson, Sarofirm-Rock Professor of Business Administration at Harvard Business School, explains teaching entrepreneurship with the following metaphor: "even if people have innate musical talent, you can't necessarily teach them to become Beethoven. But if they have the innate talent, then they probably would benefit from piano lessons. There are some things that in fact you can help people learn. They can learn either at the school of hard knocks or by coming to class and building understanding" (http://hbswk.hbs.edu/item/2905.html). By the same token, these individuals can learn by being engaged with youth entrepreneurship programs.

Role in Economic Development

Some benefits of youth entrepreneurship include:

- creating employment
- providing local goods and services to the community, thereby revitalizing it
- raising the degree of competition in the market, ultimately creating better goods and services for the consumer
- promoting innovation and resilience through experience-based learning
- promoting a strong social and cultural identity
- continuously creating and growing diverse employment opportunities different than the traditional fields available in a particular city

The client survey from the Ottawa Centre for Research and Innovation (OCRI) Entrepreneurship Centre (http://tinyurl.com/29s5s5o) indicates that 43% of their clients in 2008 had started a business or were still in business during that year, with almost half of the participants having been in business for over 2 years. The clients reported more than $166 million in new investment into their business and an estimated $247 million in total sales. The report also shows a net result of 2,996 jobs created, with an average of 3.5 new hires per business (excluding the founder). Of the clients surveyed, 29% were aged 30 years or younger, indicating that youth entrepreneurs are actively using entrepreneurship support available to them and are actively contributing to the local economy, at the very minimum, through income generation and employment creation.

Supporting Youth Entrepreneurs

Though youth and enterprise share many of the same characteristics, such as resourcefulness, initiative, drive, imagination, and ambition, youths have an increased number of challenges when compared to adult entrepreneurs, in terms of launching and running a new venture:

- less access to capital, whether it be personal savings, investments from family and friends, or access to loans from financial institutes

- less experience and a narrower range of experiences

- lack of access to work space

- less extensive network of contacts

- reliance on simple tools or no equipment at all

These extra challenges faced by youth entrepreneurs should form the basis and design of youth entrepreneurship and talent development programs.

When designing these programs, it is first necessary to understand the unique needs of these individuals. Chigunta (http://tinyurl.com/2dooc8z) identifies three transitionary periods of a youth entrepreneur:

1. Pre-Entrepreneurs: These are the youngest and greenest of the youth entrepreneurs. They are typically 15-19 years of age and have not yet gathered much experience. They are usually at an experiential stage, testing future career options. They require awareness of entrepreneurship and business startups as viable career options, and need to learn about the various entrepreneurship possibilities, including social enterprise, service-based startups, and technology-based ventures. Awareness at this stage, and earlier, is key to building a culture of entrepreneurism as a career choice rather then a hobby. The goal would be, over time, to have kids saying, "I want to be a doctor *and* start a social enterprise." Or, "I want to be an engineer *and* I want to bring an innovative product to market."

2. Budding Entrepreneurs: These are the next-stage youth entrepreneurs. They are typically aged 20-24 years of age and have gained some capital, confidence, or experience to start an enterprise. Due to their limited resources, enterprises at this stage typically follow one of three routes: i) leading to success, ii) going out of business, or iii) becoming stuck in marginal activities. The challenge of support programs at this stage is to increase the enterprise's rate of survival through targeted business development training, access to role models and mentors and access to finance and resources.

3. Emergent Entrepreneurs: These entrepreneurs are at the prime stage of the transition. They are typically the most experienced of the youth entrepreneurs and have access to greater capital. Having launched their business, they now require tactical skills for growth, which are different than those required for starting a new venture. These entrepreneurs require targeted business development training, business counseling, mentors, and access to working capital and operational support.

Youth Entrepreneurship Support in Ottawa

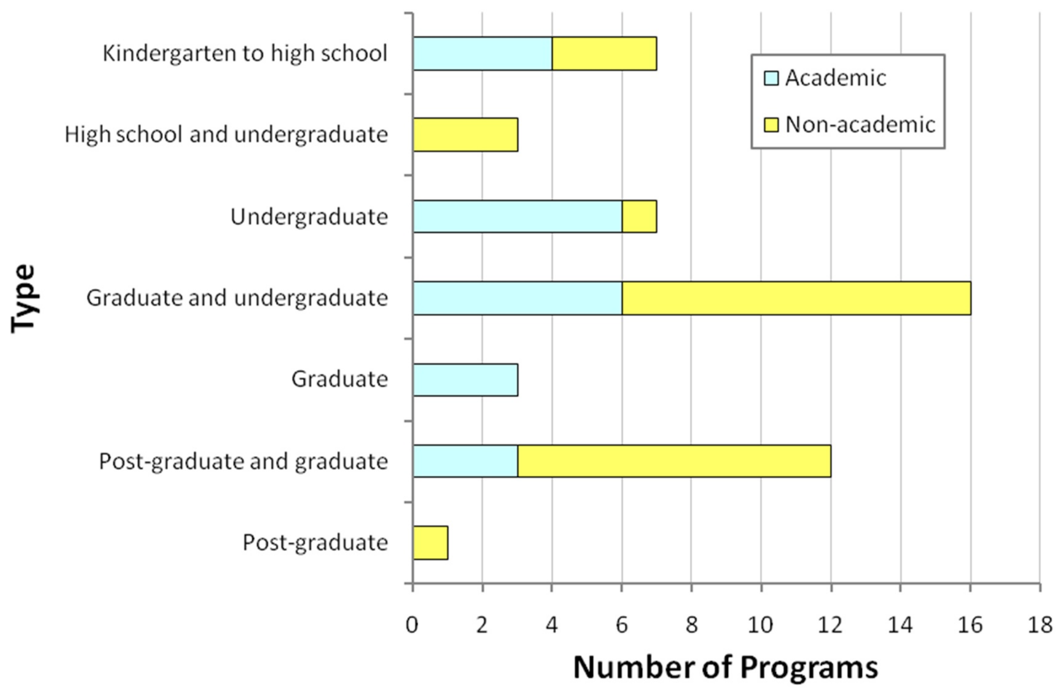
A wide range of youth entrepreneurship programs and initiatives are available in Ottawa, ranging from middle school youth to adult entrepreneurs. The bulk of the programs available, both through academic and non-academic institutes, are at the university levels (Figure 1). The programs offer a mix of business competitions, entrepreneurship challenges, product and idea development programs, and networking and mentoring opportunities.

Understanding the different stages of youth entrepreneurs and their specific needs brings the question of how does Ottawa rate in its delivery of youth entrepreneurship support?

Comparing Ottawa's youth entrepreneurship programs as a whole to the best practices of successful youth entrepreneurship programs presented by Chigunta, Ottawa scores well on the following criteria:

- well-trained and properly supported staff
- flexible operation styles
- reliance on local business specialists
- initiative based
- mentoring
- equity and diversity
- government involvement

Figure 1. A Non-Exhaustive Survey of Entrepreneurship Programs Available in Ottawa (2009)



Source: Daze, S., Sharma, M., Lalande, L., & Riahi, S. (2009, October 21). Draft Chart of Available Entrepreneurship Support in Ottawa. Ottawa, Ontario, Canada.

• integrated packages

• proper targeting and selection of clients

• introducing commercial orientation to universities (such as the technology transfer offices)

Note that the judgement is based on the quantity and types of services offered, rather than the outputs of each program, which would require individual analyses of each program.

Opportunities for Improvement

The bulk of the support available in Ottawa is available to youth entrepreneurs in the "budding entrepreneur" phase. Less support is available to the pre-entrepreneur and the emergent entrepreneur, especially those emergent entrepreneurs that are no longer students. New graduates have less support and opportunities provided to them than their graduating counterparts, suggesting that age and education, rather than status of graduation, should be the eligibility factor of entering into some of the youth entrepreneurship programs.

It is also important to note that many of the available programs (especially the competitions) are heavily technology based, excluding a large number of students from entrepreneurial opportunities and also decreasing the promotion of entrepreneurship as a viable career option to a larger population segment.

A focus on peer networking (ambitious youths meeting other entrepreneurial youths) as well as traditional student-to-business-leader networking is beneficial in helping youth gather contacts, build confidence, and identify team members for their present and future ventures.

Improvements can be made in providing ongoing support, beyond a program's challenge, competition, or experience timeline. According to Chigunta, most programs worldwide, not just those in Ottawa, do not offer support beyond the one-year mark. Providing this consultation during the expansion phase of an enterprise can greatly benefit a youth's growing venture.

Other areas for improvement include a focus on building long-term experience, rather than the short-term delivery of programs. Linking existing programs that are available through universities, not-for-profits, and private industries can create a long-term experience and act as a talent pool for the community. It could be a simple method for ambitious and talented youth to be identified and rise to the top, while simultaneously extending their experience, talent development, and networking in the Ottawa community.

An immediate improvement that could be enacted immediately is search engine optimization of the wide variety of programs available. At present, a Google search of "Ottawa entrepreneurship" shows only three of the 76 programs from Figure 1 in the first three pages of the results. Improving the accessibility of online information would ensure greater engagement of entrepreneurial youth.

Conclusion

Youth entrepreneurship is on the rise: the 2001 OECD survey shows high proportions of a developed countries' population preferring self-employment (http://tinyurl.com/22wj4uc). Youth entrepreneurship benefits an economy by creating jobs, increasing competitiveness, creating innovative goods and services, creating a strong community and cultural identity, and producing income. Ottawa has several programs that help support youth entrepreneurships, and has an active community, supported by universities, government, not-for-profits, and private industry. Several recommendations have been made to fill in blanks in Ottawa's talent development portfolio. The best way to improve success rates of youth entrepreneurs is to provide quality support, skills, and resources to youth entrepreneurs so that they are better prepared when their time comes.

Sonia Riahi holds a Master's degree from the University of Ottawa in Engineering Management and a B.Eng in Mechanical Engineering from Carleton University. She has spent the last 2.5 years working in entrepreneurship with OCRI TalentBridge, a program that gives technically educated students the opportunity to learn entrepreneurial skills by working with local startups. In the past she has worked with both the private and public sectors in R&D, 3D modeling, project management, product marketing, and teaching. Highly involved in youth entrepreneurship, she has sat on the Mayor's Economic Development Steering Committee and has managed and been involved with several youth entrepreneurial initiatives, including the Ottawa Innovation Challenge, the Ottawa Community Challenge, and The Ottawa Experience.

Developing a Replicable and Sustainable Model of Business Incubation

Ian Graham

"The crises of our time, it becomes increasingly clear, are the necessary impetus for the revolution now under way. And once we understand nature's transformative powers, we see that it is our powerful ally, not a force to feared our subdued."
Thomas Kuhn

The only constant in the world these days seems to be the accelerating rate of change. This article explores, what are in the author's opinion, the driving forces of change; the decline of the TV industrial complex, business model migration, and the emergence of the knowledge economy. The changes in the way we live and work are having a very profound impact on how businesses start and grow. The paradigm and policy of the industrial era will not pave the way to success in a knowledge-based economy. The knowledge economy requires a significant paradigm shift in the way we structure incubators to successfully nurture and grow knowledge-based businesses.

The "TV Industrial Complex" is a term coined by marketing genius Seth Godin (http://wikipedia.org/wiki/Seth_Godin). It describes the global economy being driven by industry, leveraging sales, marketing, production, and all aspects of the economy with television as the medium to the mass market. Thus, the TV Industrial Complex was an economy largely based on demand creation through television, with order fulfilment based on manufacturing. This model became adopted in the early 1950s and reigned supreme until the turn of the millennium. However, the rapid adoption of the Internet as the preferred medium of choice for consumers and business has eclipsed television.

With the TV Industrial Complex in an accelerating decline, the economy has begun to shift rapidly. The infrastructure of the industrial complex is relatively straightforward. It consists of factories, buildings, equipment, and machinery to produce products, goods, and services. Road, rail, and air are used to transport goods to market. People are secondary, acting as operators, caretakers, and attendants to the machinery of the industrial complex. The infrastructure is tangible, physical, and lends itself well to cost-based accounting that banks and governments can comprehend.

In contrast, knowledge infrastructure is not well understood by banks or government. Knowledge infrastructure is relatively new, virtual, intangible, and primarily intellectual. Knowledge can be neither touched nor photographed, which makes it far more difficult for policy makers to assess properly. Knowledge resides in the minds of the creative and is shared virtually. The output of the knowledge economy is content, collaboration, and community. The next phase of knowledge evolution is where the ability to store, convey and present knowledge will be the most valuable asset. The way companies connect with consumers and businesses has significantly changed.

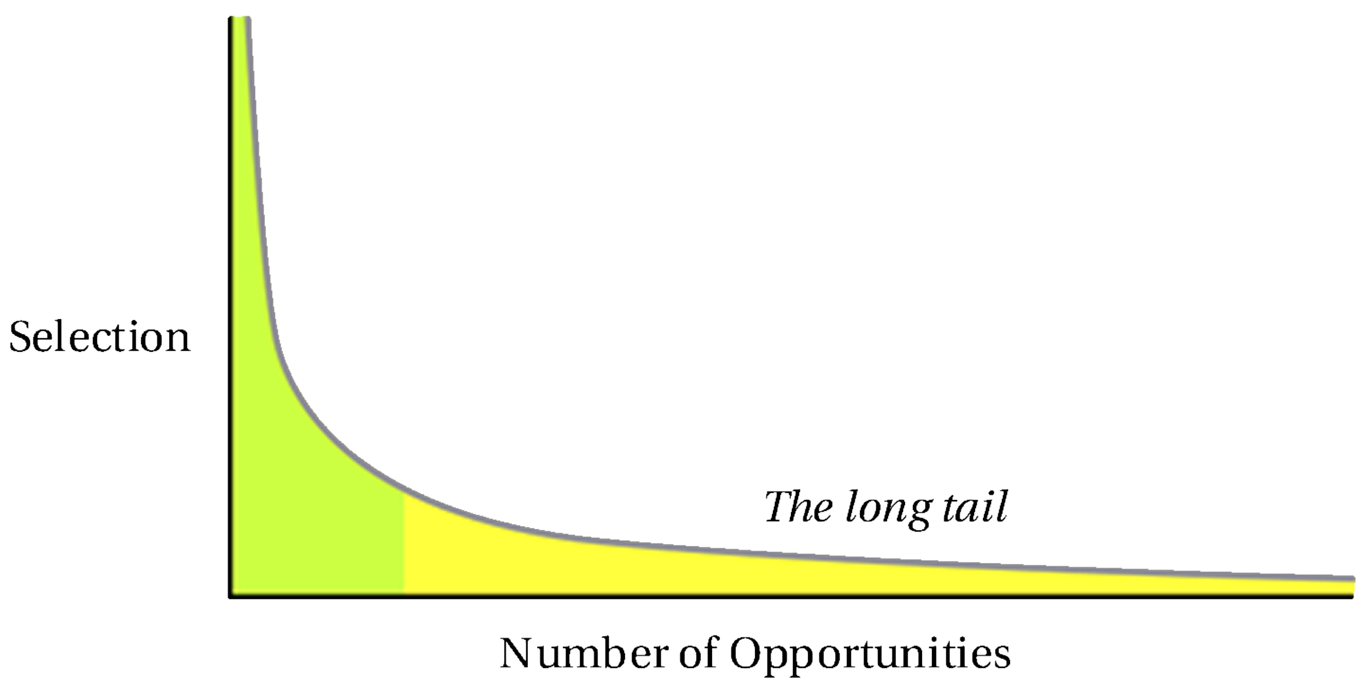
Business Model Migration

Perhaps the second and most pervasive change afoot in the world today is business model migration. Business models are changing, flattening, and becoming leaner and more efficient. The change is analogous to the changes in the software industry. The Internet allows small businesses to compete on equal grounds with large enterprises, and in many instances small businesses are at an advantage. The TV Industrial complex was well suited to marketing to a standard distribution or the technology adoption lifecycle (http://tinyurl.com/6cog6u). The knowledge economy, however, has an entirely different distribution of customers.

The customer distribution in the knowledge economy is essentially what Chris Anderson described in his book *The Long Tail* (http://amazon.ca/dp/1401309666). The X axis is selection and the Y axis is number of opportunities in that particular bin. The dispersion is highly concentrated close to the intersection of X and Y axis and then rapidly rolls off to form an infinite number of shallow bins along the X axis. Each of these shallow bins is a marketing opportunity for a small knowledge-based company.

With the advent of open source software, the way products were developed and organized changed radically. The traditional proprietary software model is one based on hierarchy, with a top-down approach to development. It is a "waterfall model," where requirements trickle down the organization. The open source model is a much flatter and more distributed network-based

Figure 1. Customer Distribution in the Knowledge Economy



Based on a public domain image by Hay Kranen (http://haykranen.nl).

model. The changes in software development were a leading indicator of the changes that are now affecting the corporate business model.

If the old hierarchical, or industrial approach, is the "waterfall model," then we propose that the new, distributed, flatter, network-based approach should be considered an "oasis model." The oasis model is incredibly flat and efficient, with little or no hierarchy. The model can be visualized as pools of resources scattered about the desert, each with their own innate skills and abilities. When a task or project requires different skills, the appropriate oasis pools cojoin to complete the work. When the task or project is complete, the pools break apart again, ready to reform with other latent skill pools as required. It is a very flat, highly efficient, and focused array of resource pools.

Much the same way that software migrated from waterfall to oasis, the leading organizations in the knowledge-based economy are adapting their business models. Business model migration is in the early adopter phase, with perhaps Google being one of the first to adopt the oasis business model. Google uses something called Googlets to spin off design teams into self-contained oasis pools. Other evidence of this new model can be found in such things as the coworking movement, the entrepreneurial generation, and the decline of large enterprise.

The transition from waterfall to oasis has been in process for over a decade; however, the rate of change is accelerating dramatically in the recession. Those quick to adapt will survive and even thrive, but those that cling to outdated industrial business models are likely doomed to mediocrity and extinction.

Emergence of the Knowledge Economy

The key attribute of the knowledge economy is the virtualization of labour. Intellectual production is captured in documents, training, videos, and content rather than a physical good or product. Teams can collaborate over great distances with communications-enabled applications that allow them to effectively interact. The requirements of a 9 to 5 work day or physical proximity are starting to evaporate. Independents, freelancers, and startups are leveraging communications and the oasis model to compete on a global level. The way we work and learn is changing dramatically.

The 2008 Legatum Prosperity Index Report (http://2008.prosperity.com) described an interesting paradox: "Thus, the inability of countries which were knowledge leaders, such as Sweden, to prosper in the global economy was so striking that it was referred to as the 'Swedish Paradox'. However, it was not just Sweden that exhibited surprising low growth rates and rising unemployment, while at the same time have high rates of investment in research, human capital and culture." The Swedish Paradox equally applies to Canada, perhaps to an even greater extent. According to the Conference Board of Canada, among member countries of the Organization for Economic Co-operation and Development (OECD; http://oecd.org), Canada spent more than any other country on innovation in the public sector in 2006. However, Canada also ranked fifth in performance and fourteenth in output. In terms of input versus output, this leaves Canada ranked near the bottom (http://klondikeconsulting.com/blog/?p=173).

The policy framework, government programs, and incentives that supported the industrial era are ill suited to the knowledge era. While it is possible for the government to stimulate the production of physical goods and labour, creativity and knowledge creation require a significant paradigm shift.

Incubation Success Characteristics

Incubation success characteristics vary depending on the nature of the tenant companies and the desired industry sector. The incubation cultural success matrix, shown in Figure 2, illustrates the relationship between public or private organizations and intensification (people or research). This is an important distinction because success of the tenant companies closely follows the culture of the incubating organization. Aligning the structure of the incubator with the culture of the tenant companies is an extremely important consideration in ensuring success, which is measured by graduating tenants. For the remainder of this article, the discussion will centre around people-intensive and privately owned incubators focused on technology innovation.

Corporations large and small share a similar sentiment with respect to the people in their business: they are a corporation's most valuable asset or its greatest liability. A progressive incubation model is one focused on the people and culture of the organizations that they are incubating. In his book, *Good to Great* (http://amazon.ca/dp/0066620996), Jim Collins describes the characteristics of

Figure 2. The Incubation Cultural Success Matrix

	People	Research
Private	Technology Innovation Software	Commercial Research
Public	Social innovation Non-Governmental Organization (NGO) Non-Profit	Pure Research

great companies and identifies two key success factors of great companies that are directly related to people:

1. Get the right people on the bus. This has to happen before the "what" decisions are taken. That can change if you have the right people, but the wrong people will certainly make the enterprise fail.

2. A culture of self-discipline is critical. It creates an environment where people work within a defined system, and yet, because the confines of the system are known, gives them more freedom to act within that system.

In a knowledge economy, the greatest single asset that a company has is its people. A successful incubation program will devote considerable time and effort to facilitating and fostering intellectual and personal growth of the incubated companies' people. This is the incubator's primary mandate. The strongest determinant in successfully graduating companies is aligning the incubators culture with that of the tenant companies.

A key success factor in a technology innovation incubator is that the facility, program, and all aspects of incubation should be self sustaining. If the incubator is self sustaining, then it mirrors the goals and objectives of its tenant companies. While government at all levels has a role to play in the incubation process, an incubator that has an ongoing reliance on subsidies from government can have detrimental effects on the program, culture, and results. The process of continually applying for government funding requires time and effort to prepare, which detracts from the incubator's mission, vision, and values, which are facilitating jobs, improving the probability of success, and improving the growth rate of tenant companies. A self-sustaining facility focuses resources on providing value to clients and stakeholders.

As well as being sustainable, an incubation program should be lean, which means it focuses on delivering value to clients and stakeholders. If value is provided, then there are always opportunities to monetize in a productive and equitable fashion. Monetizing delivered value is referred to as value-based funding. The best incubator structure for delivering value-based funding is a for-profit structure. This ensures that the paradigm and culture of the incubator are in sync with the client tenants and that the focus of the incubator is on delivering value and results.

The traditional public incubator model relies on justification-based funding. This model carries a heavy administrative burden and tends to inspire more bureaucratic culture that is often out of sync with the private and for-profit businesses that they incubate. Thus, there is a tendency to justify funding the proposal rather than monetize the generated value.

Jed Emerson from the Generation Foundation and Generation Investment Management (http://generationim.com/citizenship/foundation.html) describes the "blended value proposition," which focuses on advancing frameworks for assessing and tracking the value generated by social and cultural capital. He writes: "The ultimate impact of these factors is the creation of a capital market where investment decisions are often driven by function of "politics, perception and persuasion," which come together to lock nonprofit leaders and those who fund them within what one observer has gone so far as to label "a dance of deceit" (http://tinyurl.com/2eq6bbv).

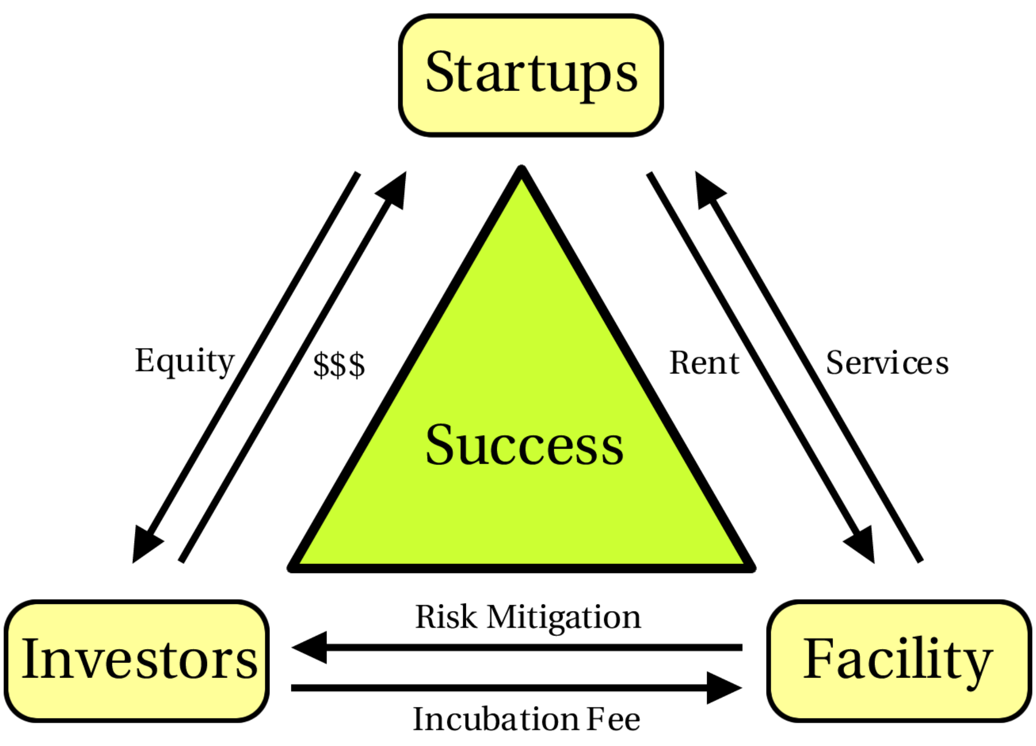
Incubation Model

In response to the shift to the knowledge-based economy and the success characteristics of incubation programs, an incubation model should have three key stakeholders: i) the startups (knowledge-based companies), ii) the facility, and iii) the investors (Figure 3). (The incubator would exist in a far larger ecosystem in the regional economy; however, from the perspective of the key stakeholders, they are a group of three.) There would be an incubation agreement drawn up between the stakeholders, but the key element holding the stakeholders together is the success of the tenant company. Success is determined as profitability, funding, or acquisition. All of these success outcomes create wealth and value for the local economy.

The incubation facility provides two primary functions: value-derived services to the startup and risk mitigation for the investor. The facility is the physical space, offices, meeting rooms, and all amenities related to housing tenant companies. The facility should be bright, creative, and help to inspire the innovation process. The intent is that the facility should be self funding and rely on the contributions of those using the space to ensure that value is generated.

An incubation program designed to improve the probability of success and increase the rate of growth of the startup is the next level of service. There are both informal and formal elements to the incubation program. The informal aspects happen organically with facilitation from the staff that manage the facility. There is a real benefit to having smart

Figure 3. Incubator Business Arrangement Concept



people in the same physical space and a natural outcome is that, by osmosis, good things are going to happen. If you add in the appropriate facilitation by staff, you can help to encourage the informal knowledge transfer. The second element of the incubation program is a more formalized program to help transfer knowledge. This is a structured program with subject matter experts, trainers, and technology domain expertise. The structured incubation program is a topic in and of itself and needs to be tailored to the specific technology and market verticals that the tenant clients are targeting.

Another important ingredient is facilitation by incubator staff, which needs to traverse both the formal and informal aspects of the incubation programming. Community requires constant attention and facilitation to be maintained and encouraged. An important aspect of any people-based incubation program is the fostering of co-learning, co-entrepreneuring, and trust. To be successful, the incubator must maintain a high-trust environment.

Finally, the incubation model requires investment. The purpose of the investment is monetary gain, however, it is also much more than that. The intent of the model is to create long-term, sustainable jobs that create wealth and value for the local economy. This can be described as ethical capitalism. This is patient money that is willing to wait 5 to 7 years for a return on investment, has a desire to help the local community, and is very likely actively involved in the incubation process.

Conclusion

To successfully facilitate the growth of knowledge based businesses it is extremely important that the incubator be culturally aligned with the tenant companies. The model of incubation needs to be structured in such a way that the interests of the three key stakeholders (startups, investors, and facility) are aligned and incented toward sustainably growing the startup. The incubator itself must be lean, sustainable, based on value-derived funding, and culturally consistent with the tenant companies. The key success factor in incubating knowledge-based businesses will likely be adapting the policy paradigm to fit the knowledge-based need.

Ian Graham is founder of TheCodeFactory (http://thecodefactory.ca), which is a business incubator and collaborative co-working space in Ottawa, Canada. The incubator focuses on early-stage software startups in the web 2.0 and mobile 2.0 spaces and leverages the native strengths of the local ecosystem. Ian is a passionate entrepreneur committed to helping early-stage businesses succeed and grow.

Why Intellectual Property Will Not Save the Canadian Economy

David J. French

"The patent system adds the fuel of interest to the fire of genius, in the discovery and production of new and useful things."

Abraham Lincoln

Notwithstanding public statements by many individuals, obtaining intellectual property (IP) rights is not the objective that will allow Canadian industry to thrive in the future. The objective for each company should be identifying and delivering relevant innovations that will appeal to consumers and which will also survive in the high-pressure environment of world competition. Surviving in business in the future will increasingly become more of a challenge due to the increasing competence of foreign competitors.

Establishing IP rights is a bonus that can make a few companies richer than they would otherwise have been. But most winners will succeed because of their focus on a consumer-based target objective - delivering customer-satisfying products at prices that will displace competitive alternatives - and not because of IP. Obtaining IP rights should not displace the focus from providing value to customers. To survive, that value should be sufficiently innovative so as to place companies ahead of competitors. Businesses will have to continue to innovate in order to stay ahead of competitors. If some businesses can acquire the comfort of meaningful IP protection, that will be a plus. However, a business has to have good fundamentals to survive and to thrive.

During the last 70 years, Canada and the United States have had robust economies that have made them prominent in world trade. But this advantageous situation is coming to an end. We now live in a global marketplace where suppliers worldwide are competing for consumer purchases in every market.

Canadian businesses must realize that there are now competitors in other countries that are adept at delivering product for purchase by Canadian consumers. The competition has perfected the art of new-product refinement and innovation. They understand the need to present customers with a product that will receive votes in the form of purchases. As they become more sophisticated, more and more of them will avoid slipping into the trap of "cheapening the product."

Imports from abroad have replaced many nationally produced products across broad market sectors, including apparel, consumer electronics, and the notorious example of automobiles. These changes are often said to have arisen because such goods are coming from low-wage countries. But a further explanation cited by commentators is a failure to innovate on the part of Canadian companies. Anne Golden, President and CEO of The Conference Board of Canada, recently stated that: "It is widely understood that in a high-wage economy like Canada's, the only route to higher productivity and competitiveness in our global economy is innovation… Canada's productivity gap is rooted mainly in a failure to innovate and, in particular, our failure to commercialize our research, our development, our inventions… We all need to internalize the reality that Canada is becoming less competitive in our global economy." (http://couch.ca/conference/Golden.html)

To address these challenges and promote innovation, some suggest that we must convert to a knowledge-based society and that patenting should be used as a key metric for success. But these formulas, which focus on IP, cannot support the Canadian economy as a whole and ensure commercial success across its full spectrum.

An important reality on the issue of patents in Canada is acknowledged in a posting on innovation in Canada by Mount Allison University (http://mta.ca/about_canada/innovation), which concludes: "Patents are considered one indicator of creativity, and reflect a country's capacity for invention. Each patent represents a potential innovation. As a source of new technology, however, Canada is relatively insignificant. We create only 0.3% of the world's patented inventions. Residents of other countries, mainly the United States, file over 90% of the patent applications in Canada. Conversely, Canadians take out relatively few patents abroad."

It is important to appreciate that Canada is therefore not going to be the only source of patented inventions. The bulk of Canadian patents, 90% in fact, are issued to such foreigners. Canadian businesses must therefore operate in an environment where 90% of advances addressed by Canadian patents are available to foreign competitors and cannot be adopted by Canadians, or can only be implemented with the approval of foreign patent owners.

But what accounts for this imbalance? Canadians are not particularly less inventive than most other countries. However, it is a combination of inventiveness and patent consciousness that counts, plus the weight of numbers. Foreign domination of our patent system simply by reason of population size is inevitable. Even if Canadians were twice as inventive and twice as active in filing patents, we would always be minor participants in the patenting process in our home country. Further, foreign domination of the patent system is going to increasingly coincide with the growth of competition originating from abroad. We may now have reached a tipping point, and increased patenting efforts by Canadians will not make this reality go away.

The counterpart to these statistics is that Canadians who do make inventions are entitled to patent them around the world. But will that make a difference? The best that can be expected is that some smart and lucky few who obtain meaningful IP protection will turn out to be big winners. Meanwhile, the rest of Canadian industry will have to compete on the basis of the merits of the products and services that they deliver to the marketplace, products and services that are free of IP claims held by others.

Why IP Will Not Save the Canadian Economy

David J. French

Is R&D the Answer?

We hear a lot of talk today about the need for R&D, and how Canadian industry is behind in investing in this activity. This is often associated with references to "Science and Technology." Both are touted as the panacea for the Canadian industrial sector in the future. But is R&D enough?

In the 1970s, Senator Lamontagne of the Canadian Senate chaired a committee on the future of science and technology and its relevance to Canadian industry. One of the less popular recommendations of the Lamontagne Report was that science and technology in Canada should be directed towards improving the performance of the Canadian industrial sector. Researchers at universities and institutes objected that this would undermine "blue sky" research and the benefits that follow from undirected scientific investigation. But there was also a recognition that Canadian industry needed to be supported by science and should be encouraged to apply and exploit the latest developments as part of their role of supplying goods and services within Canada and in world markets. The benefits of R&D can be realized if it drives innovation.

In a highly competitive marketplace, innovation can provide a temporary refuge from the pressures of competition. There are advantages to getting there first, but these advantages may not last. The nature of a free marketplace is that others will also proceed towards innovation and arrive more promptly than the market pioneer may wish to see happen. If an innovation is able to support patent protection, then it may provide an extended period of relief from the pressures of competition: 20 years from the filing date of a patent application. But 20 years is not forever and a single successful innovation coupled with effective patenting may not be enough.

Patents and Intellectual Property

Governments encourage the patenting of new technology so that Canadian industry can innovate, at least for a period of time, in an environment that is sheltered from competition. That is the fundamental premise of the patent system. An inventor will disclose his new concepts and the government will issue a certificate, which the inventor can then use to establish a new business. For a period of 20 years from the filing date of the patent application, no competitor is allowed to enter the market using the same invention. This is to allow a new industry to develop based on the original, novel, inventive concept.

Patents are a principal member of the group of rights called "Intellectual Property." This group includes a number of exclusive rights over intangibles associated with the marketing of goods and services. Other members of the IP class include registered design rights (for the look or shape of products), trademarks, and distinguishing guises (e.g. the distinctive shape of the Coke bottle), rights in trade secrets and confidential information, and copyright.

For patenting purposes, novelty has to be present in order for a specific feature of structure or more efficient procedure to receive protection. Sadly, good ideas often turn out to have been proposed previously. This is what is known as "prior art," which is everything that has been known previously. Patent protection may not be available for features that do not meet the novelty requirement. Even a perfectly valid patent can be of little real value if there are close alternatives already available in the marketplace. Thus the existence of viable alternatives in the prior art will greatly limit the scope of patent protection that can be obtained. Patents must never interfere with the prior art.

Among patents that have been issued, we hear of occasions when a patent generates enormous returns. The example of the $600 million settlement paid by Research in Motion to NTP Inc. in an American patent suit immediately springs to mind. Previously, Polaroid won a $1 billion judgment against Kodak Corporation and forced Kodak to withdraw from the instant camera market. These certainly represent successes for the owners of successful patent rights, but they are the exception.

As a general rule, most patents provide no return to their owners. The greater part of patented concepts is never embodied in products or services that are delivered to the marketplace. But even amongst commercially exploited patented technology, the level of payoff for the patent-owning manufacturer is only occasionally spectacular.

Patents Alone are Not Sufficient

Cases can arise where a valuable advance has been made, an innovation with a "have to have it" quality in terms of consumer appeal. In such cases, companies may be missing an opportunity to greatly enhance their profits. Patents can be pursued on a cost-conscious basis if care is taken to understand the value of the innovation in the context of the marketplace and the scope of exclusive rights that can be obtained. Typically, companies cannot expect their outside patent professional to make these critical judgments. Someone within the organization has to be "IP aware," and preferably, "patent smart."

However, merely obtaining patent rights is not enough to support success in the marketplace. To succeed, first there must be an innovation that is relevant to consumers. Then that innovation must be technically feasible and commercially practical in terms of the cost of its incorporation into a product. Additionally, the innovation must be able to compete against existing alternatives, and preferably future alternatives as they may arise. These are not characteristics that relate to patenting.

A patent is not a badge indicating that a product is good. It is merely an indication that the patent office concedes, conditionally, that a feature included in the product is new and inventive. It is up to the manufacturer of a patented product to ensure that the product, and the feature it contains, has sufficient appeal to consumers so that it will command a share of the market. Nobody buys a book because it is copyrighted. It is a misconception to believe that a product is superior because it is patented.

Patents and copyright cannot create success. But if a success occurs, they can make such a success more profitable. The challenge is to think of something appealing that can be protected so that no competitor will be able to come close for the balance of the term of protection. That is the goal if you wish to have the bonus benefits of enjoying exclusive rights. But exclusive rights are not essential. It is the customer appeal that counts. That is where individual companies can win when playing on the field of global competition. It is not likely that all Canadian companies can operate on this basis and be a winner all the time throughout the global marketplace. But there can be individual winners who choose to do it right.

The key is to provide the customer with a product that meets the customer's needs and has a commensurate level of quality and price to ensure the supplying company’s survival. In a competitive market environment, balancing the competing interests of price versus quality is always a challenge. The temptation is to compete on price, and this is the strategy that is pursued by many of the offshore competitors who are supplying product to Canada from low-wage home bases. But succeeding in competitive environments is not just about producing at a low price. You have to innovate and deliver true value to your customers.

Transition to a New Era

There was a time when North Americans thought they could continue to enjoy unending prosperity and unlimited advances in their quality of life. Unfortunately, there are limits to growth, and while there may not be limits to expectations, reality has an uncomfortable way of determining the future. This is not a prediction of the imminent arrival of a Dark Age in North America, but it is a recognition that survival will depend upon staying ahead of competitors in the world market environment.

Science and technology have a role to play, as do innovation and IP. But the best foundation for establishing and sustaining industries that will last is to adopt the following goal for being in business: caring for the interests of the customer and endlessly seeking new and better ways to address and meet customer needs before competitors from other jurisdictions achieve this goal first.

Canada may not, as a nation, be able to act as a major player in world markets for much longer. But if the adopted attitude is to continually seek improvement, then at least those companies that embrace such a policy will survive, and sometimes thrive.

Conclusion

The cry for Canadian businesses to generate more IP will not lead to a robust Canadian economy. Businesses that focus on delivering value to their customers efficiently, at prices that customers are willing to pay and that competitors cannot meet in selling equivalent product, will be the long-term survivors. The challenge is for industry to conceive of new and creative ways of generating products and services that incorporate such value.

IP is an embellishment on an underlying marketable product or service. It can enhance profits but will not, on its own, make companies succeed. The winners will succeed because of their focus on a consumer-based target objective and not because of the ownership of IP rights.

Obtaining IP rights should not displace the focus from providing value to customers. But once this objective is clearly in hand, every business should take care to identify IP rights that do have prospective value and every company should take reasonable steps to preserve those rights. If some can acquire the comfort of meaningful IP protection, that will be a plus. However, above all, a business has to have good fundamentals to survive and to thrive.

David J. French is a Canadian attorney with 35 years of experience practicing Intellectual Property law in the Province of Ontario and before the Canadian and United States Patent and Trademark Offices. In 2010, he became the CEO of Second Counsel Services (http://www.secondcounsel.com), an Ottawa-based business that provides in-house workshops, guidance, and training in the understanding and management of Intellectual Property. He is currently writing a book, 101 Truths About Patents *and welcomes feedback to David.French@secondcounsel.com about what readers would like to know about patents and any aspect of intellectual property.*

November 10

OpenGovBC

Victoria, BC

Government leaders, technologists, citizens, and nonprofits are coming together to hear from Open Government and Civic Engagement experts. If you are a government employee, nonforprofit, concerned citizen, or business who works with any level of government, this conference is for you! Modeled after the successful Open Gov West regional conference, which brought together attendees from across the West Coast, from California to BC, OGWBC focuses on the open government and Gov 2.0 issues municipalities and provincial government face.

http://opengovwest.org/open-gov-bc/

November 21

Vancouver TechFest

Vancouver, BC

This is the 4th installment of the Annual Vancouver Technology Festival. TechFests are about the community at large. They are meant to be a place for developers and IT professionals to come and learn from their peers. The most important element of the TechFest is always the community. All are welcome to attend and speak and do so without expectation of payment or any other compensation other than their participation in the community.

http://www.vancouvertechfest.com/

December 4 and 5

Random Hacks of Kindness Hackathon

Toronto, ON

Random Hacks of Kindness (RHoK) is a community of developers, geeks and tech-savvy do-gooders around the world, working to develop software solutions that respond to the challenges facing humanity today. RHoK is all about using technology to make the world a better place by building a community of innovation. RHoK brings software engineers together with disaster relief experts to identify critical global challenges, and develop software to respond to them. A RHoK Hackathon event brings together the best and the brightest hackers from around the world, who volunteer their time to solve real-world problems.

http://www.rhok.org/events/rhok-2/toronto-canada/

Issue Sponsor

Contribute

The goal of the Open Source Business Resource is to provide quality and insightful content regarding the issues relevant to the development and commercialization of open source assets. We believe the best way to achieve this goal is through the contributions and feedback from experts within the business and open source communities.

OSBR readers are looking for practical ideas they can apply within their own organizations. They also appreciate a thorough exploration of the issues and emerging trends surrounding the business of open source. If you are considering contributing an article, start by asking yourself:

1. Does my research or experience provide any new insights or perspectives?

2. Do I often find myself having to explain this topic when I meet people as they are unaware of its relevance?

3. Do I believe that I could have saved myself time, money, and frustration if someone had explained to me the issues surrounding this topic?

4. Am I constantly correcting misconceptions regarding this topic?

5. Am I considered to be an expert in this field? For example, do I present my research or experience at conferences?

If your answer is "yes" to any of these questions, your topic is probably of interest to OSBR readers.

When writing your article, keep the following points in mind:

1. Thoroughly examine the topic; don't leave the reader wishing for more.

2. Know your central theme and stick to it.

3. Demonstrate your depth of understanding for the topic, and that you have considered its benefits, possible outcomes, and applicability.

4. Write in third-person formal style.

These guidelines should assist in the process of translating your expertise into a focused article which adds to the knowledgable resources available through the OSBR.

Upcoming Editorial Themes

December 2010:	Humanitarian Open Source
January 2011:	The Business of Open Source

Contribute

Formatting Guidelines:

All contributions are to be submitted in .txt or .rtf format.

Indicate if your submission has been previously published elsewhere.

Do not send articles shorter than 1500 words or longer than 3000 words.

Begin with a thought-provoking quotation that matches the spirit of the article. Research the source of your quotation in order to provide proper attribution.

Include a 2-3 paragraph abstract that provides the key messages you will be presenting in the article.

Any quotations or references within the article text need attribution. The URL to an online reference is preferred; where no online reference exists, include the name of the person and the full title of the article or book containing the referenced text. If the reference is from a personal communication, ensure that you have permission to use the quote and include a comment to that effect.

Provide a 2-3 paragraph conclusion that summarizes the article's main points and leaves the reader with the most important messages.

If this is your first article, include a 75-150 word biography.

If there are any additional texts that would be of interest to readers, include their full title and location URL.

Include 5 keywords for the article's metadata to assist search engines in finding your article.

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