

Speech to: Kiwanis Club of Ottawa

Date: Friday September 12, 2003

Where: Fairmont Chateau Laurier Hotel

Subject: **Entrepreneurship, Development and Sustainability**

## **Introduction**

Entrepreneurship is more than just a key engine for economic growth; it is the most efficient means of producing a sustainable community, not just in Canada but in developing nations as well. Countries that have city-state economies based on thriving entrepreneur communities are also likely to: a) be able to adapt more quickly to changing global economic conditions, b) be more efficient in producing a higher level of output with fewer inputs, c) almost by definition, be more sustainable.

I always found it strange how some businesspersons feel threatened by the concept of sustainability and how some environmentalists feel threatened by entrepreneurs. What I want to show today is that, fundamentally, the two objectives—producing more with less are not in contradiction at all. I mean isn't it kind of obvious that if you can produce a given number of widgets with fewer inputs (of materials and energy) that your profits will be higher? And isn't that good for the environment and doesn't that help move the whole economy onto a higher plane of sustainability?

Now there is that word 'profit'. Canadian entrepreneurs find it hard to use that word. They feel the media, labour and environmentalists will criticize them if they use it; it's a 'four'-letter word in our country. But should it be?

Let's go back in time for a minute to the time of Adam Smith; the discoverer of the 'invisible hand'. He found it incredible that a nascent free market economy could produce the greatest number of goods and services for the greatest number and be self-organizing too. How did this happen?

Well, Adam Smith said that each individual acting in his or her own self interest, would produce the most goods and services that he or she could sell thereby employing the greatest number of persons and resulting in the maximum benefits for society as a whole without really meaning to. He determined that the invisible hand of the marketplace was moving these people along and, if left alone to their own devices, this would produce the greatest *utility* for society as a whole.

But there is another side to this story—there is a moral underpinning to the operation of free capital markets.

*Your first duty to society is to not become a burden on it.*

So when we use the term 'profit', whether applied to a family or individual who is producing more income for themselves than they are consuming (the difference either being put to use as savings or investment) or an organization or a business that is producing a surplus, we can be sure that they are meeting this moral test.

Private ownership of a 'thing' can be viewed as private stewardship of that thing.

As a former owner of a National Hockey league franchise, I never felt like I owned it and, frankly, I was always uncomfortable with the notion that hockey players under contract to the team were like indentured workers, albeit, highly paid ones, that could be traded like pork bellies. I always felt that I held the franchise in trust for the fans and the City.

I remember how counter productive it was when West Carleton Township Council considered in the 1990s passing rules to control the use of private woodlots. These woodlots, most of them carefully managed by private owners, remained in production over a period of time measured in generations. They carefully harvested product to feed wood stoves, pulp mills and board production so that they would have an income stream continuing over many years.

The threat of controls by the local Council caused the exact problem the Township was trying to avoid—some woodlot owners clear cut their entire acreage in advance of the new rules becoming law; they feared they would not be able to realize *any* income after the rules were passed. This is so typical of government initiatives—a. governments often create enormous programs aimed at the whole population of that industry or sector when they are actually trying to solve a problem that is caused by a tiny percentage of the population in an industry, b. hence, they penalize the vast majority of that population without actually solving the problem, c. they often generate unintended consequences.

Again, Private Ownership = Private Stewardship.

If you look at the example of the 80 year rule by the proletariat in the former USSR (actually, it was rule by the nomenclature), you see that 'public' ownership produced the worst ecological consequences for the Planet—from dumping old nuclear reactors into Lake Baikal to the Chernobyl meltdowns, Russia faces a set of environmental circumstances that will take 100,000 years to deal with.

Can you imagine what the mindset has to be to dump contaminated nuclear waste into Lake Baikal, which is the oldest (25 million years) and deepest (1,700 m) lake in the world?

"It contains 20% of the world's total unfrozen freshwater reserve. Known as the 'Galapagos of Russia', its age and isolation have produced one of the world's richest and most unusual freshwater faunas, which is of exceptional value to evolutionary science." (From UNESCO: <http://whc.unesco.org/sites/754.htm>)

If no one owns a 'thing', no one seems to care about it. At least, that is the western view and it certainly seems to be a cross cultural view with perhaps the exception of a few indigenous peoples who may nurture nature in a collective way.

When watching Star Trek, TNG, I was always struck by Captain Picard's view of the Ferengi as something of a sub species because of their clearly established commercial avarice. Starfleet and the Federation no longer felt the need to be guided by the individual pursuit of personal enrichment—I guess they are something like Commune-ists.



*The Invisible Hand of the Ferengis*

As someone who has lived in communes, I can tell you that communes are organized in a hierarchical manner, no matter what they may advertise. As Orwell said: "*Everyone is equal, except some are more equal than others.*"

What worries me is how to decide who is more equal than others without using the scorecard of dollars and achievement—after all, *dollars are democrats*. Are we better off with a benevolent dictatorship like Starfleet making decisions on who gets what rather than using money, which does not discriminate and is blind to gender, race, religion or any other form of segregating humans except merit? Perhaps (to paraphrase Sir Winston Churchill) money, free markets and democracy form the worst possible system, except for all the others.

Even so-called not-for-profit corporations are required *by law* to generate significant reserve funds to tide them over the rough patches. A 'reserve' fund is just a politically correct term for 'profit'.

What else does a profit allow? Well, it allows the organization (or family) to invest in more research and development (or education for example), as well as better technology and technical methods of doing things, to implement best practices and much more. Profits are not just so ownership can have nicer cars, boats and other toys.

If anyone has ever worked for a company that loses money, you already know it's no fun. When you want to travel somewhere, say to meet a client or go to a trade show or go to a conference, guess what? You can't.

An unemployed fellow I just interviewed the other day for a JOB with a client of mine said it particularly well:

*"It's possible to have money without fun but it's virtually impossible to have fun without money."*

So, please, make profits in everything you do—including running the Kiwanis Club of Ottawa so you can do more good works for the community (don't just call it that).

### **Development Economics and Entrepreneurship**

I met Walt Rostow when he visited Ottawa in the 1960s and enjoyed listening to the great man hold forth on his ideas about how to establish the preconditions for economic takeoff in Developing Nations. Walt Rostow's work of the 1950s and 1960s and recent work by Hernando De Soto and others (I have dared to add in a few suggestions) that what is needed for economic take-off in DCs today includes:



*Preconditions for Economic Takeoff*

1. education
2. health

3. supply of and private ownership of housing (safe, affordable, privately owned)
4. clear title to housing and accurate addressing and surveying
5. tolerance of and legalization of cottage industries
6. tolerance of mixed use neighborhoods where people can work, live, shop, trade, play, entertain all in the same location
7. effective legal system, respect for the rule of law
8. moderate levels of taxation and avoidance of confiscatory levels of taxation
9. re-integration of black and gray markets (deeding of lands and title in squatter settlements )
10. active capital markets (borrowing circles and financial recycling of savings and investment, home mortgage availability)
11. culture of and support for entrepreneurship and innovation
12. wide spread Internet access and effective communications system
13. sound public infrastructure
14. extensive private ownership of economy
15. respect for human rights
16. protection of private property rights
17. good, honest and transparent government
18. social peace and harmony
19. strong civic institutions
20. civil defense
21. trust, courage, hope and faith

I added in point # 10 above—the need for a culture of and support for entrepreneurship and innovation. I have become convinced that this is an important ingredient to unlocking development potential not only in DCs but first world countries as well. More on this later.

Respect for the law including contract law is an important pre-condition. Former President Bill Clinton, when asked to comment on why it was taking so long for the 'new' Russia to be fully accepted into the community of trading nations, he responded that this would have to wait until contract law was widely accepted as binding by the people and institutions of that country. People doing business in Russia in the 1990s needed to carry around briefcases full of USD currency—they couldn't rely on Russian banks to 'give' back any money they deposited there.

It's hard for an economy to takeoff without trust. I have learned as an entrepreneur that you can have rooms full of legal paper but if the other side has no respect for a contract, the legalese is generally pretty useless. Having to go to court to force someone to live up to their agreement is not only expensive and time consuming, it is soul destroying too.

*Hope and Courage*

Another one of the pre-conditions for economic takeoff that I added above is the need for hope and courage in the population. It takes courage to start new ventures—one must have faith that things will somehow work out and hope for the future. I loved the line from the film *Shakespeare in Love* about how a play actually all seems to magically come together at the last minute and that how this happens is, well, "*It's a mystery.*" The same is true of entrepreneurial activity—how any of these initiatives work out at all, gee, it *is* a mystery.

I know that most entrepreneurs who have started a successful business never would have started if they actually knew beforehand: a. how long it was going to take to become successful, b. how much money would have to be spent to get there, c. the risks they took to do it, d. how hard it was, e. how much work it was, and f. how often they were naysayed and criticized for it. To paraphrase rock singer Bob Seger, if you're going to be a serial entrepreneur, sometimes you might say to yourself: "*I wish I didn't know now, what I didn't know then.*"

One day in the mid 1990s, I was walking around the Carleton University Campus in Ottawa, Canada and I 'discovered' a train tunnel running under Dow's Lake, which is adjacent to the Campus. Curiosity got the better of me and I scrambled down the embankment. The foundation stone circa 1960 was impressive to read.

Later on, a few minutes of research uncovered an interesting story—Canadian National Railways had needed a new cross-Ottawa line and the only way that the then Chair of the National Capital Commission (NCC) would agree to it was if the CNR would bury it under the lake. The NCC apparently wanted to protect views in the National Capital Region. Now I realize this is kind of frivolous when compared with the enormous challenges that DCs are facing but I was struck by the courage it took on the part of the NCC to take this position. This got me to thinking about an earlier trip to Calgary, Alberta and the foothills of the Rocky Mountains.

If you have ever looked at the Rockies from the eastern side and thought about the idea of running a rail line over those mountains as Van Horne did beginning in January 1882 and completing the crossing just three years later in 1885... what courage these people had.



*William Van Horne, 1843-1915*

While it is true that Government concessions helped Van Horne, it was heroic efforts on his part that made this possible:

"Van Horne worked himself harder than his crews, arranging steamship service to distribute materials and supplies, seeing to the opening of stone quarries and three dynamite factories, which supported the building of the transcontinental. ... He managed to continue the building of the railway when there was *no money left for payment* (my italics). He himself went without pay for months. Directors used their personal fortunes, businessmen advanced credit and supplies and construction forces went without pay," North America Railway Hall of Fame.

Courage, hope and leadership. These are preconditions needed for entrepreneurial success. Van Horne had them in abundance. Do you know the story of how King Clancy got the original MLG (Maple Leaf Gardens) built in the Great Depression of the 1930s? He had no money. But he had vision and guts. He offered out of work ironworkers and other skilled trades people 'scrip'. If the building was successful, Clancy would redeem their scrip for cash but only after the building was open and producing cash.



*Maple Leaf Gardens built by a 'King'*

Well thousands of construction workers bought in to the King's dream and the result was a fine new home for the Toronto Maple Leafs and a building that earned the nickname, the 'Carlton Street Cashbox'. All of the scrip was redeemed btw.

There *are* the things that governments can do as well as or even better than the private sector. They may not be as good as the private sector at the *doing* of a thing but they can provide the right conditions or environment for it to be accomplished. To my mind, this is the true mission of government—providing for the right conditions to allow the private sector to achieve desired social, economic and environmental goals.

#### *Micro Entrepreneurship and Development Economics*

I read an interesting article in the Globe and Mail (by Luke Harding of the Guardian News Service, February 10, 2003) about micro entrepreneurship in Kalmadhai, India.

There, slum dwellers erected two latrines—one for men and one for women and a third for children only. Charging just one cent per use, they built a profitable business using just \$900 USD in capital advanced to them by UK based WaterAid.



*We Can Do Better Than This*

Who would have thought that you could make a successful business out of a latrine but this is apparently what the women of this village did. I was intrigued so I sat down and did a spreadsheet on it this morning and here is what I conjectured:

Sanitation Improvement  
Village of Kalmandhaj, India  
With assistance from WaterAid, UK

Cost of Construction of New Latrine

Men's	\$450
Women's	\$450
Children	\$0
Total	\$900 USD

*Revenues*

Per Use	\$0.01 USD
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Daily Use	
Men	300
Women	375
Children	400 (free)

Total Use	1,075
Total Paid Use	675
Total Daily Revenue	\$6.75 USD
Annual Revenue	\$2,463.75 USD

*Expenses*

Maintenance	\$90
Night Watchman	\$450
Cleaning Staff	3 \$1,350
Net Revenues	\$573.75

**Return on Investment** **64% p.a.\***

(\* Assumes the \$900 from WaterAid is a loan not a grant and must be repaid; otherwise, the ROI is infinite.)

Other Revenue Sources

Herb Garden with Gourds  
New Shower Block  
Purchase of red worms from State of Kerala  
Money Lending (Banking)

Use of excrement as fertilizer  
6 cents USD per use  
Making Compost for sale  
To women in Neighboring  
Communities other revenue  
generating Latrines

Wow, a (possible) 64% p.a. rate of return on this investment is impressive. Just as importantly, there are huge health benefits that accrue to these people from proper disposal of human wastes. Plus they have generated additional activity including:

- a. The construction of a shower block (and more fees);
- b. The use of their 'product' in their herb garden (for self use and third party sales);
- c. Startup of a composting business;
- d. Money lending to women in other villages to start similar enterprises.

Think about the number of jobs they have also created—from a latrine!

So micro-Enterprise Loan Funds focus on helping low-income people start their own businesses. Using a peer-lending model, each borrower is paired with other borrowers who are starting their own businesses. Together the loan recipients are responsible for each group member's loan and collectively benefit from education and technical assistance provided by the micro-enterprise fund. Many organizations around the world have created banks and loan funds based on this model.

*"Give a human a fishing rod, not a fish," Anon.*

### **Property Rights, Human Rights and Economic Development**

In Canada at the beginning of the 1980s, then Prime Minister Pierre Trudeau wanted to entrench property rights in the Canadian Constitution in the Charter of Human Rights. He was vigorously opposed in this by most, if not all, of the Provincial Premiers. Why? Because they felt entrenching such rights would or could encroach on Provincial authority of eminent domain- the ability to expropriate land, regulate land use, pass rules and regulations concerning mineral extraction, set environmental standards and so on.

I always found it interesting the Province of Ontario, for example, banned billboards along major highways in Ontario (the 400 series roads) because they were considered a dangerous distraction for drivers and visual pollution (i.e., ugly) and then they turned around and gave a monopoly to an American-

controlled company with the ugly name of TODS (Tourism Oriented Destination Signage). TODS has monopoly rights for all signage along 400 series highways within 400 metres. This was a huge one-time shift in value from landowners along 400 series roads to TODS. In my view, it was expropriation without compensation and if the Canadian Charter of Rights had included protection of property rights, I am sure someone could have successfully challenged this.

Mr. Trudeau felt, I believe, that property rights are also fundamental to human rights; that unless people are protected from unreasonable infringement of their property rights, there can be no real personal freedoms. If governments can grab your land, take your business, well, it isn't a big step to taking away your personal freedom or even your life.

Property rights are also fundamental to economic development. To this day, most startups are, one way or another, financed with home or other building and land equity. If an entrepreneur owns a home, he or she will pledge it for startup capital from a bank. If Mom or Dad or rich Uncle Buck is helping out, their homes or other personal property is probably somewhere in the loop as collateral.

In many developing countries, they either don't have a sophisticated and extensive enough banking system to bring mortgages to the masses or they discourage private ownership of property. In Mexico, one of the goals of President Vincente Fox is to bring the financial system into line with North American standards so that home ownership becomes an attainable goal for the middle classes. Even if they have 50% or even 75% cash equity, people still find it hard to get a home mortgage in Mexico today.

This is a big problem because there is a huge amount of capital tied up in land and buildings that can't be leveraged in support of entrepreneurial ventures; this locked-in capital affects developing countries to a great extent.

Government policies often exacerbate the problem. Even micro amounts of capital available from vacant or agricultural land mortgages can make a big difference to a peasant economy or developing economy.

In Egypt, it is against the constitution to place buildings on agricultural land. By one count, there are 4,000,000 illegal structures on such land in Cairo alone. So there is no possibility of placing a mortgage on such 'non existent' buildings. This locked in capital used in the entrepreneurial economy would help start, well, up to 4,000,000 new businesses.

*HUMAN RIGHTS AND ECONOMIC DEVELOPMENT = FUNCTION (Property Rights)*

## Should Every Man, Woman and Child on the Planet Have a Personal Business for Life?



### *Putting Your Stamp on Something*

I have become increasingly certain that people in the 21<sup>st</sup> Century are going to need what I can only call a Personal Business. It seems to me that there are so many changes in the local, national and global economy going on and so many things can and do go wrong, that it might not be a bad idea after all to have a fallback position.

I have been stressing to my students how important it is for them to have a Personal Web Site for life—a place where they can collect their personal IP over their lifetimes and careers and one day, maybe, they could even find a way to make money from it too—while they are 'lying on a beach'.

But something else has struck me recently—just how many people have little sideline hobbies, gadgets, gizmos ... micro businesses really that make a bit of money. It also struck me that this could be a highly useful thing to have. Let me give you an example. I recently met with Richard Rutkowski who is a candidate to replace retiring Kanata Councillor Alex Munter on Ottawa City Council. Richard is a former City of Kanata Councillor.

Richard is an intriguing person—he is confident, a good marketer, a good promoter and a sure handed politician—prepared to make the time investment in being a City Councillor (which is a 24/7 J.O.B.).

I asked Richard what he does between political jobs and, sure enough, he hauls out this cute little magazine called The Best of Kanata. Now this is really low tech—businesses advertise in it, so that is one revenue stream for Richard. It costs about \$600 for a half page and there are lots of pages. Then, people buy these things for 20 bucks and in the back of the magazine, there is a 'member's

card', the size of a credit card, which entitles them to 10% off at all stores and services featured in the book.

When I did a Google search, the only mention I got was:

<http://www.ncf.ca/gcuc/food.html>

So, Richard hasn't even bothered with a web site. (The Kanata Food Cupboard sells the book for 20 bucks and keeps 10).

Well, this is a pretty simple business and folks advertise in it like crazy because they like Richard and it works for them and it is pretty inexpensive. Richard sells 5,000 copies of the thing, so you can pretty easily figure out for yourself its economics.

There have got to be a zillion of these kinds of ideas. Do you know what I told Richard: "NEVER, NEVER sell this thing—it is like a sinecure, a franchise, a license, a concession ... it is your 'pixie dust' forever."

It is low tech and low intensity to manage this particular micro business and it is a kind of concession because it is so local, so focused and Richard is so well known locally that everyone who is anyone in the 'urban village' that is Kanata is going to be in it.

So while I have told you to create businesses through entrepreneurship that will provide you with more value than if you just had a J.O.B., maybe there is a subtler message here that I could provide you. Maybe, we should each have one micro business that we hang onto for life—that never gets shared with anyone, no partners, never is pledged to a Bank for a loan and, thus, something that we can fall back on in troubled times.

Maybe [StreetPaddleTennis.com](http://StreetPaddleTennis.com) will be that for my 14-year-old son, Matthew, who knows?

It would be pretty cool if every man, woman and child on the planet each had a Personal Business (PB) that stayed with us throughout our lives and, if things get messed up, well, we have (as my father would say): "a fallback position" or "an iron reserve". My father lived through two World Wars and he really understood the need for both.

I was thinking that a number of the students in Entrepreneurial Culture (one of the courses I teach at Carleton University) in 2003 already have this type of thing going on. I mean if those ladies in India can make a go of it by turning a \$900 investment in a latrine into a thriving micro business for goodness sake, all

these talented, educated and very privileged students of mine ought to be able to do it too.

### **Politics, Media and Business Form an Identity**

When I got the courage up to first ask my future wife, Dawn, out on a date, she said: 'no'. Being a somewhat persistent individual, I asked 'why'.



*Dawn Said 'No'*

She told me that she 'didn't want to date a business man'. 'Why not?' I asked. 'Because business is dirty and, at the top level, business, media and politics are all the same and I am apolitical.'

I suggested that we downsize from dinner to just meeting for drinks and I would prove to her that she was wrong. So we met, fell in love and have five children together. But years later, I called Dawn at work and told her, she was right; at the uppermost reaches of business, there is an unholy alliance between the media, politics and big business. So now I write on the board for my students this equation:

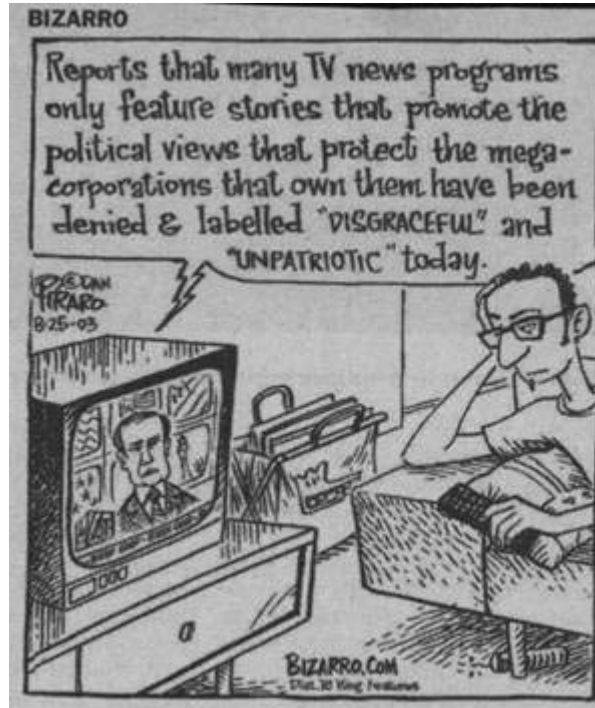
$$P = M = B,$$

where P stands for Politics, M for Media and B for Big Business. Frankly, large political, media and business interests *don't want you*, the entrepreneur, to succeed.

What I had realized is that most national economies are controlled by a handful of families or a few hundred at most. And they like their oligopolies and their positions of power and are highly motivated to keep both. As entrepreneurs, we

often run into these entrenched positions and that is why so many entrepreneurs live by the credo that:

*"It is better to ask for forgiveness than it is to ask for permission."*



*Centralized Control Over Media Including the Internet  
Promotes Political and Big Business Agendas*

### *Wilderness Tours*

I was speaking to Joe Kowalski, Founder of Wilderness Tours (WT), last weekend when he and his wife Sue took Dawn and I and some of our kids rafting down the Ottawa River. I asked him how he founded WT, some 30 years ago.



### *Joe (in stern) Calmly Takes the Raft Gently Down the Stream*

I was particularly interested in how he started because he was the first to recognize the power of the white water on the Ottawa River and because there was no regulatory regime in place at that time (in the 1970s). Today, if an entrepreneur wanted to start a rafting company, he or she would have a terrific number of bureaucratic hurdles to overcome (not to mention intense competition from well-established WT and other rafting companies on the Ottawa). So a startup today on the River would face significant up front costs and significant time delays—presenting a formidable barrier to entry.

Joe told me that he started on the Ottawa with 'no money' plus two rafts and he just started—he was a river guide and he hired a summer student from back home (Joe hails from Pennsylvania) and they just set up shop. He didn't ask anyone for permission. He just put the rafts in and took them out and enough folks came that he carried on ... for 30 years. Wilderness Tours is now a world-class rafting and kayak destination resort; check out [www.wildernesstours.com](http://www.wildernesstours.com).

If he had asked for permission from, say, the local Council, this would have started a process that might easily have brought in the Provincial Governments of both Ontario and Québec (the Ottawa is the boundary between these two Provinces) as well as the Federal Government, which is in charge of navigable waterways.

They would have formed a study group; they would have studied the issue for at least a year. They would hold public hearings. Potential competitors would have been tipped off. Outfitters in other places would learn of Joe's plans. Existing tour operators (e.g., canoe places, say) would object.

Joe would have had to hire a lawyer. Tens of thousands of dollars and two years later, Joe would have quit and Jean Chrétien could not have proved that he was still youthful enough to lead the GOC and the Liberal party through a third majority government by staging a photo opportunity in a WT raft on the 25<sup>th</sup> Anniversary of WT. Oh yes, thousands of person-years of employment would never have been created either.

### *Federicos Gondolas*

Compare this with the experience of Darcy McRae, who started a Gondola business on the Rideau Canal ([www.Gondolas.ca](http://www.Gondolas.ca)). Darcy, a Carleton University Sprott School of Business grad (2001), bought himself a beautiful, hand crafted, wooden \$85,000 Gondola from California.

He launched in September 2002 in the scenic and historic Rideau Canal. There is something about Gondolas and Canals that just go together wouldn't you agree? He docked at the Dow's Lake Pavilion and it was something to see—my wife Dawn and I were eating one evening that fall in the Westin Hotel in downtown Ottawa at Daly's Restaurant. It just happens to overlook the Canal.

It was around 10 p.m. and we saw this ghostly shape gracefully move through the mist to dock at the National Arts Centre—Darcy had earlier in the evening taken a couple from a restaurant further up the Canal to the NAC for a show and was coming by to pick them up. What a romantic way to spend an evening, n'est-ce pas?



*Darcy on Mooney's Bay, Ottawa in 2003*

Well, in Ottawa we have another level of Government that is a state unto itself—it is called the National Capital Commission (the NCC). What do you think the NCC did?

They sent an armed RCMP officer in full body armor to give Darcy a cease-and-desist order that not only banned him from the Canal but also forced the management of the NCC-controlled Dow's Lake Pavilion where Darcy was docking his boat to renege on his contract.

Darcy was left with no clients, no berth and his life savings and his investors' money were in jeopardy. Interestingly, the berth next to Darcy's was occupied by a boat that provided charters on the Canal but somehow, rather mysteriously, that was O.K. with the NCC. The reason for banning Darcy? The NCC had earlier given a monopoly to a major tour operator whose boats hold 150 personas each. There are no Gondolas on the Rideau Canal. Thanks, NCC.

Oh yes, Darcy was also banned from the Rideau Canoe Club, the Casino du Lac Leamy and just about everywhere else he tried to put in. Finally, in June of 2003, Denis Giacobbi and his family (from [www.fitnessleaders.com](http://www.fitnessleaders.com) and [www.fitbug.com](http://www.fitbug.com)) were kind enough to allow Darcy to use their dock on Mooney's Bay.

Darcy continues to be harassed by Government representatives to this day. P = M = B.

### *Ottawa Business News*

When OBN was started by yours truly in the mid 1980s, we wanted to break into the newspaper market which was then totally dominated by one newspaper, the Ottawa Citizen. Advertising rates reflected that newspaper's dominant position and we thought that OBN would provide a useful B2B advertising vehicle and it was a way to bring the maturing business community together.

We wanted to drop paper boxes on every street corner. These are amazing devices—they just sit there and advertise your product 24/7 and they don't cost very much.

We then faced the question: 'Do you ask for permission first?' Our answer was 'no'. If we ask for permission to drop paper boxes on the sidewalks of the City, the City will convene a study group. They will hire a consultant. The Study Group will be made up of representatives of the established media (e.g., the Citizen folks, the billboard people, etc.). It is not in their interest to allow paper boxes since that is a leg up for startups like OBN. And they have the perfect political cover—paper boxes are 'visual pollution'.

So what we did was send around a young fellow in a costume (thanks, Duncan MacDonald) to put quarters in expired meters to save folks from the dreaded Green Hornets and their parking tickets. (By the way, after we did this, Ottawa City Council passed a bylaw making this illegal. They were afraid that their parking ticket revenues would decrease if this became a habit. So now, in Ottawa, you are only allowed to put money in your own meter.)

This was the first time anyone had tried this PR stunt and it got OBN's mascot a lot of good media coverage. That was our political cover.

Then we just dropped a couple of hundred paper boxes all over Ottawa.

Of course, the reaction was to get us to cease-and-desist but we made two effective arguments: 1. this was a freedom of the press issue; 2. the City should

license paper boxes (we suggested \$25 per year per paper box). Rather than ban them, the City should make money from them by 'regulating' them.

This is quite persuasive because politicians love power and they know that power comes from money. In fact, let's add that to our Dawn equation  $P = M = B = \$$ . The end result is that there are a ton of paper boxes in Ottawa now from all major and many minor publications, providing greater levels of convenience for readers.

### *A Lesson for Entrepreneurs*

Established enterprises don't want you to succeed. Even very large countries tend to be controlled by a relative handful of political, media and business interests. One of the keys to their continued power is the ability to create concessions for themselves—newspaper monopolies, cable empires, television licenses, for example, are all tightly controlled and doled out according to arcane rules that hugely favour the incumbents.

One of the keys to long term business success is control over some type of factor of production. If you want your business model to be sustainable, you need some type of 'pixie dust', some type of long term competitive advantage. You need to be able to execute well but you also need to have 'access'—to capital, to boat launch facilities, to City sidewalks, whatever.

Again, it is better to ask for forgiveness (sometimes) than to ask for permission. The caveat is that, like so many things in the field of entrepreneurship, this is a gray area and one has to be careful about legal liabilities (another closed system, I am afraid).

But nevertheless, great businesses have come about because people like Joe Kowalski and Darcy McRae have faced down entrenched interests so there is hope that you can too.

### **Teamwork in the 10th Millennium BC**

Another secret to making entrepreneurial endeavors work is teamwork. According to Jane Jacobs all human economic development stems from the development of villages, towns and cities. Think about that for a minute. What is so special about cities, towns and villages?

Well, it's by proximate cohabitation that we learn about each others strengths and weaknesses and learn to share and divide tasks according to individual skill sets.





Many people have the view: "More pie for you means less for me."

The folks fighting a couple of years ago on Canada's East Coast at Burnt Church over lobster quotas clearly believe this old economy saw and, maybe they are right.

But it is possible that they aren't.

Economic growth derives from a multiplying of options, from specialization, from comparative advantage, from the development of standards and, in the new economy, from network effects, disintermediation and scalability.

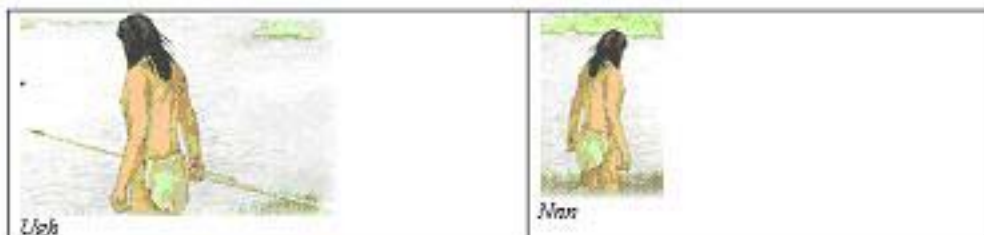
Now let us go back in time to the land of Ugh, Nnn and Zll.

Before Village Formation	After Village Formation
<p>Ugh produced</p> 	
<p>Nnn produced</p> 	

*The Local Economy of Ugh and Nnn*

In the land before time, the family of Ugh lived by themselves in the savannas. Ugh was an expert antelope hunter providing his family with four antelopes a month. His carving skills, however, were poor, producing only one set of flint knives per month. A mile away, the family of Nnn is hungrier- Nnn is a good flint knife producer, producing three sets of flint knives per month but only bagging one antelope.

The families of Ugh and Nnn decide to colocate to form a village, at first, for the protection of both. By colocating and forming the first primitive village, they also open up the possibility of observing each other and cooperating and trading between the families.



### *Ugh Carrying Spear, Nnn Looking for Flint Material*

The result is that after a few months, they decide that Nnn will concentrate on producing flint knives and Ugh will focus on hunting. The GDP of the two families before the colocation is five antelopes and four sets of flint knives. After colocation and specialization, the GDP has increased to seven antelopes and six sets of flint knives each month. This represents a phenomenal increase in the well being of the two families. So much so that this first village is producing goods surplus (profits again) to their needs. This sets up the possibility of trading with a third family, the family of Zll, who are expert in producing textiles (animal skins) resulting in a further substantial increase in value for the emerging regional economy.

This simple example demonstrates why the 'more pie for me' doesn't necessarily mean less for you. You will note too that this primitive economy works because information about Ugh's hunting prowess is flowing from Ugh to Nnn and information about Nnn's skill with flint knives is flowing from Nnn to Ugh. What this means is that it is the beginning of an information economy and it shows how improved communications even in the 10th Millennium BC causes economic growth through the multiplication of options and opportunities. Afterall, it was after 1994's introduction of the Mosaic Browser turned the PC into a mass communications tool that productivity took off and the long promised payoff from huge investments in computers finally arrived.

People need people like no other animal on the planet—we are uniquely codependent on each other. Skill sharing is the most fundamental reason for the improvement in the human condition. What we seem to be missing in many of our communities is the feeling of belonging to the 'tribe'; that feeling of belonging to 'Team Ottawa' or 'Team New York'. We get that feeling during times of great stress like the September 11th, 2001 bombings of the World Trade Center Towers.

I have given a lot of thought about how to engender more of this type of fellowship in our cities and towns. It is about more than just feeling good about yourself and your team. It's about improving living conditions and productivity too. Sports teams, festivals, artist colonies, the performing arts, entrepreneurs, researchers, all those people involved in creative pursuits seem to add to the feeling of belonging which leads to higher team spirits. People working in teams can create far more than the individual working alone.

*City-State Creativity + Productivity = FUNCTION (City-State Team Spirit)*

*City-State Team Spirit = FUNCTION (Bohemian Index)*

*Bohemian Index = FUNCTION (Festivals + Performing Arts + Universities + Entrepreneurs + Researchers + Artists + Sports Teams)*

For example, the Tulip Festival of Ottawa celebrated its 50th anniversary in 2002 by creating five-foot high tulips (partly in answer to the wildly popular Toronto Moose). Cities and towns all over vie to have the biggest something-or-other: hockey stick or whatever.

Some towns have big slogans like Biggar, Alberta: "*New York is big, but this is Biggar.*" (Just a little bit better than Ottawa's former \$200,000 slogan: "*Technically Beautiful*", don't you think?)

People are always talking about limits but ideas aren't limited. They are for all intents and purposes infinite. Maybe it is the only thing that is infinite. There are no limits to human ingenuity. But you need a great team to make these ideas actually work for you.

#### FIVE STEPS IN THE ENTREPRENEURIAL PROCESS

Step 1	Generate Idea
Step 2	Apply Ingenuity
Step 3	Have Courage
Step 4	Form Team
Step 5	Execute Well

#### *Fed/Ex Example*

Let's look at what Fred Smith did when he put together Fed/Ex:

Step 1 (Generate Idea): Overnight parcel delivery

Step 2 (Apply Ingenuity): Instead of flying individual routes amongst 50 US cities (an impossibility since this would generate 2,500 overnight flights, i.e., 50 x 50 permutations), use the 'hub and spoke system' to bring parcels into major nodes and then long haul flights take packages into regional centres for further distribution.

Step 3 (Have Courage): The first night, Fed/Ex had five packages to be delivered, that's right five. After tremendous investment and huge risk taking by Fred Smith to get the system set up, it turned out no one knew that they need overnight parcel delivery. Fred was way ahead of the marketplace and his customers.



*Fred Smith has Guts*

Not a comfortable place to be. He needed a lot of courage and hope (some would say blind *faith*) that his gamble would work. (At the end of the day btw, every business decision is an article of faith in my view. We do a lot of analysis to try to make informed decisions but we still need to use human judgment to make wise choices.)

Step 4 (Form Team): Fred Smith's team is amazing; they are loyal, committed people. Ever talk to a Fed/Ex driver? They are amazingly upbeat and they feel they are part of something bigger than themselves.

I always find it sad that so many middle aged people like me seem to have had their best days back in High school or College. When you ask them 'why', they almost always talk about their experience on a team—coming back from an impossible deficit to win a house league tournament... And this is the highlight of their lives? Well the underlying reason is that they felt they were part of something bigger than themselves. We somehow need to bring this feeling into our daily lives as adults too.

Step 5 (Execute Well): I don't care how great your idea is or how ingenious you are, if you can't execute well (generate sales, control costs and deliver value to your clients and customers in the process), you're sunk. Obviously, Fed/Ex can do this on a year to year, decade to decade basis. And BTW the three most important tasks in this step are SELL, SELL, SELL. Startups with real customers and real cashflow will attract financing, not the other way round.

I find it peculiar that researchers spend so much time analyzing why businesses fail. I can tell you from experience that almost all business failures ultimately can be traced back to a failure to generate sufficient revenues. If your revenues are buoyant, your business will go on, maybe without you at the helm for other reasons (such as failure to control costs), but it will go on.

### *Ottawa Senators Example*

Let's look at an example where I have some direct personal knowledge of the steps we took to secure a National League franchise for Ottawa.

Step 1 (Generate Idea): Driving down the Queensway in 1987 wondering what I could do next, I asked myself what does Toronto have that we don't? (Ottawans

constantly compare themselves to big brother Torontonians). Ah, back came the answer: "*They have a NHL team and we don't.*"

Step 2 (Apply Ingenuity): To clip the wings of any other potential bidders arising locally, we secretly bought 600 acres of land for a new arena, rezoned it, sold 15,000 PRNs (Priority Registration Numbers, basically giving people the right to buy season tickets in the then non-existent franchise), signed 500 corporate sponsors and 31 original corporate sponsors to help us in our campaign to BRING BACK THE SENATORS (a team that had played in the NHL until 1934 when they transferred to St Louis because of the deepening Depression).

Step 3 (Have Courage): The local media wrote a story the night before we won the franchise that there wasn't much hope for success for our bid.

Step 4 (Form Team): We had a superb group of young, talented and *extremely* dedicated executives, all trained by me. THEY WOULD'T BACK DOWN.

Step 5 (Execute Well): The campaign was tightly focused on the only people who mattered—the 21 voters (Members of the Board of Governors and owners of the NHL Member Clubs) and the President of the League too.

It took a great team of unimaginably dedicated people to BRING BACK THE SENATORS.

I still remember an Ottawa Citizen headline a few days before we got the Ottawa Senators franchise: "And the winners are ... Seattle, Milwaukee." That hurt.

Of course, it was Ottawa and Tampa.

The night before we won the franchise, one of the voters (i.e., a member of the Board of Governors) told me (at a NHL dinner thrown for the nine bidders) with his face just centimeters from mine: "You'll never, ever get a franchise for Ottawa."

I can remember Norm Green, then Owner of the Minnesota North Stars, coming over to my table and asking: "What's wrong." "Nothing," I said. "Well, get that smucky look off your face, kid, and get out there and hustle."

Good advice. Lydia Leeder, in Ottawa, on hearing that comment from her spouse, Cyril later that night said: "You can't stop now! It's just like the Canada/Russia series of 1972. Canadians never quit. Everyone is running to their radios every half hour for an update ... We're counting on you." Now that's pressure!

We did just that and in fact the last thing the Board of Governors saw before they shut the door to consider the matter the next day at 8:00 am was my nose and the faces of my whole team.

We never stopped.

At about noon that day, the pressure was enormous and frankly getting to me; so I went for a run along the beach (this was Palm Beach in December- actually December 6, 1990). I returned at about ten to one and saw some of my team members waving frantically to me. "What's up," I asked. "The NHL has asked all bidders to be in their suites at one for an announcement," said Connie Cochran. "What announcement?" "They didn't say."

Without a shower, I changed into a suit. At one, NHL security took us down to the basement of the Breakers Hotel, a huge antique of a hotel. Next to rotting garbage and standing under dripping pipes, I turned to my colleagues to say: "Fellows. This doesn't look too good. You have done everything that you could do. I am proud of you. If we have lost, we are going to thank the NHL for allowing us to join this process, we are going to congratulate the winners and then we're going to have a press conference to announce- 'we'll be back'."

Then NHL security took us up to the meeting room. Marcel Aubut (of the Quebec Nordiques) gave Randy Sexton, a big hug: "Felicitation, mon ami," he said. We thought he was congratulating us on a good try!

When I went up to the front of the room and sat next to John Ziegler, I saw the words: "The NHL is proud to welcome, as conditional Members under the Plan of Sixth expansion, the cities of Ottawa ... and Tampa." It was a magic moment.

Winners never quit and quitters never win.

(Footnote: After collecting myself for a few minutes, I asked Mr. Ziegler what the final vote was and he told me with a nonchalant shrug: "*It was unanimous, 21 to 0.*" About six weeks later, I did call the Governor who had told us that we would never, ever get a franchise. He told me that his comment was part of a plan by a few Governors. They told each bidder the same thing; it was a character test designed to see how each bidder would react. Two of the bidders stormed out; they weren't successful. Only two bidders got up the next day to continue lobbying until the last possible second—Phil Esposito (leader of the Tampa group) and us.)

The Ottawa Senators formally returned to the National Hockey League on October 8, 1992 after a 58-year absence; it was another great day for Ottawa. I was at ice level at the old Ottawa Civic Centre when the team was introduced.

The people in that arena applauded those players—they gave them a standing ovation—for six minutes. I realized that they weren't really applauding the players, they were applauding themselves. This City came of age that day—there was a feeling that 'we did it, we did it together'. It was that special feeling that only comes from being part of something greater than ourselves. Professional sports can do that. But surely, we can add more days like that. It is a challenge for you to take up. *Carpe diem.*

Let me leave you with a quote on the role of hope in human affairs, which frankly does not get enough attention. Human beings need to have hope to live.

*"Most of the important things in the world have been accomplished by people who have kept on trying when there seemed no hope at all,"* Dale Carnegie.

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