

transfer process, it would be highly unusual for the transfer to be accomplished without significant and substantial modification of the original idea content. A welding process devised for the aerospace industry may well have application in the automotive industry, but the economic, and even the technical requirements will differ materially for the two fields of application. To successfully adapt the innovation from one field to another thus will entail money and resources, often in substantial amounts.

A cooperative developmental program between the innovator and the potential users may well be the answer in such cases. I need not point out to you the variety of organizational and legal problems such ventures entail, particularly if the work is to be done in-house by one party or the other. Overcoming such obstacles, and organizing a sound and mutually acceptable development program may well be an integral part of the licensing executive's responsibility in the future. As a passing comment, I might note that organizations like Southwest Research Institute, an independent yet highly competent research and development agency, might well provide the neutral territory where such ventures can grow and prosper.

In summary, let me again express my appreciation for the privilege of addressing you. Technology in the decades ahead will continue to profoundly influence the directions of our society. Immersed as we are in the mechanics of technological change, we share the adventures which the future will bring. At this point in history, I cannot think of a more exciting and satisfying role.

*\*About the Speaker: Martin Goland is President, Southwest Research Institute.*

<sup>1</sup>Cooper, Richard N., "Technology and U.S. Trade: An Historical Review", Symposium on Technology and International Trade, National Academy of Engineering, Washington, D.C., October 1970.



*Stephen J. Gilbert*

## ENTREPRENEURSHIP, LICENSING, AND NEW ENTERPRISE FORMATION

by  
*Stephen Jay Gilbert\**

I am honored to have this opportunity to address the Eighth Annual Conference of the Licensing Executives Society. In keeping with previous LES program formats, I shall begin by providing information about my company, the INSTITUTE FOR NEW ENTERPRISE DEVELOPMENT (INED). Then, I shall speak about a program that we are running for the Office of Economic Opportunity and consequently, the implications for expanded licensing opportunities that evolved from this program. As these opportunities expand, the flexibility and capabilities required of the licensing executive must also increase. I shall be previewing the types of systems which may be available to aid the licensor in the multiplicity of his future duties.

INED is a non-profit organization formed to promote economic development by helping entrepreneurs systematically create new enterprises. INED is currently working specifically with entrepreneurs willing to locate in poverty areas. Our staff of 12 professionals covers a wide range of combined expertise as exemplified by the following various individual accomplishments and capabilities:

- Entrepreneurial development of more than nine existing companies
- Management of multi-million dollar organizations and turn-around situations
- New venture analysis for industry
- Team building analysis and trouble shooting
- Business curriculum development
- Business opportunity development, and
- Urban economic development

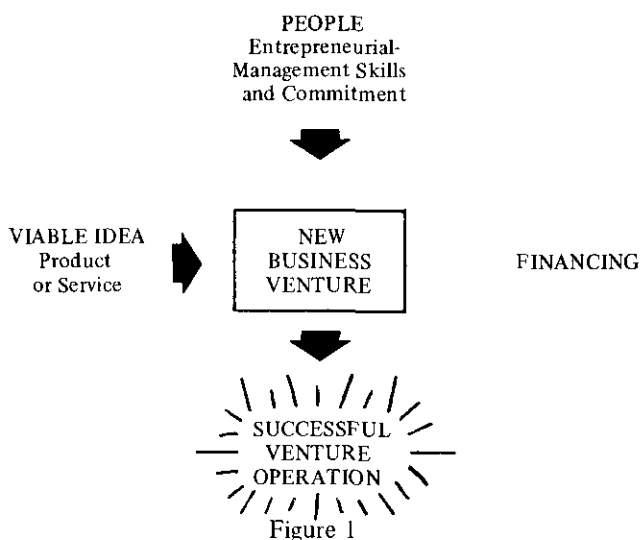
INED's approach is based on the collective experiences and capabilities just noted in conjunction with subsequent development work done when the principals left their positions in industry to join the staff of MIT's Sloan School of Management.

Prior to jumping into INED's program, a brief overview of the new enterprise formation process is appropriate. Before you, I have pictured the three elements most commonly referred to as necessary for a successful new business (see Figure 1).

Venture capitalists, bankers, and business researchers all agree that the single most significant factor in business success is THE PEOPLE, that is, the entrepreneur *and* his team. Many of my colleagues here today have probably had the opportunity to watch inventors (with very sound products) unsuccessfully seek financing. Alternatively, some may have had the experience of obtaining a favorable license from a new venture group which one or two years later filed for bankruptcy. The fault has most often been traded to THE PEOPLE and not the idea.

The second element is a VIABLE IDEA. Without a sound product, the best entrepreneurial team can barely keep its head above water. Still, the product takes second place to the people because as just mentioned, even with a great product, a poor team

**ELEMENTS OF A SUCCESSFUL NEW BUSINESS**



can destroy its potential.

FINANCING is the third element. Very few ventures can be successfully consummated with seat-of-the-pants financing. Adequate and timely financing is a must, especially when additional development work must be carried on and there is little chance of generating enough internal capital to support that work. Financing must and does take third place, for without the right people and a viable idea, the money will be absorbed as fast as it is allocated.

The way one often sees these elements tied together is that the expectant entrepreneur and the idea arrive as a package seeking funds. Given the high rate of new business failures, this process apparently has some kinks. INED has identified two, possibly three areas where we think that process can be improved. The first area that can be improved concerns the tie between the entrepreneur and the idea. We think that an intermediary can be used to perform that tie. As I shall point out later, I believe that the most effective intermediary to do that job is the licensor. Second, that the entrepreneurial team should begin formation prior to choosing a product. Third that another element should be given top billing with people, ideas, and financing. That element is the business plan. All too often the business plan is simply verbiage strung together in a pleasing harmony which soothes and lulls the financier into a relaxed feeling of good will and eventually, wasted dollars.

INED has developed a total comprehensive program which incorporates the elements I have been talking about. Specifically, the methodology involves new approaches to: the selection and assessment of entrepreneurs and managers; the identification, cataloging, and dissemination of diverse viable business opportunities; and a two-stage approach to venture feasibility analysis.

The research, development, and three-site demonstration of this program was funded in the amount of \$400,000 excluding the venture capital commitments. The purpose, once again, was to create growth busi-

nesses in poverty areas and hence stimulate economic development. Our own internal goals, in addition, were to shorten the gestation period for new enterprise formation and concurrently lessen the risk of failure.

The four major independent program modules are:

- 1) An Entrepreneurial Assessment Workshop (EAW) which allows assessment of the motivations and skills of potential entrepreneurs and facilitates new venture team formation.
- 2) A Business Opportunity Bank (BOB) of quality venture opportunities that can be readily accessed by entrepreneurs and their teams for alternative business ideas. The BOB screens out both "mom and pop" and declining industry ideas. The BOB includes service as well as product opportunities.
- 3) A systematic approach to the in-depth analysis of business opportunities allowing the entrepreneur and his team to select an opportunity, analyze it thoroughly, prepare a realistic business plan, and establish a new venture. We refer to this module as the VAT (an acronym for Venture Analysis Techniques).
- 4) Alliance with a venture capital organization which can commit adequate and timely financing.

The block diagram in Figure 2 shows how the various components of the INED program are meshed into a single system. The rectangle entitled "The Man or Team" portrays the flow of people. Individuals are

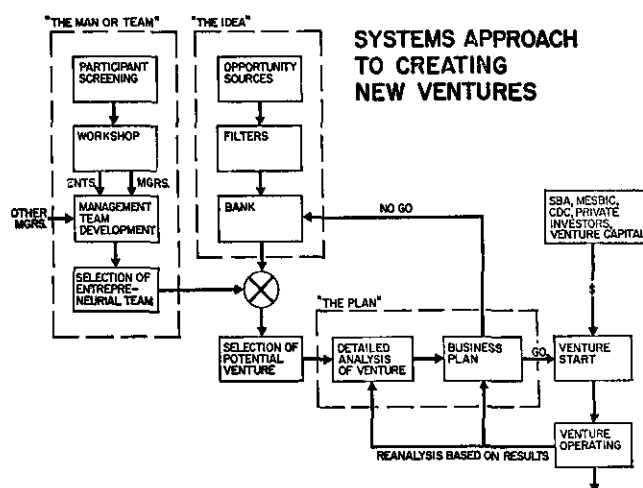


Figure 2

nesses in poverty areas and hence stimulate economic development. From the workshop, potential entrepreneurs and managers are identified. The entrepreneurs then become the foundation on which to build teams. The basic teams are then ready to proceed as shown in the diagram by the arrow pointing to the junction symbol (a circle with an "X" in it).

"The Idea" rectangle depicts the flow of opportunities. Essentially, INED has requested that anyone with licensable opportunities submit them to be screened and, if accepted, placed in our bank. The

available opportunities are now at the same junction point as the entrepreneurial teams. A matching process is then effected resulting in one or more opportunities being selected by the entrepreneurial team.

The team is now ready to begin a detailed venture analysis ending in a business plan or, as the "NO GO" arrow indicates, return to the BOB to find another opportunity.

If the business plan is completed and passes certain efficacy tests, then it is submitted to the allied venture capital group for funding. Once underway, the new venture team will be continually updating its business plan as operating results come in. The overview of the INED system is now complete.

I had originally expected to talk more about the BOB at this point, but I was urged by a few people familiar with the INED program to further explain the EAW and VAT as well. They felt there is enough general interest to warrant more exposure for these components.

I shall stress again the fact the INED's emphasis in designing the Entrepreneurial Assessment Workshop is the *identification* of potential entrepreneurs and managers — and *not* the more difficult task of making entrepreneurs and managers out of the entire group of workshop participants. This objective is accomplished through a 5-day in-residence Entrepreneurial Assessment Workshop (EAW) and a "back home" learning period of 10-30 days.

In designing the EAW, INED drew on the results of extensive research and its staff's own experiences in entrepreneurial motivation and the entrepreneurial process. The workshop intensifies learning and self-assessment by simulating as closely as possible actual entrepreneurial situations; including the problems, conflicts and decisions encountered in the process of starting and building a new business (See Figure 3).

#### ENTREPRENEURIAL ASSESSMENT WORKSHOP (EAW)

##### TIMING

- |                               |   |
|-------------------------------|---|
| — Phase 1<br>(First Weekend)  | — Entrepreneurship and personal motivation                                |
| — Phase 2<br>(Next Two Weeks) | — Reflection period, personal data collection and preparation for Phase 3 |
| — Phase 3<br>(Third Weekend)  | — Assessing personal and managerial skills and developing a personal plan |
| — Phase 4                     | — Post seminar counseling   |

Figure 3

The two in-residence sections of the workshop (Phases I and III in the figure) address four fundamental aspects of the entrepreneurial process:

*Entrepreneurship and Personal Motivation* is aimed at increasing each participant's awareness of the motivations, values, and commitments which are required for launching a new enterprise;

*Personal and Managerial Skills* is aimed at increasing each participant's understanding of his own entrepreneurial and managerial skills, his capabilities, his limitations, and finally the implications of these for launching an entrepreneurial career;

*Personal Planning and Commitment* is designed to assist each participant in developing a personal plan of action and a commitment to that plan which is both realistic and appropriate for his personal objectives and entrepreneurial and managerial potential; and

*New Venture Team Building and Organization* is aimed at increasing each participant's understanding of the variety of skills that are necessary for a well-balanced team and the kinds of interpersonal conflicts that can arise during the creation of a business.

The instructional methods used in the EAW are based upon behavioral teaching techniques that include:

*Case Discussions* of existing businesses showing the kinds of problems, experiences, and decisions recently faced by entrepreneurs;

*Entrepreneurial Simulations* as incorporated in a "business game" designed to help participants assess their behavior and motivational orientation; and an "In-Basket Exercise" presenting typical management decision-making situations to help participants assess their own managerial skills;

*Self Assessment Exercise* which are completed by participants prior to and during the workshop; these exercises aid participants in understanding their places as new venture team members; and

*Group Exercises and Presentations* which are structured to enable each participant to gain experience in developing, presenting and defending case analyses and action plans; these exercises tend to reveal entrepreneurial and managerial capabilities and show the problems, constraints, and rewards of working with others in a venture team.

INED has not needed to exercise selection. The drop out rate in the EAW and succeeding seminars has been coincident with both the degree of entrepreneurship exhibited and the readiness to play the entrepreneurial role. INED also offers post-EAW counseling to all participants regardless of their intentions to continue. Expected results are shown in the figure below.

#### ENTREPRENEURIAL ASSESSMENT WORKSHOP

##### EXPECTED RESULTS

- Entrepreneurs ready to access BOB or *analyze own venture*
- Managers ready to participate in new ventures
- Participants planning to acquire new managerial skills and experience.
- Participants pursuing personal non-entrepreneurial objectives

Figure 4

Following the EAW, a seminar, "Venture Development Seminar/Opportunities", is scheduled which combines training in the process of generating and identifying business opportunities with exposure to INED's Business Opportunity Bank (BOB).

I would like to note at this point that the need for identifying an entrepreneur in the new enterprise formation process closely parallels what the licensing executive might need prior to effecting a license. You want to maximize discounted future profits and when faced with the beautiful choice of one of two companies who wish to license, the chosen alternative should be dependent on the company who provides a team exhibiting entrepreneurial characteristics. In fact, whenever possible, it would be nice if a due diligence clause can be inserted that refers to effort based on "named people" as well as the dollar effort of the licensee.

The Business Opportunity Bank is, in a sense, a misnomer; for it actually characterizes the process used to provide a diverse set of business opportunities to entrepreneurial teams. In the far left of Figure 5 are sample sources from which new technology and new service ideas can be garnered. The major sources are divided into two categories — product sources and service sources. As a product scout might do, we have gone to a number of standard licensing sources such as university, government, and corporate departments, as well as independent patent brokers, patent attorneys, and licensing firms.

**BUSINESS OPPORTUNITY BANK**

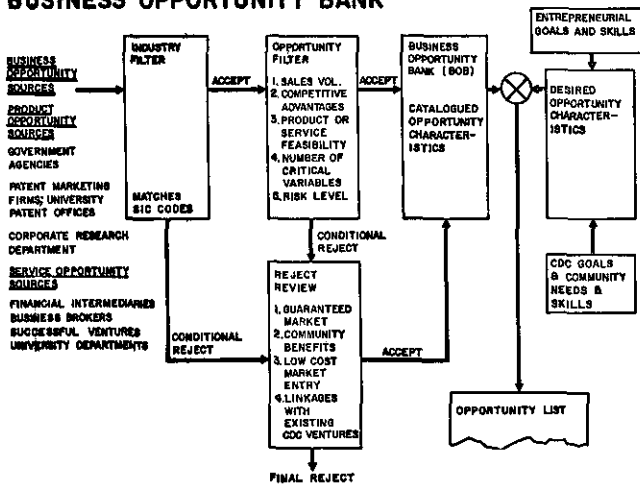


Figure 5

I think INED may be the first firm to act as a "service scout" in addition to the patented items that we have been stocking. For these types of opportunities we have been scanning financial intermediaries such as venture capitalists, banks, and other money institutions; university departments such as psychology, sociology and education; franchises; business brokers; and finally regionally successful businesses. In toto, then, there seems to be a business opportunity wherever one looks.

I am going to stop here for a moment and digress on the subject of service opportunities. Many of you present may have been involved in the sale or license

of a corporate division or small business. Some, may have done franchise licensing also. How and where do financial intermediaries and university departments act as a source of *protectable* service opportunities? Financiers see many good innovative business plans based on service markets but do not fund them for lack of capable entrepreneurs. Enough work has already gone into these plans to make them valuable for the amount of effort they could save a new team attempting to plan a similar venture. These business plans are sought by INED and then summarized into an abstract. For teams to access these plans after having read the abstracts, they must sign an agreement of intent to give equity to the original innovators if the plan in whole or in *any* part is implemented within a specified time period. The originators of the business plan have nothing to lose since they have exhausted their sources of funds anyway.

Within university departments, many professors form corporations to handle their outside consulting activities. Much of these activities in addition to university research and student theses yield viable service opportunities dependent upon the know-how of the researcher. Know-how is as licensable in the service areas as it is in the technical areas. As a result, a tappable service opportunity market exists.

Because all the ideas collected from these diverse sources will not necessarily prove worthwhile, a rapid screening mechanism has been created which will permit the more potentially successful ventures to reach the BOB. The opportunities are first screened based on the industries in which they can be utilized. If they do not occur within the bounds of previously identified growing or emerging industries, they are then rejected. If accepted, more specific tests are run to determine their potential viability. Passing these tests, the opportunities are stored in an opportunity bank.

Ideas rejected because they are not in a top industry category or because they failed certain tests, may still have alternative value, e.g. government guaranteed market or direct community benefit. The initially rejected opportunities are then double checked for these values. Those opportunities which are still rejected are placed in a rejection pool.

The opportunities stored in the BOB are available for access by poverty-area entrepreneurial teams. A scheme analogous to that of computer dating is utilized by INED to aid entrepreneurial access. Basically the capabilities of the team in conjunction with community goals are characterized. The resulting characterizations are then matched to the opportunities in the bank to yield a set of alternative opportunities which the entrepreneurial team must further analyze. The final analysis includes more thorough market research, financial predictions, and a business plan.

In the traditional enterprise creation process, the entrepreneur often comes into working contact with sophisticated, systematic venture analysis techniques only after his proposal and venture plans are finalized and submitted to a funding source. Even if the entrepreneur is fortunate enough to submit his proposal to a venture capitalist who employs some sort of

systematic analysis, these techniques are most likely to be used to evaluate and critique his plan rather than to help him build a viable and realistic venture strategy.

From the entrepreneur's perspective, this is a poor use of the venture analysis tools. They would be of far more value if properly introduced during his venture plan development efforts (See Fig. 6).

### VENTURE ANALYSIS TECHNIQUES (VAT)

#### GOALS AND CHARACTERISTICS

- An essential aid to developing any sound business
- Guides and disciplines the thorough evaluation of a business opportunity
- Aids the preparation of comprehensive business plan
- Identifies strengths and weaknesses of venture
  - The former can then be exploited
  - The latter can then be corrected
- Aids focusing on areas of uncertainty/risk to allow measure of probability of success
- Provides a base-line plan to control and positively change operational activities

Figure 6

INED has put the VAT together in a programmed instruction type format. In effect, the teams will be learning the why of the analysis they are doing.

#### OBJECTIVES FOR TWO-STAGE ANALYSIS

Provides a quick first look at potential ventures with a detailed study as a follow-on for selected ventures

— Reduces work and commitment by CDC's on marginal venture proposals

Provides subsequent procedures for presenting comprehensive data in a format that reduces the funding cycle

Figure 7

The first stage is a shortened version of the second with a number of checkpoints used to point out the flaws. If the problems seem too expensive to solve or insurmountable, the opportunity is dropped without excessive effort having been expended.

#### DETAILS OF SECOND STAGE ANALYSIS

- Procedures for performing in-depth study of a venture so that investment decision can be made
- Content outline
  - Description of business or service
  - Description of entrepreneurs and managers
  - Market evaluation
  - Development and manufacturing considerations
  - Marketing and sales plan (strategy, penetration)
  - Financial plans (capital and profit projections)
  - Problems and opportunities (major risks)
  - Community benefits

Figure 8

I have now covered the salient features of the INED system; that is, entrepreneurship, business opportunity selection, and the use of venture analysis techniques leading to the formation of a new enterprise. INED began its demonstration program in May at three sites.

Detroit — a black urban setting

Denver — a Mexican American urban setting

Southeastern Kentucky — a ten county white rural setting (Appalachian Poor)

In Kentucky we already have one capitalized tent manufacturing venture and expect two more ventures by early January. In Detroit, six business plans are being written. In Denver, we hope to see two ventures funded by January.

It is, of course, too early to judge whether or not this endeavor by INED is successful. One has to look at these businesses five years from now. If they are still profitably in operation with sales volumes well in excess of a million dollars as a minimum sales level and are employing people from a poverty area then we shall have been a proven success. The only criteria we can use in the short run is the number of apparently good ventures funded. By January the program will have been running for eight months. We will have established an excellent beginning if four ventures are funded.

During the demonstration phase of the program we have been ironing out many of the kinks in our system. We also took time to re-evaluate our components and try to identify potential future problems. Two problems are currency and size of the BOB. Another is psychological ownership felt by the entrepreneurial team for an idea that they did not generate themselves. I do not believe that the problem of ensuring psychological ownership is indigenous to INED alone. In fact, when a licensor calls on a corporation which should be interested in a particular product and that corporation asks its R&D Department to make a judgment, then that judgment will likely be colored by R&D's subconscious lack of enthusiasm. INED is trying various solutions, one of which "the package approach", probably fits the corporate licensing problem as well. We hit an entrepreneurial team with so many related opportunities, that by the time they wade through and decide they want to look at one or two under first stage venture analysis, they have begun to have that precious feeling of ownership. Similarly, a licensor might try some variation of the package approach by accumulating several related items and requesting that a corporation respond as to which one it finds to be most interesting. If it responds with a particular item, then the likelihood of ownership is increasing because of the "positive" effort expended rather than the "negative" approach of evaluating an item for its faults.

Keeping the BOB up-to-date at this stage of the game for INED does not cause any major problems. The number of accesses and the volume of items are presently manageable. When the number of items successfully filtered in the bank surpasses the 1,000 items mark, we will only be able to do selective checks for current availability. Our hope here is to develop a tight

enough liaison with the opportunity sources so that they will keep us informed. We have not yet formulated a policy for attacking this problem and will not be doing much work on this until January.

The final problem that we have presently identified is sheer volume. With limited resources, INED will not be able to hire enough consulting help to handle all the items that need to be evaluated. I think the long range solution here can best be described by an analogous solution developed to aid banks in making loan decisions.

Signatron, Inc. in Lexington, Mass. developed a credit scoring system known as Signa-Score. The need for credit scoring arises from the fact that liberal credit policies can lead to a high incidence of bad debts and thus can result in a monetary loss. On the other hand, over-cautious credit policies which ward off bad debt losses, tend to eliminate too many potential loans, thereby decreasing the volume of sales and profits. In reviewing each loan application, an experienced credit officer exerts his best judgment to strike the proper balance between these two extremes. The "proper" balance depends, however, on the availability of money, on the credit institution's desire to service a particular community or group, and on the respective costs of good and bad loans. Thus even when an experienced loan officer is available to correctly assess the applicant, additional policy factors have to be brought to bear in reaching a loan decision. Moreover, the recent rapid growth of consumer credit, particularly the marketing of credit by mail has outstripped the supply of experienced loan officers.

To solve this problem, a computerized analysis was run of the records of approximately one thousand recent loans in a major commercial bank. Sophisticated use of a technique known as "discriminant analysis" accomplished the following:

- the comprehensive review of multiple applicant characteristics and the selection of only those which are the most significant.
- computation of the cut-off score based on the maximization of profits, and
- development of a simple rule for monitoring whether the scoring system needs up-dating.

In practice, credit scoring is a very simple system to use. The potential lendee fills in an application for that provides the information necessary to make the loan decision, administer the approved loans and facilitate collection on delinquent loans. The loan officer then uses a score card which presents predetermined numerical scores to be assigned to each response on the application form. The sum of the responses provides a measure of the risk in extending a loan to the applicant. In addition, the applicant's score can be used as a measure of the credit limit that can be extended.

INED can use a scoring system as an aid in evaluating business opportunities. The selection of scorable questions, the categorization of the possible responses, and the values of the scores would be determined from a discriminant analysis of historical licensing experience (gathered from a survey). A relatively wide "gray range" would be established

in the first few years. If an item scores above the gray range, it is automatically accepted. If it falls below, it is rejected. If it falls within the gray range, the consultants will be called in to do the evaluations. If the system proves workable, then the gray range of scores would be narrowed, hence reducing the number of calls to consultants; thereby keeping the consulting costs rising at a far lower rate than the increase in volume.

Valuable spin-offs can come out of such a project. A major licensing survey could yield invaluable information on the state-of-the-art of licensing including general industry royalty rates and types of contracts — all of which could be turned into a good licensing reference manual.

This seems like a good point to recapitulate various statements that I have made about the role of the licensing executive. First, he should not limit himself to the licensing of products, but should expand as much as possible into licensing "commercial opportunities" — which I shall define as any idea (product or service) which is protectable in some fashion so as to make it licensable. Second, the transfer of technology even in a corporate to corporate setting should not be rushed until due consideration is taken of the people involved in its exploitation. The two situations previously noted where the "people issue" became important were solved by a "package approach" to marketing and a due diligence clause stating *names* as well as dollar amounts. Third, there is no real substantive research being done in the field of services to licensing. We all agree that there are no definitive guides to licensing and in fact there is not standardization. These gaps are prime characteristics of potential business opportunity in services to licensors.

I have also mentioned that the licensing executive should actively expand his market from corporations to include entrepreneurial teams. Go to financing agencies, show them your wares, ask their help in locating entrepreneurs and managers who can handle your products. Work closely with your corporation's venture capital division. If such a division does not already exist, maybe you can be the catalyst in forming one. Remember that the really large ROI's come from early investment in new enterprises that succeed.

Having now looked at the licensing possibilities of the present, I would like to paint for you a picture of the licensing executive's office 20 years into the future.

If you are right handed, on the top right of your desk will be a flat TV plus keyboard able to display both words and pictures. Next to that, with a little camera centered on top will be a tri-screen videophone for up to four-way picture conference calls (leased to you by either Ma Bell or a competitor that we can call CATV, Inc. — in either case at premium prices). Standing to the left of your desk will be Xerofaxlithprint Model 100, capable of copying or transmitting to any other Xerofaxlithprint Model 100 any kind of hard copy in any color visible to the naked eye.

By the year 1990, the patent system will be able to process patent applications within six months of receiving the application (for a total delay time of one year if the US. mail is used as a communication medium). The Patent Office will have a fully computerized

and accessible file of unexpired patents and trademarks. In addition, they will have a standardized cross-tabulated keyword system whereby the patent file can be scanned to reduce patent search time. The file will also contain items such as degree of development and availability for license. Also, I expect a struggling young company will have tried and succeeded in building a similar system for keeping track of service opportunities, but deriving most of its income by acting as a national business brokerage exchange. Both of these files will be available to you through NCFNSN (The National Computer File Switching Network).

You will have available in your personal computer, a series of quantitative routines. Based on profit analysis and upon being fed certain specifications, these routines will kick out the "optimal" royalty rate range, lump sum range or other financial possibilities in which these routines (through the previously noted flat TV) to try alternative arrangements and learn the probable outcomes of the alternatives in seconds.

Another localized routine will be a legal documents text-editor. In it will be sorted standard licensing clauses which can be altered on-line for immediate hard copy on the Xerofaxlithprint Model 100 or transmitted to the licensee for approval. (By the way, if you are working for one of the wealthier corporations, you will probably have the newer Multi-Xerofaxlithprint Model 200 which can receive and transmit simultaneously from a centralized economic data file, substantial market and industry data and evaluate econometric models will be available to aid venture analysis teams in completing business plans.

What will all this do for you? Your work load will not decrease any. With all these decisions aids and clerical tools readily available, you will spend a good deal of time expanding the usage of these tools to more and more peripheral areas of licensing until you are so tired of making decisions that you seek tedious chores to give your mind a chance to relax (e.g. you will learn to type your own licensing agreements).

I will leave to your imagination and possibly a future speech, what it is that a day with all these tools could really be like. The interesting aspect of this glimpse into the future is that the technology is available for 90% of the things I have just mentioned. Within five years, all the necessary technology should exist.

In conclusion, I came today to share with you the methodology used by INED to form new enterprises and to apprise you of, as I see it, growth opportunities in licensing. You, as a licensing executive, must be prepared to meet the future challenges of licensing. You are potentially the logical intermediary for seed capital investing, for technology transfer in all its ramifications, for entrepreneurial team formation, and hence for concrete economic development.

Our present patent system was formulated to provide the incentive for invention. The licensing executive must now provide the mechanism for what Mr. Alfred Brown at last year's LES conference called the

process of innovation — "the total complex process by which an invention, or an idea, is brought to commercial reality for the first time".

I hope I have stimulated you to think of licensing in some new and different ways.

Thank you.

*\*About the Speaker: Stephen J. Gilbert, Assistant Director, Institute for New Enterprise Development.*



*Arthur M. Sloan, Program Chairman, welcomes speaker James C. Makens to LES.*

## THE GROWING MISUSE OF MARKETING RESEARCH

by

*James C. Makens, Ph.D.\**

If anyone has priced Marketing research lately, they know that it is impossible to purchase a good study for under \$5,000. Studies of \$40,000 to \$50,000 are quite common and several go for more than \$100,000.

Anyone buying \$50,000 worth of merchandise would demand a contract, specifications, delivery requirements and a host of other qualifications. A client considering the purchase of \$50,000 worth of legal services would demand a top man with good credentials and references.

Unfortunately, these same requirements are often not made of research people. There seems to be a mystique that surrounds people in the research field.

A few set themselves up like ancient Mayan Priests. They are unapproachable! Many others who hold the Ph.D. and are from a University are seldom if ever questioned. This goes back to the training most of us received in colleges and universities where we were taught to listen at the feet of the great master.

We were told to take notes, memorize and spit back the professor's words as best we could, but seldom were we allowed, much less encouraged, to engage him in debate.

In addition, it is difficult for a layman to penetrate the research curtain. We talk in terms of Psychographics, Algorithms, Alpha Levels, Null