WPI Venture Forum News

To inspire and facilitate technology-based entrepreneurial activity and economic growth
www.wpiventureforum.org

Volume 11 No.7
March 2002

Identifying and delivering your message

Tuesday, March 12, 2002
WPI, Campus Center Odeum*
Registration: 6:00 pm
Meeting: 6:30 pm
Cost: $10, Venture Forum individual annual & lifetime members
$20, Venture Forum non-members
$20, SPC members
$25, SPC guests

It's time to write your business plan — or prepare your "elevator speech" — make a formal presentation — write a letter, news release, article, or report — or help a client convey an important message.

Where do you start? How can you make your communication compelling and convincing?

At a joint meeting of the Venture Forum and the Society of Professional Communicators (SPC), four speakers, each an expert in some aspect of communication, will engage audience members in their discussion, "Identifying and delivering your message." They'll describe the basic principles of good communications as applied to every-day challenges of communicators and entrepreneurs. They'll also examine common pitfalls in both oral and written communications and suggest ways to avoid them.

No matter what medium you choose, effective communication depends on several essential elements: fully understanding your own mission and message, knowing your audience so that you can communicate in their terms, and focusing on the most important components of your message. Panelists will discuss these fundamentals as well as tools and techniques to make a message dynamic and powerful.

They'll also address some of the most common communications hurdles: not knowing how to reach the people who count — not having enough money or time to spend on communications — nervousness about public speaking — uncertainty about presentation style — vague objectives. Panelists will suggest ways to meet these challenges and others that are often shared by people whose success depends on their ability to communicate.

This meeting will follow a different format; there will be no guest speaker, case presenter and panel review. However, in addition to the expert advice of the four communications specialists, the audience will enjoy the usual networking break and entrepreneur spotlight.

Panelists for this months meeting are, from left, Phyllis Thesier, Tom Kennedy, Joan Fouhy, Janice Lindsay

Panelists

Joan Fouhy
Business Expressions
32 St. James Road
Shrewsbury, MA 01545
508-842-6724 phone
508-842-6642 fax
jfouhy@aol.com

Joan Fouhy is president of Business Expressions, a corporate communications firm she established in 1982. Much of her writing

Continued on page 4 ▶

The March meeting is sponsored by:

EXECUSTAFF

CONTENTS

Letter from the Chair 2
Outsourcing: part III 3
Then and now 5
Ten commandments of raising venture capital. 7
Spotlight on entrepreneurs 8
Sponsor's business highlight 8
Employers beware 9
A look at January's meeting 10

** Please note change in meeting location.*

WPI Venture Forum

WPI VENTURE FORUM SPONSORS

Bowditch & Dewey LLP
Business, Technology, and Business Litigation
Michael A. Refolo, 508-926-3425
Monica Grewal, 508-879-5700

Edwards & Angell
Venture Capital & Intellectual Property
Imelda Kenny 617.439.4444 x2251

Execustaff, High Tech HR Outsourcing
Norm Meyers 617-542-0733

Lucash, Gesmer & Updegrove, LLP
Elissa Boisvert, Patrick R. Jones 617.350.6800

Mirick O'Connell, General Law
Brian Dingman, Esquire 508.791.8500
Jeffrey L. Donaldson, Esquire 508.791.8500

MTDC, Venture Capital
Robert J. Crowley 617-723-4920

North Bridge Venture Partners,
Angelo Santinelli, 781-290-0004

Sullivan Insurance Group
John M. Brisbois, CPCU, LIA 508-471-9007 or
1-800-649-1553, ext 3007

Weingarten, Schurgin, Gagnebin & Lebovici LLP
Intellectual Property Law
Charles L. Gagnebin, III 617.542.2290

EXECUTIVE BOARD
Richard H. Prince, Chair
Paul F. McGrath, Vice Chair, Treasurer
Callum Gow, Clerk

Michael P. Angelini, Esq.
McRae C. Banks, Ph.D.
Nilesh Bhandari
Robert Bean '82
Norman T. Brust
Mark J. Conoby '83
Brian Dingman. Esq.
Jeffrey L. Donaldson, Esq.
Patricia G. Flaherty '75
Phyllis M. Hanlon
Robert E. Hokanson
Amar Kapur '65
John F. Merrill
Kevin O'Sullivan
Mark Parish, Ph.D.
Marcia Priestley
Stephen E. Rubin '74
Pamela Sager
Jerrold M. Shapiro, Ph.D.
Darrell Wickman
Shari Worthington

WPI VENTURE FORUM COMMITTEES
Newsletter co-editors:
Marcia Priestley 508.869.2280
Phyllis Hanlon 508.248.5161
Business plan & breakfast meeting:
Norm Brust 508.697.7200
Chris Golden 617.413.5787
Finance: Paul McGrath 508.753.6500
Marketing: Shari Worthington 508.755.5242
Monthly programs: Jerry Shapiro 508.872.8725
Nominating & development:
Brian Dingman 508.791.8500
Radio program: Bob Hokanson 508.869.2984
Sponsorship & advertising:
Mac Banks 508.831.5075

WPI VENTURE FORUM OFFICE
Phone: 508.831.5075
Email: ventureforum@wpi.edu
www.wpiventureforum.org

WPI Venture Forum ©2002, A monthly publication of The WPI Venture Forum, 100 Institute Rd., Worcester, MA 01609, (508) 831-5821. Volume 11, No. 7, March 2002.

Letter From the Chair

I remember Route 9 when!

by Dick Prince

I remember the days when Route 9 was touted as the highway that would someday become a "strip city" between Worcester and Boston. Looking back at those days, it felt like change and growth would never happen. Now it seems as though the transformation has occurred in the blink of an eye. So it is with all of life.

It took fifty years to change the landscape, most of the growth occurring within the last twenty years. The area was originally anchored at one end by Worcester State Hospital and at the other by a group of Boston colleges, hospitals and neighborhoods. Starting in Worcester you drove across Lake Quinsigamond, past the fledgling Spag's and on toward Westborough. As you left Shrewsbury, you entered darkness. There was nothing along the road but woods, fields, apple orchards and a few scattered farms. In Westborough you passed the Speedway, a one-third mile stock car racetrack. On any given Friday night you could hear the roar of the engines, the smell of exhaust and the thunderous uproar of cars crashing into the wall. From there to Framingham, there was darkness again. Framingham was like an oasis, offering travelers a momentary glimpse of civilization during the monotonous ride to Boston. Likewise, there was little to nothing to see between Framingham and the end of the road in Boston. In 1950, some people even considered it an overnight journey to travel from Worcester to Boston.

Today, it can take as little as 45 minutes to drive from Worcester to Boston and the landscape is literally a "strip city" from one end to the other. The road is lined with retail outlets, restaurants, industrial plants, high tech computer and software companies, condominiums and gas stations. We may have lost some tranquility, but it is a tribute to the entrepreneurial spirit that, save for a few chain stores, most of these businesses were created by individuals aiming to fulfill their dreams. These businesses are evidence of people creating, inventing and experimenting their way to success. The opportunities were, and still are, limitless.

When a dam breaks, the water explodes, rushing forward to cover everything in its path. Several years ago the economic dam broke in Boston and, though it took some time, the prosperity is finally reaching Worcester. Look at the MBI complex on Belmont Hill. I remember working summers in the State Hospital gardens on that very same land. Worcester is part of the Route 9 growth phenomena and the floodwaters show no signs of receding as they flow north, south and west of the city.

Today, Central Massachusetts is at the heart of all the excitement. It's time to expand and prosper. The WPI Venture Forum is part of the excitement. As we look forward to our future, we intend to offer more value to our constituency, our community and the army of entrepreneurs waiting to continue the Route 9 expansion. Join us and become a participant in the change.

Dick Prince

Dick Prince is retired from Norton Company and Siebe, plc and is presently a partner in Brooksville Associates, a merger and acquisition company specializing in the health and safety industry. **VF**

Please note that after February 1, the Venture Forum membership fee is reduced to $20.

Outsourcing: part III
Improving internal operations

by Stephen J. Doig, Ronald C. Ritter, Kurt Speckhals, and Daniel Woolson

In last month's article, the authors explained how to understand the value of key activities and how to then assess the efficiency of your company's providers, both internal and external.

Managers often don't know—sometimes because they don't want to—how their companies really stack up against the best-in-class providers. The cost-accounting reports against which companies judge outside bids, for example, seldom accurately reflect all overheads embedded in plant activities. A supplier bid that appears to offer no savings over fully loaded costs, for example, could, during the course of three to five years, provide significant benefits by allowing managers to take on higher-value activities.

More common than ignorance is a tendency to base outsourcing decisions solely on current performance rather than on comparisons between the potential improvements offered by internal and external solutions. Even after years of belt-tightening and incremental gains in efficiency, most manufacturers can still achieve 20 to 30 percent gains in direct-labor productivity. Fewer than 5 percent of organizations around the world can really claim to have "lean" processes; the other 95 percent survive by being no worse than their competitors. Handing a process to a supplier, which probably isn't much better than its competitors and serves many companies in the same industry, confers parity, not a competitive advantage. And sometimes only proprietary products or processes distinguish a business from its competitors—one reason for Procter & Gamble's policy of investing heavily in the development of manufacturing processes as well as products, even building or designing much of its own equipment.

Every company faces different operational challenges. Nonetheless, decision makers have a basis for retaining any process that:

- can meet or beat industry performance norms within three years;
- confers a distinct competitive advantage that can't be replicated (such as wing assembly for Airbus);
- isn't available in the supply base or likely to become so anytime soon;
- defines the company, as manufacturing does for commodity producers.

Considerations that argue against retention, as a purely practical matter, may be a workforce that resists change and a managerial team that doesn't know how to lead it—perhaps because the managers are wedded to processes that offer little clear value to customers.

Consider the example of Toyota, which developed game-changing value in the auto industry by improving internal operations through lean production techniques and the development of innovative manufacturing processes. It then developed businesses run on the same principles in new markets (houses, boats, and aircraft). As a result, Toyota has higher returns on invested capital, operating profits, quality ratings, and price-to-earnings ratios than the Big Three U.S. automakers. It has chosen to retain ownership of processes (such as stamping, welding, and injection molding) that affect the vaunted "fit and finish" of its cars, though some of these processes could be undertaken more cheaply elsewhere. It outsources the less visible components of its cars, but maintains strict quality control and pushes suppliers to match its operational efficiency.

Few companies can equal Toyota's manufacturing prowess, but many can dramatically improve their internal operations. Alcoa, for example, rolled out an adaptation of Toyota's production system. Within five years, Alcoa had improved operations so greatly that it could produce aluminum in small batches of variable size on short notice—a capability opening up a whole new market of small to midsize customers that its competitors can't service. Alcoa thereby eased the cyclical profit performance that aluminum prices had imposed on the company ▶ for years.

Continued on page 6

Identifying and delivering

Continued from front page

and consulting is focused on helping organizations identify their vision, values and sense of mission, leverage change and communicate complex issues. Fouhy has worked with various media, including print, video and electronic forms. She has worked closely with the CEOs and leadership teams of large companies such as Hanover Insurance, Shell Oil Company, UMass Medical Center, Norton Company, Boston Edison (now NSTAR) and Mailboxes, Etc. and has devised communications strategies for a number of startup companies, including Acadia Insurance, Comlink and the corporate services division of Tatnuck Bookseller.

Fouhy is a member of the steering committee for the Adopt-A-Student scholarship program of the Diocese of Worcester. She is also a member of the advisory board for Devereux Massachusetts and chair of its public policy and marketing committees. She holds a bachelor's degree from Anna Maria College and has done graduate work at the University of Rochester, Assumption College and Northeastern University.

Tom Kennedy
The Kennedy Group
Communications Skills Development
Concord Road
Lincoln, MA 01773
781-259-4411 phone
781-259-7136 fax
781-354-6277 cell
tom@kennedygroupboston.com
www.kennedygroupboston.com

Tom Kennedy is an Associated Press award-winning broadcaster and teacher of strategic communication. He has more than 20 years of on-air media experience and ten years of strategic communications consulting experience with CEOs and senior executives of international companies such as IBM, Roche, MIT, Fleet and others. Kennedy specializes in assisting his clients in the successful development and delivery of focused, effective and memorable internal and external messages, via various media from Web to print to broadcast.

A top-rated on-air TV and radio personality with program management experience in five major markets across the United States – Boston, San Francisco, Detroit, Cincinnati and Jacksonville – Kennedy formed The Kennedy Group in 1991. He thoroughly understands regional communications strategies nationwide and has broad knowledge of global strategic corporate communications and cross-cultural protocols.

Kennedy is on the board of the Society of Professional Consultants (SPC) and is a member and regular speaker for The Institute of Management Consultants. He is also a faculty member in the Communications Studies Department at Emerson College.

Janice Lindsay
Janice Lindsay Communications
126 Crosby Road
Marlborough, MA 01752
508-485-9167 phone
508-229-2054 fax
jclindsay@aol.com

Janice Lindsay began her business-writing career in 1977, when she joined the public relations department at Norton Company as ▶

Continued on next page

a junior writer. She was director of internal communications and executive speechwriter when she left Norton's, now part of Compagnie de Saint-Gobain - in 1993 to start her own company, Janice Lindsay Communications.

She writes, edits, and manages communications projects for business owners and managers, management consultants, and marketing and public relations firms. Some of her projects include speeches, audiovisual presentations, magazine articles, op-ed pieces, position papers, brochures, press releases and other material. In 2001, the Society of Professional Communicators named her Communicator of the Year. Lindsay has received several other awards for fiction and non-fiction published under her own byline. She is the author of a children's novel, *The Milly Stories: Corpses, Carnations, the Weirdness Index, and, of Course, Aunt Gloria*, published in 1998. Lindsay holds an undergraduate degree from Northeastern University and a graduate degree from Harvard Divinity School.

Phyllis Thesier, MAT, CCC-SLP
Accent Management Group/Massachusetts
Pronunciation/Presentation Training
Individual/Group/CD-ROM & Tele-Coaching
43 Phelps Street
Marlborough, MA 01752
508-460-3803 phone
508-460-1128 fax
Phyllis@accentmanagementgroup.com
www.accentmanagementgroup.com

Phyllis Thesier, MAT,CCC-SLP is a nationally certified speech and communication pathologist and a consultant for professionals in business and industry. Partnering with media, diversity, cultural and other specialists, she teaches effective communication skills that enhance presentations in various professional forums. She specializes in a number of communications areas, including foreign and/or regional accent training; mastering the American language for global professionals; speaking skills for the team environment; diversity, culture and communication training for management teams; communication-presentation practice sessions; specialized communication skills training for transitional needs; customized individual, small group and/or seminar training formats, and telephone and CD-ROM-Internet training.

Thesier has conducted training sessions in corporate, medical and educational settings for more than 22 years. Additionally, she trains individuals in voicing techniques; fluency speech control; effective expressive language strategies; body and speech mechanics, and power listening strategies.

Some of her clients include General Electric, i2 Technologies, SSgA, Panametrics, Wellesley College, Managed Comp, Universal Software Corporation, Uniform Information Services, Nova-Care and Fox TV. **VF**

Then and now

BrahmaCom to provide Boston's Lewis Wharf with high-speed DSL Internet and local telephone service

BrahmaCom, Inc., the Venture Forum's March 2001 case presenter, has entered into an agreement with Boston's prestigious Lewis Wharf to provide high-speed DSL Internet access and local voice telephone service. This business/residential condominium complex encompasses more than 100 business and residential units. BrahmaCom is the first company to provide high-speed Internet service to Lewis Wharf.

According to BrahmaCom CEO Barlow Keener, no digging, cable routing, or building disruption is necessary to provide the services. High-speed Internet and two extra telephone lines can be provided to every unit in Lewis Wharf using a single, already-existing, copper phone wire - without affecting the resident's current phone service. The two extra phone lines are regular telephone lines that can be used as fax, "teen," or second office lines. "BrahmaCom is looking forward to meeting the pent-up demand in Lewis Wharf for high-speed Internet service and low-cost local telephone service," says Keener.

BrahmaCom is a growing local telephone company based in Needham, Massachusetts, providing better services and lower prices to residential and small business customers. BrahmaCom offers higher-speed DSL and bundled local telephone packages. BrahmaCom's DSL benefits include unlimited Eastern Massachusetts calling for a flat rate of $59.95 per month for residential customers and $89.95 per month for business customers. Customers save approximately up to 50 percent over comparable service plans from Verizon or AT&T Broadband.

BrahmaCom plans to provide service to 30 local communities in Massachusetts and 450 communities nationally. BrahmaCom customers are currently receiving services at Harbor Towers in downtown Boston, and in Framingham and Natick, Massachusetts.

Those interested in investing in BrahmaCom or receiving services should contact Barlow Keener, CEO, at 781-433-0333 x206 or Ajay Saini, CFO, 781-433-0333 x203. **VF**

Outsourcing: part III

Continued from page 3

Gauging external capabilities

The balance begins to swing toward "buy" when the supply base offers:

- dramatic cost savings from cheaper labor and procurement, lower capital-intensiveness, and bigger scale;
- a location, process technology, or skill set that would be hard to acquire or reproduce;
- greater productive capacity and a more diverse end-user base, which help to cut down on supply surpluses and shortages;
- shareable expertise that a specialist has acquired in other markets or industries.

An assessment of the specific skill sets, capabilities, and cost structures of the supply base should also identify emerging players; spotlight regulations reshaping the industry's structure; reveal capabilities that vendors are developing, and show how competitors have reconfigured their value chains in response to these conditions.

Next comes a request-for-quote process in which an organization identifies the strongest candidates to undertake outsourcing by virtue of their design skills, efficiency, and inventiveness, as well as the ability to sustain those qualities, among others. At the same time, the process must not overlook the possible drawbacks of the various bidders—drawbacks that might include longer lead times and convoluted distribution channels.

Determining the mix

With a clear picture of the costs and capabilities of internal and external providers, managers can begin to rebuild their supplier network. Market conditions, technological developments, and strategic considerations will also influence the selection of suppliers. The process usually leads managers to solutions both inside and outside the organization. Integrating these solutions is essential.

Sony, for instance, has eliminated 11 of its 70 plants, plans to cut four more by 2003, and now outsources its original PlayStation to companies in China. Newly created manufacturing subsidiaries will oversee its remaining facilities, where novel, strategically important products such as its PlayStation 2 will be made. Sony expects this strategy to bring its current 5.5 percent return on equity closer to the 15 percent and more achieved by U.S. technology competitors.

Capturing value through relationships

Don't assume that it is easier to manage suppliers than to improve your company's internal performance. The money, capabilities, and effort needed to develop and direct a new supplier network are considerable. It is necessary, for example, to define explicit objectives for suppliers, such as delivery times and cost reductions, and to incorporate those objectives in contracts that reward suppliers for meeting or surpassing them. Supplier-management practices (such as ways of resolving problems) and vendor performance metrics must be developed.

People have to be trained to use technologies such as the Internet to reduce the cost of transacting business with suppliers— for example, by managing their performance in real time. Employees capable of understanding industry trends and technical advances and of applying their manufacturing know-how to supplier-management and purchasing operations need to be retained. And cross-company teams ought to be developed to facilitate the sharing of best practices with suppliers.

Corporate strategy begets manufacturing strategy

Every few years, the managers of the world get religion. Today, most of them believe in outsourcing. But if they are to serve their organizations well, they must temper faith with reason. The leap from "make" to "buy" requires a clear strategy and a factual assessment of a company's strengths, weaknesses, and objectives.

When IBM spun off much of its hardware and components manufacturing, in the mid-1990s, it showed how the reconfiguration of a company's manufacturing strategy can advance an overall strategic shift. Only after IBM had redefined its core—e-business services and solutions, research and design, and semiconductor architecture and manufacturing—did it reconstruct its supply chain, thus creating, in the end, a different company. Ownership of computer hardware and components manufacturing is essentially nil at today's IBM, but the company's financial performance has soared—from losses of $8.1 billion in 1993 to net income of $8.09 billion in 2000. The return on invested capital rose similarly, from -5.7 percent in 1993 to 15.3 percent in 2000.

IBM's leaders couldn't have known, in 1994, how its future would unfold. But they had an idea of what they wanted, and they divested the company's manufacturing assets with those goals in mind. That is what it takes not just to outsource effectively but also to outperform competitors. Companies that blindly follow the herd never give themselves a chance to do so.

Stephen Doig is an associate principal in McKinsey's Minneapolis office; Ron Ritter is an associate principal in the Orange County office, where Daniel Woolson is a consultant; Kurt Speckhals is a consultant in the Detroit office.

This article was originally published in The McKinsey Quarterly, 2001 Number 4, and can be found on the publication's Web site, www.mckinseyquarterly.com.
Copyright 2001 McKinsey & Company. All rights reserved. Reprinted by permission. **VF**

The ten commandments of raising venture capital

By David V. Ahladeff, managing partner of Velocity Capital LLC

Given the state of the financial markets, the world, and the general gloom and doom in the press today, raising venture capital in this market may seem like a kamikaze mission. But for the fearless entrepreneur set on raising money, there are definitely some rules to help tilt the odds of success in your favor. I call them the "Ten Commandments of Raising Venture Capital."

Rule #:1 Know your VC

Not all VC's are created equal. Each firm has its own set of investment guidelines that it follows when making investments. Typical rules include geographic focus, investment stage preference, lead/follow-on investor, minimum and maximum investment amount, industry focus and board seat requirements. Make sure that the strategy of the firms you are targeting matches your funding needs.

Rule #2: Make a personal introduction

Cold calling does not work. Find a business or personal acquaintance that can make an introduction such as lawyer, accountant, CEO of the VC's portfolio company, or banker. VC's are looking for good investments and tend to prioritize personal introductions.

Rule #3: Get to the point

At your first meeting, get directly to the point. Be crisp, concise and articulate about your business. Be clear on what you do, who buys your products, how you make money, and how you plan to grow. Keep powerpoint slides to fewer than 12 pages and executive summaries under two pages.

Rule #4: Have the right team

Emphasize the quality, passion and experience of the founding team. You are not expected to have a complete executive team - that is what the new money is for. You are expected to have passion, industry expertise and proven start-up experience (making money for other investors).

Rule #5: Differentiate yourself

Everyone has competitors. Those that say they have no competitors are not believable. Directly present yours and the measurable difference your product or service offers.

Rule #6: Show the ROI

What is your value proposition to the customer? How does your business save time or money (or both)? What is the cost to the customer of not using your product or service?

Rule #7: Address the real market size

Who exactly are your customers (i.e., what exact position in a Fortune 100 company)? What is the real market you are serving? What is the exact size of the addressable market of purchasers of your product or service? Show a bottom-up analysis of how many customers you need to hit your numbers.

Rule #8: Know your numbers

What is the exact use of proceeds? What is the amount of money/time to break even? Explain the key matrices that drive your business, such as number of customers, sales per customer, cost per customer, etc. Be prepared to discuss what you would do with more money - how you could make it with less.

Rule #9: Honest exits

Assume the IPO door is shut and that the only way for your investors to realize a return (what it is all about) is an acquisition. Be prepared to provide tangible examples of recent and related acquisitions. Also, provide examples of at least three different categories of potential acquirers (suppliers, distributors, competitors) and five companies in each category to show that there are plenty of viable of exit options.

Rule #10: Valuations come last

It is better to raise more money for growing the business at a lower valuation than not enough (or no money) and go out of business. Early stage valuations are subjective, get over it. Your first round of investors will probably own 30-50 percent of the business.

David V. Alhadeff is Managing Partner of Velocity Capital LLC (www.velocitycap.com), a Seattle-based Venture Capital Fund. Velocity focuses on investing in northwest-based growth companies in a range of technology and non-technology industries. **VF**

Business Plan Workshop

When: March 27, 2002 from 6 to 9 p.m.

Where: WPI Campus Center, Odeum

Cost: $25 members, $40 non-members

Download registration form at: www.wpiventureforum.org

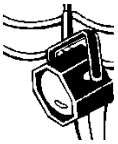
Who should think of attending?

Anyone interested in either starting a company or putting together a business plan to better project business needs and milestones. The workshop is open to everyone interested in learning about the different aspects of a business plan. There are no restrictions.

What exactly is involved in the workshop?

A discussion on different aspects of the business plan, including the market definition, size, and segmentation, competitive dynamics, internal operational details, financial projections, and management team biographies, and a discussion of the state of venture capital, other financing sources, and the overall economy. The workshop is the perfect primer to the WPI Venture Forum business plan contest.

Spotlight on entrepreneurs



By Norman Brust, NTB Associates

We've gotten a lot of favorable comments on the Spotlight on Entrepreneurs feature recently introduced at the monthly meetings. We're glad people are finding it interesting and useful.

The whole purpose of the Spotlight is to give entrepreneurs who are looking for funding, an opportunity to practice their one-minute presentation. We feel there is sufficient pressure at the monthly meetings to approximate the real life situation and yet, if the presentation doesn't go well, the entrepreneur hasn't blown a precious contact.

To be effective, your presentation needs to convey clearly and convincingly:

- who you are
- the name of your company
- what you do
- who you serve
- why it's an opportunity that should interest the investor
- why you and your team are the ones who can make it happen
- how much financing you need
- how you're going to use the funds

For best results we suggest you plan your message ahead of time and prepare your slide before the meeting. We do have materials for preparing a hand written slide at the meeting, if you prefer. Remember, you're limited to one slide, so your message must be clear and concise. If you have any questions or would like someone to critique your slide, contact me at ntbrust@mediaone.net.

If you have a business plan and are looking for funding, the Spotlight is an excellent chance to test your one-minute presentation and get exposure to potential investors.

Norman Brust helps technical and industrial companies develop strategies and tactics to increase profitable sales. He can be reached at NTB Associates, Bridgewater MA. ntbrust@mediaone.net or 508 697-7200. **VF**

Sponsor's Business Highlight

Executstaff, Inc.

www.execustaff.net

High Tech HR Outsourcing

Fortune 500 Employee Benefits – Payroll – Human Resources Administration – Compliance Management

Founded in 1993, Execustaff, Inc. is a professional employer organization (PEO) that functions as a turnkey human resource department on an outsourced basis. We provide our client companies with services that include payroll processing, employee relations, labor law compliance and benefits administration. Employees of our client companies take advantage of our extensive benefits package, which includes several medical and dental plans, a cafeteria 125 plan, life and disability income insurance, and a 401(k) program that provides employees with multiple investment options.

Our clients gain all the advantages of an on-site human resource department, which helps them to recruit and retain the best employees while having Execustaff share in the employer liabilities. Execustaff develops a strong co-employment relationship with our clients; we attend to their human resource needs on a regular and continuous basis. We work with client company management to develop policies, procedures and employee manuals and to strategize for long-range planning and employee development.

We've been servicing start-up and early stage high-technology companies, exclusively, since 1993; so our HR management solution addresses many of the unique challenges entrepreneurs face in building their companies. It's designed to be comprehensive, cost effective and maximize your competitive advantage in a very hot labor market.

With Execustaff, employers receive a full array of human resource services, and the freedom from managing them. This allows companies to do what they do best, run their business.

For more information, contact Norm Meyers at (617) 542-5656 or email him at nmeyers@execustaff.net. Execustaff, Inc. is located at 31 St. James Avenue, Suite 955, Boston, MA 02116. **VF**

Announcing!

This year's Breakfast With event will feature **Daniel P. Burnham**, chairman and CEO of Raytheon Company in Lexington, MA. The breakfast will take place on Tuesday, May 7 from 7 to 9 a.m. at the Radisson, 75 Felton, Marlboro.

The cost is $30 for members, $45 for nonmembers. Space is limited so sign up early. Registration deadline is May 1.

Download the registration form from the website and send it with your check or credit card information to: WPI Venture Forum, Breakfast Event, 100 Institute Road, Worcester, MA 01609-2280.

Employers beware – Can your most valuable assets walk out the door?

By Janie Lanza Vowles

Is yours a "people" business that relies upon the solid relationships that your employees develop with customers and referral sources? Or, is a proprietary and guarded business model, pricing matrix, or product idea the cornerstone of your business success? If you answered "yes" to either of these questions, then the loyalty of your customers (also known as "customer goodwill"), or the confidential information used to manufacture and sell your product, are valuable business assets – perhaps your most valuable.

If one of your employees leaves you for a competitor, or – even worse – to start her own competing business, can the employee use that "goodwill" to pirate away your customers? Can she take the highly guarded pricing model, customer list or product information that is the lifeblood of your business and use it for herself? The answer to this question may depend on whether the departing employee signed an enforceable covenant not to compete.

A covenant not to compete – also referred to as a "noncompete," "nonsolicitation" or "nondisclosure" agreement – is a contract between you (the employer) and your employee. In that agreement, the employee essentially agrees that, for a period of time after her employment terminates, she will not work for a competitor; start her own competing business; otherwise attempt to do business with your customers, or use any of your confidential business information. The result – the departing employee cannot pirate away customers or use for herself the proprietary information that you spent time and money developing. In Massachusetts, an employer can use a noncompete agreement to protect its customer goodwill and confidential information if (1) the agreement is reasonably limited in time and geographic scope to the protection of that goodwill or confidential information, and (2) the employee received something in exchange for signing the agreement.

A noncompete agreement is a valuable tool for many employers. Employers must be aware, however, that Massachusetts courts have limited the reach of noncompete agreements under certain circumstances. If you are not using noncompete agreements in your business, consider the resulting exposure. If you are using noncompete agreements (or if, by this point in the article, you have decided that you should be), consider the following.

First, you need an agreement that is carefully drafted with the needs and scope of your business in mind. A noncompete agreement is not appropriate for every business, and it is certainly not necessary for every employee within every business. An employment lawyer can draft the right noncompete agreement for your business, and can advise you concerning which employees should sign the agreement. For your part, make sure that, during the drafting process, your lawyer fully understands the nature of your business.

The next step, of course, is to obtain the employee's signature to the agreement. Even then, however, your work is not done. Here are some things you should keep in mind when presenting noncompete agreements and after your employees sign on the dotted line.

1 Do not minimize the obligations to which the employee has agreed. If you did this right, you (along with your attorney) have already determined long before obtaining a signature that a noncompete agreement is necessary for a particular employee or group of employees. When you present the agreement, tell your employee what she is agreeing to - during her employment, and for a certain period of time thereafter, she cannot work in a particular industry; and/or she cannot do business with any of your customers, and/or she cannot disclose certain information. Once you have a clear and carefully drafted agreement, do not allow extraneous conversations to create confusion about the employee's post-employment obligations. No court will look fondly on an employer that asked its employee to quickly sign a noncompete agreement as one of a large stack of documents, or told that employee to "Just sign this. It's nothing."

2 On the other hand, do not trap your employees. Communicating clearly to your employees does not mean threatening those employees or "trapping" them with the agreement. Ideally, you should inform a ▶

Continued on page 11

A look at January's meeting:

Entrepreneurial war stories

by Jerrold M. Shapiro, Ph.D., principal and founder of Laser Surgery Solutions

Due to unforeseen circumstances, Stanley N. Lapidus, founder, chairman and director of EXACT Sciences, was unable to speak at January's Venture Forum meeting. Instead, Alan Glou, CEO of Glou International, delighted the audience with his insights into the art of the job search. He asked us to introduce ourselves to our neighbors in the audience and to evaluate the brief interaction. He advised that you always carry business cards, and after exchanging them, write notes on the card back about the person and the meeting. Glou emphasized the importance of listening skills and suggested a follow-up email or phone call a week or so after the initial meeting.

Glou noted the importance of experience, especially at the senior executive level. Companies today examine a potential employee's style, culture and past performance.

From the interviewer's standpoint, Glou asks not only for the 'good' references but also for two bad references; he compares what the references and candidates say to see if the candidates understand themselves. The lack of action sends up a red flag. According to Glou, you should say specifically what you contributed and not merely that you were part of a team.

However, Glou adds, resumes don't get you jobs; networking and direct personal contact does. He suggests assembling all information from the business cards you've collected into a computer database and then devise a "rolling method" of sending out letters. Begin within a week and continue to follow up and schedule meetings for interviews. If you keep sending letters, he says, you'll become a name brand.

Attendees pay close attention during the question and answer session.

Case Presentation

Jonathan C. Ricker, president and founder of Mass Megawatts Power, Inc. and Jim Lambert, product development manager, presented their unique approach to generating electrical power with a renewable resource — the wind. Lambert started with the company's history, explained why it went to wind power and reviewed in detail the technology and cost structure of this underutilized resource. Ricker presented the company's financials.

Ricker formed the company in 1987 when he developed the Multi-Axis Turbosystem, or M.A.T., which uses an array of small blades rotating around vertical axes and connected to multiple generators. To minimize construction and maintenance costs, and contribute to profitability, all parts are off-the-shelf, standardized, small and available all over the world from local vendors. A second advantage of the small blades is that they produce less vibration and noise so they can be close to the ground; this configuration draws fewer objections from property abutters, and allows for easier servicing.

Mass Megawatts' prototype, atop Dresser Hill in Charlton, MA, is capable of generating two kilowatts of energy; future MATs would produce one million kilowatt hours of energy annually, enough to supply power to approximately 150 homes.

The company's products are supplying renewable energy to a community and selling electric power as a commodity. Whereas electricity from competing technologies costs 4.5 to 15 cents per kilowatt-hour, MAT's electricity costs 2.4 cents per kilowatt-hour.

The company raised $450,000 last May with a 504 stock offering which funded the prototype, a wind tunnel to test blade designs and additional research and development. On November 12, 2001, Mass Megawatts became the only NASD-approved publicly traded wind energy company on the OTC-BB market. The $250 million to be raised through secondary stock offerings will be used to build 2,700 MAT units, with installation to begin early in 2003. Sales of power, at four cents per kilowatt-hour, are expected to exceed $100 million by year three, making its product the first to be directly competitive with fossil fuels. ▶

Continued on next page

A hopeful entrepreneur gives her pitch.

Panel Review

Following the presentation, the panelists critiqued the case as well as the written business plan. Alan Glou of Glou International Inc., a worldwide executive recruiting firm, has 41 years of expertise in executive search and management consulting issues. Glou had spent several hours with the company planning the organizational structure, determining the kind of people needed and outlining job descriptions of responsibilities once the company starts growing. Since companies grow very fast, they will need an HR person in place and a defined benefits package before they start hiring, according to Glou. They will also need a "silver fox" who is well known in the industry, has a good track record and has a copious list of contacts; this person can draw good people who fit into the company, and can inspire confidence in investors. Glou concluded that the company is now running, has a good shot at success and needs some guidance on hiring and direction.

Jamie Chapman, an industry expert from the OEM Development Corporation in Boston, and previously the vice president of U.S. Windpower, gave a thorough history of windpower. He pointed out that the problem with the large windmills was that wind gusts caused stress fatigue on their parts, sometimes with disastrous consequences when the large blades broke off. The "radically different" architecture of Mass Megawatts may help them overcome other obstacles such as land use agreements, power-feeding contracts with the energy grid, finding the right people and financing. **VF**

Employers beware

Continued from page 9

candidate when you extend her an offer of employment that she will be required to sign a noncompete agreement as a condition of employment. Do not wait until the candidate accepts your offer and relocates from a former job. If you determine that a current employee should sign a noncompete agreement, however, you should give the employee something (other than continued employment with your company) in exchange for signing the agreement. Consider, then, the feasibility of presenting the noncompete agreement in conjunction with a planned promotion or salary increase. In any event, tell the employee that she is free to consult counsel before signing the agreement – and then actually give the employee time to do so before she signs.

3 **Comply with *your* obligations under the agreement.** This seems like common sense, but is often overlooked. The rule is simple: Employer agrees to do "X" ("X" can be something as simple as paying a bonus to, or increasing the salary of, the employee). In exchange for "X," employee agrees to the restrictions in the noncompete agreement. If you as the employer fail to do "X," your employee may not have to abide by the agreement's restrictions. The result – your noncompete agreement is useless.

4 **Consider asking the employee to sign a new agreement if the terms and conditions of her employment change.** If the terms and conditions of employment change – for example, when the employee is promoted, demoted or her salary changes – consider asking the employee to sign a new noncompete agreement. Whether a new agreement is necessary depends on the severity of the change, the nature of your business and the nature of the employee's specific job duties.

5 **If you identify confidential information in the agreement, treat that information as confidential within your business.** Perhaps your noncompete is based on the premise that certain confidential and proprietary business information is the lifeblood of your business. If so, ask yourself how that information is stored, handled and distributed. Where and how is the information contained? In locked files? A computer database with restricted access? Do employees who have not signed the agreement have equal access to the information? You will have difficulty arguing that the agreement was "necessary" to protect confidential information if you took no steps to guard the confidentiality of that information.

You can easily replace desks, chairs, phones and office supplies. The loss of talent is often harder to absorb. No agreement will, by itself, insulate your business from the risks associated with departing employees. If your business depends on the intangible assets embodied in your most valued employees, however, you must ask yourself whether your business can afford to be without noncompete agreements.

Janie Lanza Vowles is an associate at CampoBasso & Bunnell, P.C. in Leominster, Massachusetts. She has advised businesses in various industries on the drafting and litigation of noncompete agreements. Ms. Vowles also litigates employment discrimination claims, general business disputes, product liability claims, and domestic relations matters. If you have questions about this article, or other employment issues, you can contact Ms. Vowles by phone at 978/534-0005 ext. 20, or by email at jvowles@campobassolaw.com. **VF**

New Event!

Recognition of entrepreneurs*

Last season the Venture Forum instituted a new event intended to give entrepreneurs an opportunity for a "60-second commercial." We are pleased to announce the return of this much-anticipated event.

After the keynote speaker and before the break, seven or eight entrepreneurs (first come, first served) will be invited to give a one-minute presentation from the podium. Our goal is to recognize entrepreneurs.

The one-minute rule will be strictly enforced and there will be no questions allowed. Each entrepreneur will be allowed to show one overhead slide, which you can bring with you or use materials provided by the Venture Forum.

Each entrepreneur will be allowed only one opportunity to do this per each new business venture. Your main objective is to generate investments and/or advice through this opportunity, rather than sales.

**Definition of an Entrepreneur - One who organizes, manages and assumes the risk of a business or enterprise. This can include pre-startups.*

WPI Venture Forum
Collaborative for Entrepreneurship & Innovation
Department of Management
WPI
100 Institute Road
Worcester, MA 01609-2280

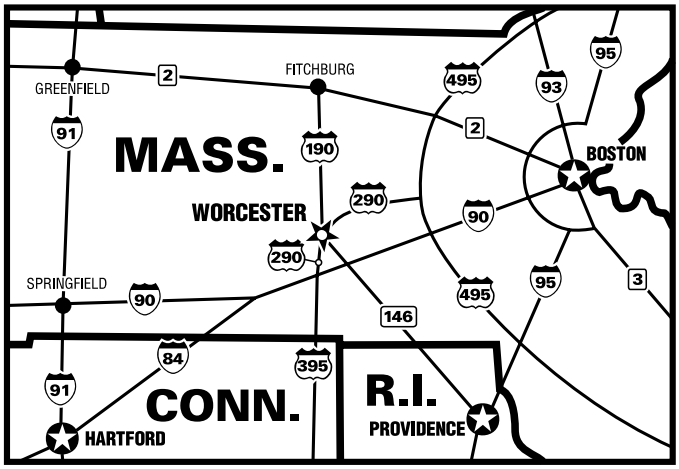
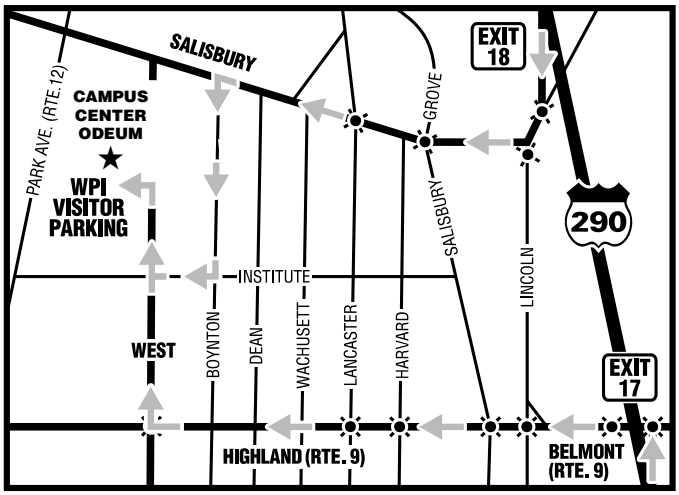
PRSRT STD
U.S. POSTAGE
PAID
WORCESTER, MA
PERMIT #1654

WPI Venture Forum Calendar of Events

March 12 - Identifying and delivering your message
April 9 - Intellectual property

Directions to WPI Campus, Campus Center Odeum

From The East:
Take Mass. Turnpike (I-90) to Exit 11A (I-495). Proceed north to I-290, then west into Worcester. Take Exit 18, turn right at end of ramp, then an immediate right before next traffic light. At next light, proceed straight through, bearing to the right on Salisbury St. At the WPI sign, turn left onto Boynton St. There is parking in the large lot on the right behind Gordon Library or continue on Boynton St. then right onto Institute Rd., then right onto West St. Visitor parking is on the left after footbridge.

From The North:
Take I-495 south to I-290. Follow directions as from east.

From The South And West:
Take Mass. Turnpike I-90 to Exit 10 - Auburn. Proceed east on I-290 into Worcester. Take Exit 17, turn left at end of ramp, follow Route 9 west through Lincoln Square, straight onto Highland St. then right at light onto West St., through first intersection of West and Institute Rd. Visitor parking is on the left after footbridge. Additional parking on Boynton St. behind Gordon Library.