

WPI Venture Forum

Worcester Polytechnic Institute
Alumni Association
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WPI VENTURE FORUM CALENDAR OF EVENTS

November 18, 1997

Networking for Success

December 16, 1997

The Reality of Virtual Companies

All meetings in Kinnicutt Hall, Salisbury Labs
(our usual location).

For a recorded announcement of the next
program or to receive future mailings, call
(508) 831-5821.

Directions to WPI Campus, Salisbury Labs, Room 115

From the East—Take Massachusetts 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 take an immediate right before the next traffic light. At the next light, proceed straight through, bearing right onto Salisbury Street. At the WPI sign, turn left onto Boynton Street. Parking will be on your right, behind Gordon Library. Salisbury Labs is up the hill across from the Library.

From the North—Take I-495 south to I-290. Follow directions as from the east.

From the South and West—Take Massachusetts 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 Street. Turn right onto Boynton Street. After crossing Institute Road, parking will be on your left, behind Gordon Library. Salisbury Labs is up the hill across from the Library.



Promoting and serving technology-based entrepreneurial activity

Volume 7 No. 3
November 1997

Networking For Success

A look at the upcoming meeting

Tuesday, November 18, 1997
WPI Campus, Salisbury Labs
Registration: 6:00pm
Meeting Begins: 6:30pm
Admission Fee: \$7.00

Connecting with people who can help you is an essential skill for the entrepreneur. Networking can be a powerful tool to gain information, contacts and new business. However, most people do not use networking to its full potential simply because they are unsure of where to go, what to do or exactly how to do it.

The November meeting of the WPI Venture Forum will provide a unique interactive presentation that focuses on how to become "alive" in someone's mind and on how to understand and control the networking process. We will concentrate on developing relationships, cultivating referrals, and gaining new business. Nancy Stephens, our guest speaker, will present her FIVE



Nancy J. Stephens

ALIVE System, a methodology of cultivating referrals with five strategic steps. We will learn techniques that take away the mystery of networking and give concrete methods to attain the desired results. This interactive presentation is for the novice, the expert and everyone in between. It is brimming with practical ideas that can be put to use by every participant - *immediately!*

Networking efforts that create success are built on a foundation of five key concepts. Nancy's engaging presentation will take us all through the five steps that make networking more productive. As you know, the Forum puts a lot of emphasis on networking during each monthly meeting. The FIVE ALIVE program is based on what successful people and companies have been doing to create excellent business results. Nancy's techniques will enable you to make your Forum networking efforts even more effective!

Join us for this interactive and fun two hour discovery of how to put FIVE ALIVE in your networking.

Unique Networking

Nancy Stephens, is the founder and owner of NetWorks, a consulting firm that specializes in new business development. Nancy has assisted sales organizations across the U.S., Canada, Mexico and Europe on how to gain new business with unique networking and sales methodologies. She is the author of the audio cassette program, *Accelerated Networking*, the video training program, *FIVE ALIVE; Networking for Sales Results* and the multimedia *Customer-focused Selling*. A member of the National Speakers Association, her clients include Price Waterhouse LLP, Siemens ROLM Communications Inc., Analog Devices, Mass Mortgage Bankers, Stewart Title Guarantee Company, The Institute of Management Consultants and many more. **VF**

CONTENTS

Letter from the Chair	2
Surviving the Due Diligence Investigation	3
Past Meeting Summary	4
Business Basics	6
Business Plan Workshop	8
Ten Steps for Increasing Profitable Sales	9
Calendar of Events, Directions . . .	12

November
Meeting Sponsors—

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& Dewey**

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VENTURE

The mission of the WPI Venture Forum is to promote and serve technology-based entrepreneurial activity through education, networking, and recognition.

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Letter From The Chair

New Faces At The Forum

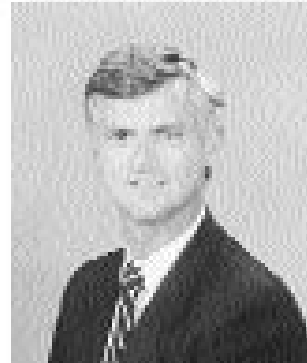
Brian Dingman, Chair

To continue my series on WPI Venture Forum news, we have had some significant recent developments which will greatly affect the success of the Venture Forum. In August of this year, WPI hired Martina (Tina) Gorski-Strong as the new WPI Director of Alumni Affairs. Tina has replaced Sharon Davis, who has moved into another position at the university.

Both personally and as a representative of the WPI Venture Forum, I would like to publicly thank Sharon Davis for her tireless work and devotion to the WPI Venture Forum. As Director of Alumni Affairs, Sharon acted as the liaison between the university and the Venture Forum. In this role she was instrumental in the continued success and expansion of the Venture Forum. Sharon always took a personal interest in the Venture Forum and devoted more of her time to our activities than I suspect she expected to when she first began in her position. She truly has been both an advocate for and a guiding light of the Venture Forum and will be missed.

For the past Venture Forum season, Sharon's liaison role was assumed by David Beers of the Office of Annual Giving at the university. David also took on the responsibilities of the coordinator of the Venture Forum through much of the past season. David's insight and hard work on behalf of the Venture Forum was stunning, particularly given his complete lack of experience with the Forum before joining us in the summer of '96 and the demands of his fund raising position at the university. As with Sharon, I would like to thank David for his efforts on our behalf and wish him well in his career at WPI.

Tina Gorski-Strong has risen to the challenge and precedent established by her predecessors in her role as liaison between the university and the Venture Forum. Tina came to the university in August of this year and in her first weeks on the job led our effort to hire Christine O'Connor, the first dedicated Venture Forum coordinator in the eight-year history of the Forum. Tina has made the effort to learn the intricacies of the Venture Forum and its programs, membership and leadership, making the transition seamless. We look forward to a long and successful relationship with Tina.



Ron Bouley

Christine O'Connor started as the Venture Forum coordinator in early September, 1997 and hasn't looked back since. Christine is a tremendously energetic woman and has taken to the position with gusto. As a new paid position of the Venture Forum, the duties and responsibilities of the coordinator had been defined but not tested. Christine was nevertheless able to quickly understand the needs and dynamics of our large organization. She has also taken it upon herself to ensure that our programs are successful and that each of our activities continue unabated during this time of tremendous change in our organization. It is readily apparent to all those who have worked with Christine that she will ensure the continued quality and growth of the WPI Venture Forum. Welcome, Christine!

As the Venture Forum coordinator, Christine is our first point of contact for general Forum business. She can be reached at (508) 831-5075, or by email at coconnor@wpi.edu.

Please join us for our November meeting when our speaker for the evening, Nancy Stephens, presents her Five Alive program on successful networking. We are devoting the entire 2 1/2 hour meeting to the topic in an effort to more adequately address this often uncomfortable, but very necessary, business activity. See you then!

Brian Dingman is a partner in the intellectual property law firm Nields, Lemack and Dingman in Westborough, Massachusetts. Brian can be reached at (508) 898-1818, or by email at NLDlaw@aol.com **VF**

Surviving The Due Diligence Investigation

by Jeffrey E. Swaim, Esq., Associate, Mirick, O'Connell, DeMallie & Lougee, LLP

Business owners frequently tell me that their ultimate goal is (i) to be acquired by another entity or (ii) to go public. This article focuses on perhaps the most burdensome aspect of an acquisition or public offering - the due diligence investigation - and offers some advice on how companies subject to a due diligence investigation can lessen the burden associated with the due diligence process.

In the acquisition scenario, the acquiring company ("the buyer") will want to conduct an extensive investigation of the target company and its business documents so that the buyer knows exactly what it is purchasing and what liabilities it may be exposed to as a result of the purchase. In the public offering scenario, the underwriter is required to make a diligent inquiry into the business of the entity proposing to offer its shares to the public (the "issuer") in order to limit the underwriter's liability for omitted or misleading disclosures in the prospectus. The examination process in either scenario is called due diligence.

The Process

The due diligence process often begins with a preliminary request to the company for copies of all documents related to the business. It is not uncommon, especially in larger transactions, for a company to be furnished with a document production request containing over 150 different categories of documents that the company needs to produce. Some of these documents may be readily available, while others may require the time-consuming compilation of company information and the drafting of various charts, spreadsheets, forecasts, and summaries. Items listed on a due diligence document production request often include:

1. *General Corporate Information* - charter documents; by-laws; minutes of meetings and consents of stockholders and directors; issued and outstanding securities; prior acquisitions or divestitures; investments in other corporations; qualifications in other states; and good standing and tax certificates
2. *General Operating Information* - large customer accounts, major suppliers and creditors; outstanding purchase orders; operating facilities; insurance coverage; fixed assets; capital expenditures; bank accounts; forms of terms and conditions of licenses, warranties,

purchase orders and invoices; marketing and advertising agreements; purchase and requirements contracts; government contracts; joint venture and partnership agreements; supply agreements; franchise agreements; and construction agreements

3. *Financial and Accounting Information* - audited financial statements; unaudited quarterly financial statements; internal business plans, budgets and projections; financial, operating and marketing plans; selling, general and administrative costs; sales and gross margin analysis; tax returns and all other relevant tax information; aging of accounts receivable and accounts payable; related party transactions; key accounting policies and controls; outstanding contingent liabilities; industry and company pricing policies; "off-balance sheet" items; and inventory composition, write-downs and returns

4. *Financing Information* - credit agreements; loan agreements; indentures; security agreements; capital leases; sale and leaseback agreements; commitment letters; communications with creditors; agreements relating to the purchase, sale or issuance of securities; private placement memos or offering circulars; registration rights agreements; redemption agreements; and agreements between the company and any brokers

5. *Litigation and Claims Information* - pending or threatened litigation; pleadings; motions; settlement agreements; letters of counsel; judicial or administrative decrees; orders; injunctions; complaints; and correspondence or other communications related to the actual or alleged infringement of trademarks, copyrights, patents or other intellectual property

6. *Legal Compliance Information* - governmental inquiries, investigations and proceedings; permits, licenses, approvals and consents; material reports filed or delivered to governmental agencies; and environmental audits and inspection reports

7. *Personnel, Employee Benefits and other Employment Information* - resumes of officers and directors; consultants; employment agreements; compensation amounts; perquisites; bonus plans; welfare, pension, and fringe benefit

plans; collective bargaining and other labor agreements; personnel policies, manuals and handbooks; confidentiality and non-competition agreements; and employee relations problems

8. *Property Information* - deeds and mortgages; leases or subleases of real and personal property; easements and other encumbrances; property insurance policies; and documents related to patents, trademarks and other intangible assets

10. *Miscellaneous Information* - documents related to research and development; confidentiality agreements with third parties; industry data and analysis; product literature and press releases, and all other material information and contracts related to the company

In addition to the written document production request, it is also common, especially in larger deals, for the representatives of the buyer or underwriter to visit the subject company's place(s) of business so that they can get a first-hand impression of the company and its operations. Such visits may include interviews with various employees and executives of the company.

The due diligence process can be very time-consuming and easily strain a company's resources. Compounding the problem is that fact that the due diligence investigation often takes place simultaneously with the negotiation of an acquisition or the drafting of a prospectus, activities which in themselves require the significant attention of the target company's or issuer's directors and officers. Additionally, in many cases, information related to the contemplated acquisition or potential public offering must remain confidential, requiring that company executives not involve other employees in the due diligence production effort. This leaves the executives and their assistants with the burden of locating or compiling the due diligence information themselves at a time when they are often working feverishly to complete the underlying transaction itself.

Prepare In Advance

Companies anticipating an acquisition or public offering should take the following actions in order to lessen the burden associated with a due diligence investigation:

continued on page 10

Starting A Successful Business

by Mark Parish, President, Specific Surface Corporation

The first meeting of the 1997-1998 WPI Venture Forum season began with an outstanding presentation by Dr. Norman E. Gaut, Chairman and CEO of PictureTel Corporation. Dr. Gaut presented "Ten Ways to Fail When Starting Your Own Business." His tutorial was based on his own experiences, both successful and unsuccessful. The audience was treated to a checklist of ten "don'ts" and preventative suggestions to keep the entrepreneur from falling into those traps. After the networking break, Mr. Tony Girofi, president of software-based MaxSol, Incorporated, presented his business plan.

Checklist

Dr. Gaut presented his checklist by directly relating stories of his own business experiences. The first checklist failure item was to have a "Flawed Vision." Many of the other items on his list referred back to vision, where he warned that the entrepreneur must know where they want to be and how to get there. The second mistake was to "Start With A Bad Idea." Business people may have one way to do that "something" to start their business, but really must think broader in order to grow. The third item was "Have The Wrong Timing." Visionaries can live one hundred years ahead of their time. Companies, on the other hand, must live in the present and plan for the future. PictureTel, for instance, could have used high-speed telephone communication lines four years before they were routinely available to the consumer.

Dr. Gaut then brought up the fourth point, "Don't Take Time To Write A Good Business Plan." The business plan really has to be thought through, exploring how to start, run and exploit your business. A good business plan takes time and thought similar to writing a doctoral thesis - forcing a highly systematic approach. The first business plan that launched PictureTel was followed for four years before requiring a revision. The fifth way to fail was to "Hire The Wrong People." Properly trained and experienced people are a must; the correct chemistry is imperative. Employees that are "wrong" do great damage to the spirit of the company and greatly slow its progress.

More Checklist Items

"Running Out Of Money" was discussed in the sixth item. Entrepreneurs always need enough cash to get to the next credibility level. Dr. Gaut suggested that all business people go to bed at night repeating, "Cash is King, Cash is King." He stated very clearly that cash flow is extremely important for a company to grow successfully. His seventh point, was "Don't Focus" which really goes back to the first six items. "Stick with it and be the best in the world," was his advice. It is easy to start solving customers problems or to broaden your product line much too early. The consequences for these actions only weaken your business.

The final three items included one that entrepreneurs usually do not fall victim to: "Work From 9 - 5." Prepare to work one hundred hours per week in the first three years. Very difficult sacrifices are necessary to start a business and they do not go away for some time. You will need the



Ron Bouley

Dr. Norman Gaut explains his ten "don'ts" for starting a business.

understanding and support from your family and friends which is critical for your success. All hobbies have to be put on hold, except those that maintain your health. The ninth point was "Don't

Use Partners" which is a difficult topic for many entrepreneurs. Dr. Gaut took time to explain how he leveraged and teamed with others to get things done and get you where you want to go.

Get Qualified Help

Dr. Gaut closed with "Have a Lousy Board of Directors." There are no benefits to your company to put relatives and friends on your board. The board members should understand your business, help raise money, find strategic partners and know everyone in the industry. In addition, identify any board member who wants to run the business for you. This could spell disaster for you and your company. He also suggested setting up a board of advisors that could help you with product development, networking and marketing through suggestions without the more corporate responsible decisions of the Board of Directors.

Dr. Gaut went on to discuss the companies he had previously been active in and other companies he is currently involved with. There were some battle scars he obtained when testing a personal-powered vehicle for one of his companies, though they were not shown to the audience. Dr. Gaut answered the numerous audience questions that continued through the entire networking break where many of the Forum's members met with him one-on-one.

It was a great pleasure to have Dr. Gaut share his experiences with the Forum. The topics which we will be covering in our monthly meetings this year address many of the items on Dr. Gaut's list.

Case Presentation

Tony Giroti, President
MaxSol, Inc.

403 Massachusetts Avenue
Acton, Massachusetts 01720

After the break, Mr. Tony Giroti presented the business plan of MaxSol, Inc., where he is a cofounder and President. MaxSol, Inc., is a World Wide Web software company founded in 1995 that is developing a new type of decision support software for non-technical and business users. Mr. Giroti presented MaxSol's plan to deliver their low-cost, easy-to-use, learn and maintain software that will eliminate technology knowledge of the end-user. Their initial prod-



Tom Bouley

Tony Giroti of MAXSol, Inc. presents his business plan.

uct, called DbLive@Web™ was demonstrated during the presentation.

MaxSol presented their plan to raise over \$2 million in initial outside funding to bring DbLive@Web to market. They have already raised a portion of this amount. The funding will be used to support beta installations, engineering and business development. The company wishes to explore technology licensing and sales and marketing options.

Panelists Comments

A panel of experts reviewed MaxSol's business plan presentation and commented on their strategy. The panel as a whole was impressed with MaxSol's product and team, offering unified praise with some constructive criticism. The first panelist to comment was Ms. Tonya Price, who founded and heads StrategicIdeas.com, the Web services division of UltraNet Communications, Inc. She agreed with the need and market for MaxSol's product from experience with her own clients. She was concerned with MaxSol's promotional material targeting the ultimate end-user, who will probably not be the decision-maker or purchaser of the product. Ms. Price also commented on MaxSol's need to study their business model and decide whether they are a product company or service company.

The second panelist that critiqued MaxSol's business plan was Mr. John Marcario of NextPoint Interactive, who had similar questions and advice on marketing the company's product. Mr. Marcario also pointed out the need to reevaluate the business plan's cash flow projections. For example, the company plans on thirty-day collections on invoices from their large clients, which is very optimistic. He concluded that

MaxSol required significantly more funding if the plan would be carried out to its letter. Finally, Mr. Stanley Fung, a partner at Zero Stage Capital, Inc., presented the venture capitalists view. He noted the immediate need for a marketing manager, a critical position that was only mentioned briefly in the business plan. He also agreed with Mr. Marcario that either greatly increased up-front funding would be necessary, or additional levels of incremental funding would be required over the next three to five years.

Partnering Option

All three panelists concluded that MaxSol's product is only a piece of the larger puzzle. Partnering with a larger company and incorporating MaxSol's software within an existing product line would be a much quicker and safer route to success. They also were in agreement that MaxSol needs to decide very soon whether they will continue consulting or focus on their product development. All three panelists warned of potential problems that too much consulting can bring to a company that is in the middle of its own product development.

Audience Questions

The audience had time to ask questions that addressed MaxSol's product and how the company was started. In conclusion, the first WPI Venture Forum meeting was a great success and we look forward to the rest of the season's monthly meetings. Please join us for the entire year of viewpoints from experienced entrepreneurs, hand-on working meetings, and round-table discussions, along with the very informative case presentations.

Dr. Mark Parish is the President and co-founder of Specific Surface Corporation, a manufacturer of ceramic filters for gas filtration, located in Franklin, Massachusetts. He can be reached at 508-520-9586. VF

BUSINESS BASICS

How To Maintain A Positive Cash Flow

by Cynthia Sechcrest, CPA and Jean Sifleet, CPA, JD

We introduced Carla's business in our last Venture Forum newsletter. Her business is called Smooth Solutions and is a sole proprietorship that provides custom solutions for small businesses by allowing them to run multiple applications on Windows 95 in a seamless and efficient manner. The client base has steadily grown since the January 1997 formation of the company.

How Easy It Is To Fall Into A Cash Flow Crunch...

Since the formation of Smooth Solutions in January, cash has been flowing into the business in a manner never dreamed of by Carla Smithson, the owner. In February, there was so much cash in the company's checking account that Carla decided to take the entire family on a skiing vacation to Sunday River. Flush with the windfall from her business, Carla told her family that they could choose the best accommodations available and the usual "bag lunch" would be replaced with a generous daily spending allowance for snacks and lunch.

On returning home, Smooth Solution's cash flow continued to improve. Carla knew that in April she had to pay estimated payments, but was not worried as her accountant had helped her set up her business record keeping system using the popular accounting software system QuickBooks. For the end of March her profit was over \$50,000. She called her accountant at that point and informed her of that profit. Carla nearly dropped the phone when the accountant told her that based on the estimated profit of \$50,000, she would have to set aside 50% of the profit or \$25,000 for the estimated tax bill. Astounded, Carla checked her cash position and went into panic mode when she realized that the balance in her checking account - \$26,000 - was barely enough to cover the estimated taxes due in two weeks and nowhere near enough to allow her to take a draw to pay for her credit card bill of \$3,674.31 from the ski vacation. She was in a total panic...

Some Ways To Absorb The Inevitable Cash Flow Crises

In one variation or another, nearly every business owner, no matter how successful, experiences times of cash depletion - even when they plan very carefully. This means a panic attack if there are no resources to draw upon and those heavy expenses or obligations loom. How can a small business owner with few resources develop some financial buffers and some easy-to-use planning tools to smooth out erratic cash flow? Here are some ideas.

Financial Buffers And Planning Tips To Even Out Cash Flow

Establish a line of credit with your bank. Carla talked to her banker who specializes in small business loans. Using some stocks she had been given by her father as collateral, she obtained a line of credit for \$30,000. She now uses this line of credit only when absolutely necessary and replenishes it immediately when she has a positive cash flow.

Retainers and deposits. Ask all clients for a deposit or retainer when you contract to do business with them. This way, your company is not continually financing other companies and you are using their cash, not yours, to pay for expenses related to their project.

Invoice promptly. Related to the above, you should invoice immediately on the completion of

work for a client, no matter how busy you are at the moment. Depending on your business, you can ask for payment on receipt of goods or services.

Accounts receivable. If you allow clients to be on account, be sure they pay promptly. Depending on your business, you may ask first time clients to pay on receipt, extending credit only to those you feel will pay promptly. No matter what, monitor accounts receivable on a continual basis, calling or otherwise notifying those who fall behind.

Offer credit cards as a method of payment. For some businesses, offering credit cards as means of payment is expected. Other businesses, such as a service business like Smooth Solutions, may want to consider whether credit cards are cost beneficial. For those businesses offering

credit card payment, it is important to factor the credit card costs in budgeting expenses and in cash flow projections.

Budget. We all know that we need to budget, but this can be a lengthy process. Fortunately, software programs can make this less onerous. With accounting software, you can establish a budget and continually monitor budget versus actual, adjusting your spending or the budget depending on the circumstances.

Use reminders. Have reminders on your calendar about payment dates. Better yet, you can use electronic drop-down lists in your software that won't let you forget. These reminders are date sensitive and they appear each time you open your program.

Personal checking accounts and cash sources. Those entrepreneurs whose spouse has a regular paycheck can use these sources in emergencies. You can also get a line of credit and/or overdraft protection for your personal account. Be sure to be very careful of this source!

Credit cards. Use credit cards only if absolutely necessary. Many start-ups have successfully used credit cards as a source of capital, but remember the balances need to be paid off each

month if possible . (Possibly just as many businesses have used credit cards unsuccessfully.)

Cash management techniques. There are multiple techniques used by larger companies to manage cash. Ask your business consultant or specialist about these.

Plan ahead. Most importantly, plan often and plan ahead. Your budget should contain items such as liability insurance, estimated tax payments, and other uneven payments as an integral part.

After the unpleasant cash crunch that Smooth Solutions experienced, Carla was convinced that managing cash flow was critical to growing her business successfully. Smooth Solutions now has systems in place to both track and project cash receipts and disbursements. With this approach, Smooth Solutions will minimize the risk of any more unpleasant surprises.

*Cynthia Sechrest, CPA and Jean Sifleet, CPA and JD, are principals in the business consulting group, DCG, located in Devens, Massachusetts. The firm specializes in business development systems and services. They can be reached at 508-772-6332. **VF***

WPI Venture Forum Presents...

Business Plan Workshop

Keys to Developing a Successful Business Plan: Hands-On Seminar Series

Beginning Thursday, February 26, 1998, the WPI Venture Forum will conduct a six night workshop on "Developing Your Business Plan." This hands-on, interactive session will be facilitated by Robert Creeden. Mr. Creeden is a Vice President with the Massachusetts Technology Development Corporation, an early-stage venture capital firm focusing on technology-based companies in Massachusetts.

The program will be offered one night per week over six consecutive weeks, including one evening devoted solely to the topic of raising capital! Each session will last two hours and will be held on the campus of WPI. Participants will work with Mr. Creeden and other facilitators on the development of their business plan. The sessions will be both tutorial and interactive in nature, discussing the objectives, components, and format of a good business plan, with time for individual attention given to participants.

Due to the interactive format of the workshop, a limited number of companies will be allowed to participate. The fee for all six nights, including workshop workbook and other materials is \$125.

Workshop sessions will be held on Thursdays, beginning in February: February 26, March 5, March 12, March 19, March 26 and April 2, 1998.

This is the perfect training ground if you plan on entering the WPI Venture Forum \$10,000 Business Plan Contest, held annually.

If interested, please fill out the registration form below and mail with payment to:

WPI Venture Forum
c/o WPI Alumni Association
100 Institute Road
Worcester, MA 01609

Seminar Series

Business Plan Workshop Registration

Name _____

Company _____

Address _____

City, State, Zip _____

Phone _____

CALENDAR OF EVENTS

November 18, 1997
Networking for Success

December 16, 1997
The Reality of Virtual Companies

January 20, 1998
Structuring Your Team for Growth

February 17, 1998
Growth Forecasting—Not Just Smoke and Mirrors

March 17, 1998
Surviving the Crisis

April 21, 1998
Financing Your Company's Future

May 19, 1998
The Science of Sales

June 9, 1998
Writing a Successful Business Plan and the Contest Winner!

Ten Steps for Increasing Profitable Sales

By Norman Brust, President, NTB Associates

New England has a rich history of entrepreneurialism. By the late 1800's approximately eighty percent of all US patents issued were held by people and companies in Central Massachusetts. Today, New England is second only to California in venture capital investments. Hardy individualism and excellent educational institutions are key factors in this entrepreneurial success.

Many companies are started by an entrepreneur who is well versed in a particular specialty and has a vision of how to apply that specialty better. Relying on common sense, hard work and intuition, the entrepreneur successfully grows the company until it reaches sales of one to five million dollars. Then something strange happens. No matter how hard the entrepreneur works, the company stagnates and stops growing.

Fragmented and incomplete sales and marketing are often the underlying reason for this stagnation. Things that have worked in the past are just not sufficient to take sales to the next plateau.

Although stagnation at this stage is common in a company's growth, all is not lost. There is a definite way to break out of this stagnation and reach the next level of increased sales. Granted, it takes time, dedication and effort. Very often it requires the unbiased analysis and assistance of an outside third party to identify and make the necessary changes. However, the increased sales can be well worth the effort. The following ten steps are the essence of this process.

Step 1 - Revisit Your Mission

For a company to be successful, it must have a well-defined mission. This mission should be explicit enough to guide management in defining precise goals to be achieved by specific times. On the other hand, it must be flexible enough to allow the company to adapt to changing times. Revisit and update your mission to ensure that it is appropriate for your company in the current marketplace.

Step 2 - Catalog Your Core Competencies

Inventory your company's capabilities. Know what you do well and what could use improvement. Only after you know what you do well, can you know what you can sell to the marketplace.

Step 3 - Review Your Past History

Analyze what has worked well and what hasn't worked well in the past. This information, coupled with your core competencies, is often a

good indicator of where you should focus your future efforts to increase profitable sales.

Step 4 - Know Your Target Market

Market segmentation is a well-known process. Unfortunately, many companies do not identify and focus on a specific market well enough. They feel that because their product can be used by a wide variety of people, they should sell to all of these people. Not so! It is well documented that companies that become specialists in a clearly defined market are usually far more successful financially. Don't fall into the trap of worrying about all the potential business you will lose by not trying to service everyone. If you focus properly, you will have more business than you can handle.

Step 5 - Establish, Maintain and Use Customer and Prospect Databases

Information is an extremely powerful tool in successful selling. Learn and document everything there is to know about each of your customers and prospects. You can then fully understand and satisfy each of their individual needs. With the advent of the personal computer and inexpensive contact management software, even the smallest company can afford a full fledged contact management system to manage this information

Step 6 - Define Your Product

When you have determined the general scope of what you want to do (mission), who you want to do it for (target market), and what tools you have to do it with (core competencies), you can then decide what specific products you should offer to most effectively satisfy your target market's needs. A client of mine said it best when he said, "I only want to offer products that give me an outrageous chance of success."

Step 7 - Understand Your Sales Cycle

Getting the prospect to buy is a subtle and complex process. Learn the sequence of events and all of the details of what it takes to motivate the prospect to choose your product. If your product is an impulse buy, determine what triggers the impulse. Is it packaging, price, timing, location in the store? On the other hand, if your product is a complex, multi-level sell, know all of the details of what it takes to ensure that each participant chooses your product over the competition's. Determine who the decision makers are. Armed with this knowledge, you are in a better position to control the sales process and improve your chances for success.

Step 8 - Develop Sales Support Tools

Most carpenters would have a difficult time building a house without a hammer, an accurate tape measure and a good saw. Don't expect to successfully increase your sales without investing in the appropriate tools. Once you understand your sales cycle, it will usually be obvious what sales tools are needed to support it well. Accurate and attractive literature, properly trained sales people, effective demonstrators or samples can all be good investments.

Step 9 - Establish an Aggressive Communications and Promotional Program

Tell the world what you sell! Make it easy for your target market to find you and determine what you can do to help them. For some reason many people think that just because they know something, the rest of the world knows it too. ►

continued on page 10

Ten Steps

Continued from page 9

Life doesn't work that way. You need to deliver your message with a communications and promotional program that becomes an integral part of your target market's daily activities.

Step 10 - Document and Use Your Sales and Marketing Program

The mere act of writing down what it takes to accomplish your sales and marketing program helps to crystallize and refine it. The writing process also helps to define the interrelationship of related activities and it exposes difficulties before they become serious problems. Make sure all the participants in your sales and marketing program contribute to its development. This will help ensure good interpersonal cooperation and communications as well as provide everyone with a clear understanding of corporate goals. It will also help each person understand their responsibilities in achieving these goals. Finally, a written sales and marketing plan gives you a good yardstick by which to measure your progress.

These ten steps for increasing profitable sales are an ongoing process rather than an event. Successful companies continuously refine their sales and marketing program to adjust to changes in the market, technology and the economy. We have presented them as an aid to companies that have stalled at the one to five million dollar level. Actually, the underlying principles apply to both young and mature companies of any size.

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Surviving the Due Diligence

Continued from page 3

1. *Maintain An Organized Filing System.* A company can significantly reduce the burdens of due diligence if it maintains an organized, up-to-date, and to the extent possible, a centralized filing system. Ideally, an executive or his or her assistant should be able to locate all documents and information pertaining to the company promptly and easily without having to involve more than perhaps a few other individuals in the company. Unorganized and decentralized filing systems substantially increase the amount of time necessary to respond to document production requests. Time spent now developing an organized filing system will pay off handsomely when preparing for a public offering or acquisition.

2. *Observe Corporate Formalities.* Many companies fail to maintain their corporate record books properly or to stay current on their corporate filings. Accordingly, they often waste time during the due diligence investigation responding to inquiries about, and cleaning up, missing, ambiguous or conflicting documentation. This can be averted by maintaining accurate records of all corporate action.

3. *Do Not Procrastinate.* Companies are advised to begin compiling their due diligence documents as soon as the request for such documents is received. The earlier the responsive documents are sent to the buyer's or underwriter's representatives, the earlier the documents will be reviewed and issues raised by the documents resolved.

4. *Maintain A Due Diligence File.* During the due diligence process, maintain a file containing separate copies of all due diligence items provided to the representatives of the buyer, or underwriter. Once due diligence documents have been reviewed by outside parties, the company can expect inquiries on particular due diligence items furnished by the company. By having an immediately available file of due diligence items, the company can quickly respond to such inquiries.

Due diligence is a necessary evil of the acquisition and public offering process. Fortunately, by following the pointers discussed above, the burden, costs and duration of a due diligence investigation can be greatly reduced, thus making the underlying transaction more satisfying and less stressful for all parties involved.

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