

WPI Venture Forum

Collaborative for Entrepreneurship & Innovation
Department of Management
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WPI Venture Forum Calendar of Events

Sept 21, 1999 – Common Mistakes and War Stories
Oct 19, 1999 – Doing Business in the New Millennium

Directions to WPI Campus, Salisbury Labs, Kinnicutt Hall, Room 115

From The East:

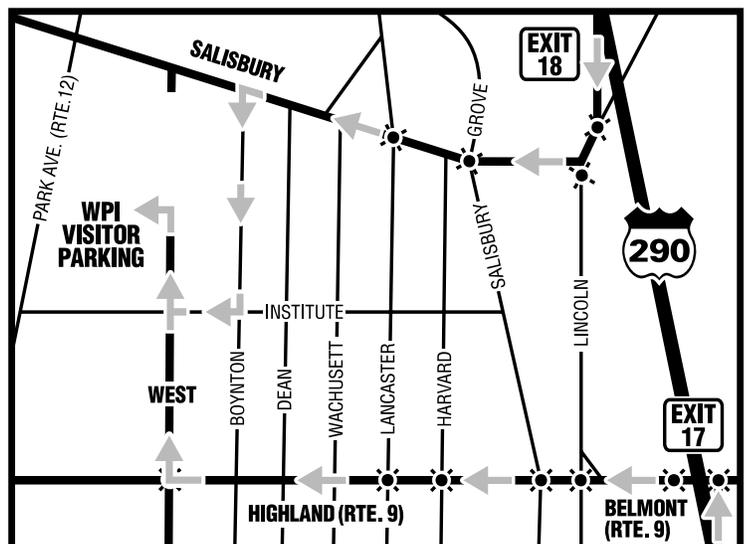
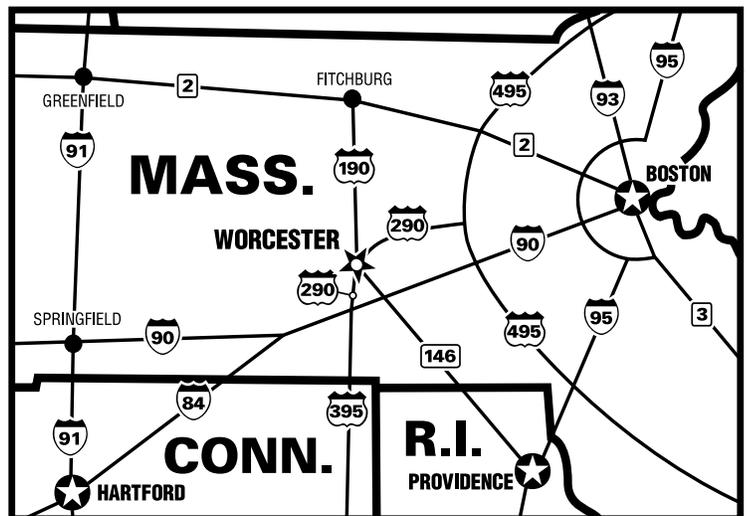
Take Mass. Turnpike (I-90) to Exit 11A (I-495). Proceed north to I-290, then west into Worcester. Take Exit 18, turn right at end of ramp, then an immediate right before next traffic light. At next light, proceed straight through, bearing to the right on Salisbury St., At the WPI sign, turn left onto 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-209 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.





Venture

VENTURE FORUM NEWS

Promoting and serving technology-based entrepreneurial activity
www.wpiventureforum.org

Volume 9 No. 1
September 1999

A look at the upcoming meeting

Starting Your Business

Tuesday, September 21, 1999
WPI Campus, Salisbury Labs
Registration: 6:00 PM
Meeting Begins: 6:30 PM
Members \$5.00 Non-members \$10.00

It is with great pleasure that the WPI Venture Forum welcomes, Greg Erman, President and CEO of MarketSoft Corporation, as the first speaker for our 1999-2000 season.

If you have ever thought of starting a business or growing your current company into a market leader, you should not miss our first meeting of this year's WPI Venture Forum. Starting a business is the dream of many of us that would like to be entrepreneurs. We may have a better idea, a new product, or even a new creative way to sell to a market. Every day, there are those that take the leap and start a business as a first step to attain their goals. And what better time to think about such a move than the turn of the century? A few of these companies grow to great success, setting the standards for the next generation of new companies. Other companies have a technology so astonishing, that a competitor or related market leader snaps them up right in their infancy.

From time to time, a few of those who started these successful companies share their history with entrepreneurs that are just beginning. Mr. Erman will present not only his experiences in starting businesses, but also his perspective



Greg Erman

on making them successful. Greg was President & CEO of Waypoint Software Corporation, which developed software tools for business-to-business marketing catalogs on the Internet. ▶

continued on page 6

New Home for WPI Venture Forum

In a sweeping (and welcomed) reorganization, WPI asserted a new commitment to entrepreneurship and, in the process, the WPI Venture Forum found a new home. Beginning with this program year, the Venture Forum will be the outreach arm of the newly created Collaborative for Entrepreneurship and Innovation (CEI). The CEI will be housed in the Department of Management and report directly to the department head, McRae C. (Mac) Banks. The other major component of the CEI is the Entrepreneurs Collaborative. To gain insight into the reorganization, what it means for the Venture Forum, and what it means more generally for entrepreneurship, we interviewed Professor Banks.

VF: What was the driving force behind the reorganization?

MB: Overall, I think the intent of the central administration was to create more synergy between the different entrepreneurship components that exist at WPI by putting them into the same sphere of responsibility. Most of our readers know about the Venture Forum, but they may not realize that it is one of three major entrepreneurship functions at WPI.

VF: Could you recap those for us quickly?

MB: The Venture Forum, which was founded in 1990 to promote the spirit of entrepreneurship, and to bring advice, support and education to those who engage in technology-based entrepreneurial enterprises, was the first component. This was, and is, an outreach effort. The second piece was the Entrepreneurs Collaborative, which was established in 1993 by Don Berth, former VP of University Relations, and Professor Art Gerstenfeld of the Department of Management, to promote entrepreneurial thinking and action among WPI students, faculty, and staff. This is what I refer to as "inreach," because it stayed within the University. The third piece was the development of undergraduate and graduate courses and, eventually, a minor, in Entrepreneurship by the Department of Management. ▶

continued on page 6

CONTENTS

Letter from the Chair	2
Past Meeting Summary	3
Oracom, Inc.	4
Don't Let Lawyers Derail Your Deal . .	5
Sponsor's Business Highlight	9

The September meeting is sponsored by:

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WPI VENTURE FORUM

The mission of the WPI Venture Forum is to promote and serve technology-based entrepreneurial activity and economic growth in the region by increasing the business and financial knowledge of the participants through sharing experiences with entrepreneurs as well as area business, financial and educational leaders.

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Letter From the Chair

Welcome to an Exciting Year!

By Shari Worthington

Welcome to the 1999-2000 year of the WPI Venture Forum. We have quite an exciting year ahead of us—filled with interesting events and informative, educational programs. And, we get to ring in the new millennium this year—with or without our computers.

If you haven't returned your membership application yet (see page 10), do it now, so you won't miss out on any of our great events!

Internet Impact

What have we got planned? Well, let's start with some interesting facts and figures. Did you know that there are approximately 100 million adults using the Internet? At least half of us log on daily. When we get there we spend most of our time on work-related activities, researching new products and making purchases. In fact, in 1998, we ended the year with about \$40B in sales via electronic commerce, a majority of which came from business-to-business sales. That's almost the size of the video rental industry, and in only a few short years!

So this year, in addition to the usual array of interesting topics covered in our meetings, our hard-working Monthly Meetings Committee has added some interesting new perspectives on entrepreneurship. For instance, in December we will focus on Internet Commerce, and in January we're thrilled to have with us the Executive Editor of Inc. magazine, Mike Hopkins, who will talk about "Doing Business in the New Millennium." Other great program topics coming this year include guerilla marketing, focus groups and market research, strategic alliances, raising money, and living through the common mistakes of building a business.

Other volunteers are hard at work putting together such exciting programs as more breakfast events (for all you early risers); the development of a Central Mass resource directory for technology entrepreneurs; the continuation of our highly acclaimed radio show (WTAG, 580am, Saturdays, 5-7pm); and our annual Business Plan Contest (start preparing now—you won't want to miss out on the opportunity to win \$10,000 in cash and services).

WPI Venture Forum and the new Collaborative

We're also looking forward to an exciting year as we continue to work hand-in-hand with WPI to spread the word about entrepreneurship. We're pleased to be a part of the increased emphasis on new business development at WPI. As the community outreach branch of the university's new "Collaborative for Entrepreneurship and Innovation," we'll focus on the core mission of the group, as stated by Mac Banks, WPI Venture Forum board member and head of WPI's Management Department:

The Collaborative for Entrepreneurship and Innovative inspires and nurtures people to discover, create, and commercialize new technological products, services, and organizations, thereby advancing economic development and improving society.

If you'd like to be a part of this excitement, let me know. I can be reached via e-mail at HYPERLINK mailto:sharilee@aol.com sharilee@aol.com. We're always looking for energetic volunteers to participate in our committees.

I'd like to take a moment here to thank last year's Venture Forum board and committee volunteers for a job well done. It was a great year, packed with fascinating programs, such as our sell-out "Breakfast with Ken Olsen." I'd especially like to thank my predecessor, Brian Dingman, for a superb effort these last two years. His shoes will be hard to fill (not counting the fact that his feet are much larger than mine), so I'll focus on working with our volunteers to keep an exciting array of programs coming at you as we prepare to enter a new millennium of challenges and opportunities.

To borrow a line from the Chair of the Forum's Radio Committee, Bob Hokanson, may all your ventures be successful. See you at the monthly meeting on September 21st.



Shari Worthington is the President of Cirrus Technology, a 12-year old marketing, Web development, and e-commerce firm specializing in the high-tech markets. She can be reached at 508-755-5242, e-mail: sharilee@aol.com, Web: www.CirrusMarketing.com. ▀

Elements of Writing a Business Plan

By Phyllis M. Hanlon

As painful as the thought may be to some entrepreneurs, writing a comprehensive business plan is an essential component of any strategy for success. Charles Collier, a partner with the management consulting firm Mount Vernon Strategies, led attendees at the June Venture Forum meeting through the steps of creating and implementing an effective business plan. As part of its business practices, Mount Vernon Strategies helps companies develop strategic operational plans in addition to other business-related functions, the most important of which is creating business plans.

"Whether you are interested in an IPO or not, you must have a business plan," said Collier. He compared the business plan to a chain with each area linked to the next—market research, revenue modeling, accounting, legal issues, banking, venture capital, investment underwriting, insurance, printing, public relations, and finally the IPO. For this presentation Collier used one of Mount Vernon Strategies clients, Rowe.Com Inc., as an example. An award-winning pioneer in business-to-business intellectual commerce on the Internet, RoweCom Inc. was established in 1994 and successfully serves over 100 clients in the financial services and telecommunications industries.

"The investor overview should be an executive summary at the beginning of your business plan that evaluates your company, the market, services, management team, strategy, and competitive advantages," said Collier. The investor overview should be no more than twenty pages long. "In fact, fourteen to twenty pages is good,"

he said. Besides conciseness, he also stressed the importance of readability.

The business section should evaluate the company and its current paradigm. "Does your product/service solve a problem for anyone, thus making it a 'necessary solution'?" he asked. By looking at emerging trends in the market and clearly defining your particular target market you can develop an effective strategy that will help you reach customers.

You should provide a clear description of your product/services with emphasis on the uniqueness of your business. The immediate value to the customer should be stressed as well as the effect the product or service has on the pricing structure of the market. "Above all, use eighth or ninth grade language in your explanation," he said, reiterating the need for simplicity.

Public relations/marketing strategies involve developing effective sales techniques, forming strong strategic partnerships, gaining loyal client support and establishing generally sensible marketing tactics. Branding, he explained, plays a key role. He advised that you consider the different aspects involved in marketing: direct sales, outsourcing, private label, various channels, and/or OEM. You can focus on strengthening existing partnerships by concentrating on client satisfaction. In addition, Collier named trade shows, seminars and conferences, targeted direct mail campaigns, and appropriate publications, i.e., trade journals, mainstream business magazines, as good sales outlets.

Your business plan should include a target market overview Collier said. He posed three

important questions to help correctly identify potential clients:

- Who are your customers (the target market)?
- How do you get to the target market?
- How does the target market justify with the projected revenue model?

Regarding early stage financing for the business, Collier urged caution on the choice of a venture capital firm. "Be very careful. Sometimes these relationships are harder to get out of than a marriage. Know who you are getting into bed with," he said.

Collier encouraged business owners to talk about competitors. He suggested that competitors are necessary and good for business - "they validate your space," he said. Once you have identified your market and the leading competitors within that market, you can begin to understand your competitive edge over these other businesses.

Finally, your management team should exemplify experience in your industry as well as the ability to grow your business rapidly and successfully. The education and experience factors should be coupled with an understanding of the market and the tactics necessary to penetrate it. "Your board of directors should consist of people who can really help your business," Collier said, adding to your strong management team and a unique product, to assure the way to success.

"Only one in 400 business plans get funded," Collier said. To beat those odds, he suggested several ways to strengthen the business plan; as

continued on page 8

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Oracom, Inc.

Marc Pierrat, president of Oracom, Inc. will present the company's business plan at the WPI Venture Forum's September meeting. Oracom, Inc. sells "Internet Appliances for Network Management" and has developed a line of Internet-centric appliances that manage and maximize the value of networks. Oracom's products increase efficiency of networks by automating network monitoring and control functions. Oracom's products give the network owner new ways of using equipment assets. The company's products help ensure maximum network performance and enable Quality of Service guarantees to be met for network owners. The improved network management could translate into higher revenues and profits for the network owner.

Marc Pierrat, Scott MacGregor, and Tom Riddle founded Oracom in February 1997. The trio had worked together at a software company that provided satellite networks, a high-value wide-area product, and were convinced that computer networks would someday require the same service availability and reliability as satellite networks. As the world embraced the Internet, a free-for-all developed in terms of bandwidth management, so they proposed a convergence of network and Internet technology with an open-systems, internet-centric product that could ensure the same careful use of valuable network resources. Even though the proposal flopped, the idea was still intriguing and motivated them to form Oracom. Their new mission was to reduce the cost and complexity of owning and managing communication systems.

Oracom produces Internet appliances or "thin servers," and specializes in network man-

agement. The thin server market is \$2 billion and is forecasted to grow to \$16 billion by 2002. The network management market currently is \$3 billion and is experiencing 16 percent annual growth. Competitors have been identified and defined in each market. The portion of these markets relevant to Oracom's products is approximately \$500 million.

Networks are increasingly important for the proper functioning of many organizations and businesses, yet their fast growth has outpaced the ability to manage them. Some companies have begun to address this need with specialized software running on PCs and workstations. However, these solutions are themselves too costly to install and manage, leaving most network owners frustrated and wanting something more. Oracom addresses this market need with a line of web-enabled "appliances" – black boxes that work like routers to perform a specific function. The first products are Element Managers – black boxes that collect network performance information and provide reports through virtual web sites. Oracom's appliances also respond to events and make adjustments, thereby ensuring predictable and reliable network performance. The technologies Oracom uses include a proprietary state-driven real-time database (for protocol management), embedded web servers, Java, browser forms processing, and network management protocols such as SNMP.

Since its founding, Oracom has designed and tested their products, shipped more than 120 units, completed 10 projects, and verified our market assumptions. In March 1997, we acquired the assets of another start-up, including a user-configurable polling technology to accel-

erate product development. Oracom has signed a joint development contract with a major network systems company initially to design its next-generation management platform based on the company's technology. Oracom's customers include a number of large regional, national and international communications companies.

Marc Pierrat, president, will present Oracom's business plan to a panel of experts and the September audience. Pierrat is responsible for strategic direction and marketing. Prior to Oracom, he was a founding manager of strategic accounts at Newpoint Technologies. Pierrat has a bachelor's degree in manufacturing engineering from the University of Massachusetts at Amherst and an MBA from New Hampshire College. A panel of industrial experts will help advise the company on raising capital, and focusing their market efforts and strategic direction. The panel will comment on the company's plan before the audience's questions are answered. **VF**

Hanlon
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Don't Let Lawyers Derail Your Deal

By Jean D. Sifleet, Attorney & CPA

The sad truth is that lawyers make more money when there's a fight. Lawyers have an economic incentive to turn amicable business relationships into protracted negotiations and even adversarial outcomes.

Recently, I've seen several deals derailed because the lawyers were more interested in lining their pockets than serving their client's interests.

Here are some warning signs:

1. Lawyer uses massive boilerplate documents of which 80% is incomprehensible and 90% is irrelevant to the deal.
2. Lawyer is posturing and taking positions that are obviously one-sided and trigger protracted negotiations in order to get to a position of reasonable balance for all parties.
3. Lawyer demands last minute concessions, price reductions or other major changes just before the deal is to be completed.

Adversarial negotiations are unlikely to produce a good deal and business relationship. The deal needs to be fair to all parties to work well. The party that feels unfairly treated usually finds a way to get even.

To avoid having your deal derailed by such lawyer tactics, I recommend that you keep the lawyers out of the negotiations and strive to keep the negotiations "win win".

Recommendations for successful negotiations

I recommend that:

1. The parties negotiate a term sheet which is the essence of their agreement on one page (Answer the questions: who? what? where? when? and how much?).
2. Each party reviews the term sheet with his/her respective advisor and revises the term sheet based on such input. (Basically, use your lawyer as a coach and do the negotiating yourself.)
3. Discuss the agreement and revise the term sheet. Then, instruct the lawyers to write up your agreement, without gobs of boilerplate, and include a provision to mediate any dispute. (One lawyer should draft and the other review.)

With this approach, you'll get a deal that is fair and workable and an agreement that you understand. The parties should be able to track from the term sheet to the agreement easily.

Remember, what's in writing matters.

People make deals every day. They reach an understanding. They may or may not write it down. Whether the deal is good or bad depends on what each party understood and the character and values of the people doing business.

If it's purely a verbal agreement, there are many perils. Memory is selective and fades with time. Different people remember conversations differently. If the deal is important, take the time to write it down and be clear about what you expect and confirm that your understandings are mutual. It is much better to find out early if there is a misunderstanding about expectations. A simple letter confirming your understanding of the agreement can be sufficient for many simple matters.

If the agreement is written, it is important that the contract accurately reflect what the people agreed. Do not assume that the document prepared by one party or that party's attorney accurately reflects your understanding of the agreement and protects you. Read it carefully. A good contract clearly explains what each expects to give and get, and what happens if one party fails to perform.

Here are some examples of problems that arise when expectations are not clear.

Scope of work is unclear. Problems arise because one party thinks the job is done and the other wants more work for the agreed price. Specifying what work is covered in the quoted price and clearly stating when additional fees apply for additional work can help to prevent misunderstandings. For example, instead of saying "The fee for this project is \$x.?" Specify, "The fee for this project (\$x) includes processing 3 sets of revisions.

Additional revisions will be processed at a charge of \$y/hour." Software projects particularly need "doneness" or "completion criteria" for each phase since software can always be improved.

Payment terms are unclear. Problems arise because one party expects payment and the other is not prepared to pay at that time. Specifying the payment schedule and deliverables or milestones at which payment is due can help to assure that both parties have the same understanding of what amount is due at what point in the project.

Timeframes are unclear. Problems also arise because one party expects things to happen faster than the other, or makes commitments assuming that the work will be done by a certain date. For example, if you have a contract to remodel in anticipation of a major event such as a wedding and the work is not complete on time, it can be a disaster. Financial commitments may have been made for other services (caterers, musicians, etc.) that cannot be rescheduled. It is important to be very clear upfront about the ►

continued on page 11

Staring Your Business

Continued from front page

Greg founded the company, recruited a management team, raised institutional venture capital, and sold the firm to Open Market, Inc., a publicly traded leader in Internet commerce. His investors earned a 426% return in only four months. Prior to founding Waypoint, Greg served as Vice President of Sales and marketing for an electronic messaging software company and spent eight years at Digital Equipment Corporation in sales and product management. Greg holds BSEE and Marketing MBA degrees with high honors from Rutgers University.

MarketSoft, headquartered in Lexington, MA, is the sole marketing automation software vendor focused on lead-flow optimization solutions across the extended enterprise. This innovative approach ensures that the right leads get to the right people at the right time and then measures results to enable the highest return on marketing investment (ROI).

The company presented its lead-management solution at PC Forum 1999, a prestigious technology industry event. MarketSoft's lead product was recently chosen by Andersen Consulting as a featured solution in their eCRM Showcase. MarketSoft's customers include Compaq, Tech Data, Fidelity Investments and other leaders in high-tech manufacturing and distribution, financial services, industrial manufacturing and the automotive industry.

MarketSoft is backed by \$5.25M from three top-tier venture capital firms that collectively manage over \$2B. **VF**

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New Home for WPI Venture Forum

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VF: So the Administration wanted more synergy. Does that imply that these efforts were not successful?

MB: Not by any stretch of the imagination. Over the years, these three programs have achieved a number of successes. To name just a few:

- Creation of two advisory boards and a board of directors;
- Creation of an Entrepreneur-in-Residence program that brought entrepreneurs from all over the U.S. to teach a course each year for undergraduate students;
- Completion of approximately 12 science and technology projects (we call them IQPs) and senior theses (we call them MQPs) for entrepreneurial organizations;
- Lectures, seminars, and speeches by approximately 25 visiting entrepreneurs;
- Approximately 750 students completed one or more entrepreneurship courses;
- Meetings 10 months out of the year featuring both practical topics to assist entrepreneurs with their businesses and live case studies of entrepreneurs and their ventures;
- A business plan competition (primarily for non-students);
- A radio show that is number one in its time slot;
- Great networking opportunities for current and aspiring entrepreneurs and those who service and assist them;
- An informative newsletter (10 issues per year);
- Some outstanding monetary gifts to support entrepreneurship at WPI; and
- A host of dedicated volunteers who work on sponsorships, newsletters, program ideas, and so forth.

What we did not have was a coordinated effort between the different programs that would allow us to eliminate duplication and overlap. Two of the programs reported to one VP and the other, the Venture Forum, to another VP. But even the two that reported to the same VP had very little interaction. I believe their thinking was that if WPI could accomplish so much with diffused effort, it could accomplish even more with concentrated effort, thus the reorganization.

VF: But why the Department of Management? Why not some freestanding home or another department?

MB: I think there are several things that stem from the same primary reasons: we wanted it and it made sense. One must keep in mind that entrepreneurship is a business activity. It requires an understanding of business. The Department of Management is the academic unit on campus that offers business courses, as well as the more specialized entrepreneurship courses. There is another important way that entrepreneurship fits with the department. Our focus is on the Management of Technology. That means three things to us: leading and managing technology-based (primarily high-tech) organizations; integrating technology into existing organizations; and creating new products and organizations based on technology. We have a graduate program in Technology Marketing that starts with the innovation process and goes through marketing new products and services (this includes e-commerce). We have five faculty members who are actively involved with entrepreneurship practice, research, and/or education and we are adding a sixth person this fall. My personal area of research and teaching is entrepreneurship and I have been an entrepreneur. Additionally, if one looks at all the top ranked entrepreneurship programs in the U.S., they are all in business schools, rather than in engineering schools or freestanding. This is not to say that there are not some good programs that are located in other schools or that might be freestanding, but all of them are located at other, much larger, institutions that can afford the duplication and overlap.

VF: I see what you mean and that does seem to make sense. So, what is the bottom-line for us in terms of the Venture Forum? What does it mean?

MB: Grant me some latitude. I used the terms outreach and inreach earlier. I think that is the best way to begin describing what I am seeking. The Entrepreneurs Collaborative will continue to be the inreach component. That is, it will promote entrepreneurship to WPI students, faculty, and staff. There is a tremendous amount of invention that goes on at WPI. What we want to do is convert more of it to innovation, that third meaning of the Management of Technology mentioned earlier. Hopefully our efforts will ►

continues

result in more people who want to start businesses, or who think they want to start businesses, coming out of WPI. If things go well they will begin participating more in Venture Forum activities. Even if they don't decide to start businesses, they will know more about entrepreneurship and may go to work for entrepreneurial companies, perhaps based on a contact made at a Venture Forum meeting, or we may find them promoting some technology that a Venture Forum member decides to commercialize.

The Venture Forum is the outreach component. As noted a moment ago, we want to involve more WPI people in Venture Forum activities, but the real thrust is to the wider community. We already have great programs and everyone I've spoken to thinks highly of the Venture Forum. I've served on the Board of the Venture Forum for three years now and I can tell you that all of us are in agreement that we want to build on our past successes and involve even more people in our activities. I have some ideas for additional programmatic and marketing activities and will try to sell the Board on them...

VF: That makes it sound as if you're not leading, yet I thought the activities of the Venture Forum are now under your oversight?

MB: They are. But, look, I'm a leader, not a dictator. I learned long ago that no one person has a lock on all the best ideas. Furthermore, others can improve on even the best ideas. If I push my ideas on the Venture Forum Board members and they accept them without being committed to them, how successful do you think the implementation will be? I've been in situations like this many times before, so the approach is not new. As department head, I take a lead in framing vision, but it must be acceptable to others. In converting vision to action, there must be commitment. I participate in those discussions as an equal, not as "the boss". Once we decide on something, I make sure the resources are there to make that happen then I get out of the way. Well, actually, I run interference. Why should this be any different?

VF: Okay. That makes sense. We are running out of time. Do you have any last thoughts you want to share?

MB: Two, really. First, it's important to understand that we are making a real commitment to entrepreneurship at WPI. The Venture Forum will go

from being in the Alumni Association and having a part-time administrative director to being part of a full-time entrepreneurship program. We hired Sarah Ribeiro as Operations Manager of our entrepreneurship programs. She was the acting administrative director of the Venture Forum this past year so we have continuity. This year we have a visiting instructor, Brian McKenzie, who will be working with me on entrepreneurship programs while we attempt to hire a full-time faculty member in the area. Brian has experience as an entrepreneur and helped the University of Victoria (Canada) develop parts of their award-winning entrepreneurship program. Also, we have other staff resources that can be called on when needed to help out. I'm not saying we have slack resources, rather, we can achieve some efficiency by bundling some things together. I guess the real bottom line is that, when people think of technological entrepreneurship, I want them to think of WPI. For education, I want that to be the Entrepreneurs Collaborative. For, outreach, I want that to be the Venture Forum. It doesn't matter to me if they are

in central Massachusetts or Central America. I will do whatever I can to make that happen.

Second, I want people to know that we want them to be involved. Join the Venture Forum (the membership fee is only \$20.00, so it is a fraction of what similar organizations around the nation charge). Get involved in committees. Call if they have business problems that they would like to have undergraduate or graduate students or teams, or even faculty members, work on for them. Call if they have ideas of ways that we can do a better job of meeting the needs of the entrepreneurial community. Come to our monthly meetings. In another part of the country I experienced an amazing rebirth through entrepreneurship. People helping people, and that includes entrepreneurs helping other entrepreneurs and aspiring entrepreneurs. It's all about building a strong support network. We want the Venture Forum to be at the center of that network, but it can only happen when people get fully involved. **VF**

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Elements of Writing a Business Plan

Continued from from page 3

an example, he said that you should “include financials for three years - first year by month, second year by quarter and third year by year. These figures should be right up front in the executive summary.”

Despite these odds, it is possible to receive funding from a venture capital firm on the strength of your business plan. A clear, concise report that represents your company, its product/service, well-researched information on your market, a strong management team, a clever strategy to overcome your competition, and a comprehensive financial summary may be the ticket to financial support to reach your goals.

Case Presentation

Matt Keith, CEO & President
PenFact, Inc.

Matt Keith, CEO & President of PenFact Inc., an inspection management software company, has Palm Pilot® to thank for the resurgence in “pen computing”. His product facilitates tracking and management of various inspection functions through a paperless calibration system. The recent acceptance and prevalence of pen computing has given his product the edge to stay in front of the competition.

Keith currently is targeting electric utilities, continuous as well as discrete process manufacturers, and oil and gas refineries. He offers on site facilities inspections via computer. Work orders, routes, calibration, and product inspection can all be accomplished with his portable computer system. Citing simplicity, sophistication, flexibility, and accountability, Keith has created a product that works within MIS standards and promises payback within six to twelve months.

The enabling technologies of portable computers, pen computing, communications through wireless LAN, and Windows CE signify tremendous gains in the world of computers. Keith sees the field now as a “playground for technology.” In addition to the technological capabilities, the size—smaller and more rugged than a Palm Pilot®; simplicity—easier to use than a mouse, just point and click; and price—costs run from \$500 to \$1500, make his product a leader in the market.



Photo by Ron Bouley

Matt Keith, CEO & President of PenFact Inc.

Keith touted the merits of his product with an example of a typical function. The user would write numbers in boxes. If he or she makes a mistake, the numbers can just be deleted or typed over. The data can be entered in a Windows environment, defined and downloaded into the program. Instant graphing information can appear as well as automatic measurements and calculations. The system has voice recognition capabilities as well. The program also operates with incredible speed for more efficiency. Businesses will find this cohesive inspection system to be the backbone connection to any existing systems. At this point Keith is offering Version 5 “so most of the bugs have been worked out.”

Fifty percent of PenFact’s revenue is currently derived from the services it provides. After the sale the company provides training, installation, and troubleshooting as a follow-up service. Keith is seeking \$2 million in financing to increase his market presence and to place more emphasis on sales. With the funding he plans to add a Director of Customer Services and a Vice President of Marketing to his existing team of President and VP of Research & Development, CFO and General Counsel, and VP of Sales.

Keith is following a direct sales path through a VAR and distributor channels. He feels the distributors can support \$250,000 to \$750,000 annually. Using traditional marketing tools - telemarketing, trade shows, advertising - Keith plans to take advantage of the multiple opportunities that exist for new markets. He also plans partnerships with hardware and software companies.

In five years or so, Keith would expect to sell to a larger entity. “This company presents a lower risk than most software companies. We are not an Internet player and not structured for an IPO,” he said. At this time Keith will continue targeting a more conservative market while he grows his business. His five-year plan includes “investing in people and then growing from there.”

Panel Review

All three panelists congratulated Keith on his enthusiastic, articulate, passionate presentation and information-packed business plan. The three also agreed, however, that the plan included more information than a potential investor would be willing to read.

Guest speaker Collier cautioned against “overburdening the plan with too much legal stuff.” He would like to see a stronger executive summary. “Most investors don’t get past the executive summary. Make sure all key points and target customers are there,” he said.

He suggested that Keith “tell the story in the first few pages of the business plan.” Investors would like to hear how the idea for the company evolved and what methods he will use to promote sales, Collier said. “Also, build up your management team,” he added. As a final comment Collier indicated that much of the material in the business plan could be used as an addendum; only the key components and financials should be in the executive summary, the critical piece of the plan.

Robert E. O’Connor of O’Connor, Wright & Wyman emphasized the need for “a hook” in the executive summary. He echoed many of Collier’s remarks adding that marketing positioning issues and staff growth plans should be given more attention. O’Connor also felt that Keith should eliminate detailed information regarding risks. “Only allude broadly to them,” he said.

continues

In O'Connor's opinion the plan is a strong one and with a bit of editing should be well thought of by investors.

International Business Consultant J. Nicholas Humber added comments on the product, market, and competition. He saw the business plan as "very engaging" and encouraged Keith to inject his enthusiasm into it. The question of

intellectual property protection concerns Humber though. He saw no clause within the plan to preserve Keith's rights in this realm.

Humber thought that the customer's criteria for using the PenFact system should be foremost in Keith's marketing strategy. He suggested that more market research would place the product in a better position.

He asked Keith to consider what challenges he faces from competitors. "What would you do to head them off?" he asked. Somehow a corporate identity that is unique needs to be established in order to firmly place the product in the market.

Basically he would like to see the same energy displayed in the live presentation inserted into the business plan. Investors will grasp a better understanding of the applications of the product if they are explained as well on paper as they are in person.

Audience questions focused on customization of the product for each company's need. Keith explained that every customer has a spreadsheet that is industry specific and his company builds templates to accommodate those differences.

Keith admitted that the market is complicated and constantly in flux. He, too, feels that more market research is needed to define the different segments. However, the trend toward "acceptance of pen computing is helping and eventually the product will drive itself."

Phyllis Hanlon is a freelance writer with experience in the technical, journalistic, business, and creative non-fiction areas. Phyllis can be reached at 508.248.5161 or by email Polishpen@aol.com **VF**

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Dont Let Lawyers Derail Your Deal

Continued from from page 5

completion date and whether the date is flexible or not. It is also very important to have a realistic schedule and review actual progress against the schedule on a regular basis.

Responsibilities are unclear. Who is responsible for what? A frequent problem area occurs between landlords and tenants. Who is responsible for trash removal, replacement of light bulbs and repair of the water heater? It is important to be clear about what is included in the base rent and what, if any, additional charges apply. Leases are very important documents and generally

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a contract that you signed. It is good business practice to specify a process to resolve disputes or negotiate changes that may be necessary as the project evolves. An agreement to use friendly mediation to resolve any disputes is also recommended.

*Jean D. Sifleet, Attorney & CPA, is a 3-time entrepreneur with high tech experience. Jean's approach, in contrast to traditional lawyers, is called SMART FAST, since she tries to help her clients make smart decisions quickly. For more information, checkout her listing on the Internet at <http://member.attorney-pages.com/smartfast/> **VF***

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