



Mass
Software
Council

2003 Annual Report

2003: ENTREPRENEURSHIP IS ALIVE AND WELL

THE KEY TO THE CONTINUED SUCCESS of the Massachusetts software industry, even through these last difficult years for the industry, has been the ability to be innovative – and with no shortage of ideas for new products and companies – entrepreneurship was alive and well in 2003.



*Council Chair Deborah M. Besemer,
President & CEO, BrassRing, Inc.*

Under the leadership of Council Chair Deborah Besemer, President and CEO of BrassRing, the Council spent 2003 focused on helping Massachusetts software companies reach their corporate goals – whether that was growing revenues, improving the bottom line, securing funding, staying current on new technology developments, or

getting connected to the industry leaders, important public officials, and business experts that can make the difference for their businesses. Here are some of the ways that the Council worked on behalf of the industry in 2003:

■ RESEARCH ON THE INDUSTRY

Key research efforts in 2003 helped to define the local industry and the ideal IT workplace environment.

In September of 2003, the Council published the 14th Annual industry directory, *The Complete Guide to the Mass Software Industry*, listing 2,902 software companies with revenues totaling \$10.4 billion. A survey conducted by the Council in conjunction with the release of the Guide, showed that most of the state's software companies anticipate growth in 2004. The survey findings showed that 69% of Massachusetts software companies plan to expand

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their workforce over the next six to twelve months, with 33% reporting that they are projecting increases of 20% or more. Additionally, the survey found that the economic climate in the software industry has stabilized over the past 12 months, with total employment decreasing by less than five percent over the past year – from 135,000 to 128,600.

The Guide was distributed FREE to members, serving as an invaluable resource for facilitating partnerships between local companies. In addition, the Guide was posted on the Council's website at <www.masoftware.org>, and was available for sale in print and in a CD-ROM version. The Guide was sponsored by Silicon Valley Bank and produced in cooperation with Mass High Tech. Assistance with the Guide on CD was provided by Trigent Software and CD Works.



Keynote Speaker Ted Leonsis, AOL Vice Chair and Council Trustee George Bell, Upromise, share a light moment at the Fall Membership Meeting.



Annual Meeting Speakers Gary Beach, CIO Magazine; Cathy Minehan, Federal Reserve Bank of Boston, and Council Trustee John Landry, Adesso Systems.

On a second research front, data was collected and is soon to be published for the Council co-sponsored research effort, *Project TechForce: Women and Men in the Information Technology Workplace*, a ground-breaking study on the IT workplace. In partnership with the National Science Foundation and the University of Massachusetts Lowell, the study will furnish baseline information about men and women in IT workplaces, and the flexible corporate cultures that are supportive of innovation and entrepreneurship.

■ PROFESSIONAL DEVELOPMENT AND PEER NETWORKING

The Council's 2003 educational and networking programs helped more than 3600 entrepreneurs and industry executives gather actionable information on technology trends, make better decisions for their companies, and find solutions to the business problems that confront them.



Council Chair Deb Besemer, BrassRing, thanks Catherine Kinney, President & COO, New York Stock Exchange, after her presentation at the Spring Membership Meeting.

Programs combined the expertise of 121 noted authorities and consultants with the real-world experiences of company CEOs, Presidents, and senior executives in an interactive learning environment. Focus groups were held during the summer months to poll member companies on their pressing business challenges and to solicit feedback on the Council's educational sessions and program curriculum.

EDUCATIONAL PROGRAMS

Members had the opportunity to attend more than 30 topnotch, business-focused professional development programs at very affordable prices, including:

Access to Capital

How to Attract Investors; An Entrepreneur's Roadmap for Fundraising; Alternative Sources of Financing; Return of the Tech M&A Market
Sponsored and moderated by Lucash, Gesmer & Updegrove and Silicon Valley Bank

Financial Management

Corporate Governance and Risk Management
Sponsored by Financial Executives International
 Internal Controls – Requirements of Section 404 of Sarbanes-Oxley
Sponsored by Deloitte & Touche
 Revenue Recognition for CEOs; Tax Issues
Sponsored by PricewaterhouseCoopers

Opportunities in BIO-IT

Life Sciences and High Tech Company Partnerships
Co-sponsored by the Cambridge Chamber of Commerce
 Building a Software Platform to Support a Managed Care Environment



Barbara Berke, Director of Business & Technology for the Commonwealth, listens to comments from Council Trustee Leon Navickas, Centra Software, and others, after her presentation at the Spring Meeting.



Council Trustee George McMillan, CMGI, enjoys the crowd's reaction to his remarks at the Spring Meeting.

Management

Managing the Technology Development Process; Using Change to Chart a Course for Success
 Sponsored and moderated by Nutter McClennen & Fish

Marketing Issues

Partnerships and Alliances
 Co-sponsored by the Association for Strategic Alliance Professionals

Technology Trends

The Convergence of Broadband and Entertainment
 Moderated by Council Trustee John Landry of Adesso Systems

Tech Tours: Spotlight on Innovative New Technologies and Technology Companies

The Computing Revolution
 Co-sponsored by the Museum of Science
 Phase Forward
 Axeda Systems

Business Practices & Legal Issues

HIPAA and Other Beasts of Burden; Outsourcing and Offshore Development; Good IP Practices for Early Stage Companies; Employment Law
 Sponsored and moderated by Testa, Hurwitz & Thibeault

International

Going Global: How to Take Your Company International

PEER NETWORKING OPPORTUNITIES

Members had the opportunity to participate in any of five peer-to-peer leadership networks and roundtables (4 newly inaugurated in 2003) to make connections and share information with colleagues, including:



Council Trustee Dan Bricklin, Trellix, and Ted Leonsis, Vice Chair, AOL, debate a point as Judith Hurwitz, Hurwitz & Associates, and Trustee Pam Reeve, Lightbridge listen in at the Fall Meeting.

Sales and Marketing Roundtable

Demand Creation; Anatomy of a Sale; Sales Discovery; Partnerships and Alliances; Online Sales Tools and Techniques; New Demand Creation Paradigm; Structuring a Team Oriented Selling Culture; Recruiting and Training a Top Tier Sales Force
 Led by Council Trustee Mike Kinkead, CEO, timeBLASTER

Under \$2 Million CEO Roundtable (new)

Designing Your Company; Strong Forces Analysis; Building Your Team; Managing Growth; Developing Your Marketing Strategy; Transitioning to the Next Level; Strong Forces Review
 Led by Trustee Bill Warner, Founder, Avid Technology and Wildfire



Council Trustee Mike Kinkead, timeBLASTER, and Mike Fitzgerald, Commonwealth Venture Partners pose for the camera at the Investment Conference.



Council Trustees Rich Carpenter, Carpenter Associates, moderator of the Open Source Roundtables, and Kija Kim, Harvard Design and Mapping compare notes on the Open Source issue at a Council meeting.

Over \$2 Million CEO Roundtable (new)

Anticipation and Reaction to Macro Changes in Business; Sales Execution Keys to Success; Effective Communications; Communications Best Practices; Resolving Management Changes
 Led by Council Trustee David Blohm, Founder, SmarterKids.com

Open Source Roundtable (new)

Open Source Issues; Developing the Business Case for Open Source; Open Source and Proprietary Software featuring Ted Schadler of Forrester Research
 Led by Council Trustee Rich Carpenter, Carpenter Associates and Bob Zurek, VP Advanced Technology, Ascential Software

Bio-IT Life Sciences Roundtable (new)

Creating Commercial Software; A Conversation with Customers; Data Integration in Biopharmaceuticals
 Led by Judith Hurwitz, Hurwitz & Associates

INDUSTRY-WIDE PROGRAMS

Members were invited to attend three major industry-wide programs featuring nationally recognized speakers addressing the outlook for the economy, capital markets, new technologies, IT spending patterns, and public policy initiatives, including:

Annual Meeting and First Annual Economic Outlook Networking Event

Keynote presentations by Cathy Minehan, President and CEO, Federal Reserve Bank of Boston; Gary Beach, Group Publisher, CXO Media and CIO Magazine; John Landry, CEO, Adesso Systems.
 Sponsored by Deloitte.



Don McLagan, CEO, Compete, pitches to investors at the Investment Conference.

Spring Membership Meeting

Keynote presentations by Catherine Kinney, President & Co- COO, New York Stock Exchange; Howard Anderson, Sr. Managing Director, YankeeTek; George McMillan, President & CEO, CMGI; Barbara Berke, Director of Business & Technology, Commonwealth of Massachusetts. The Spring Meeting also featured the presentation of 11 Above and Beyond Awards to Massachusetts Middle School Math and Science Teachers by the Software Council Education Foundation, and the exhibition of 40 student Design Projects for the 2003 Boston University Student Design Project.
 Sponsored by Hale and Dorr and BancBoston Capital.

Fall Membership Meeting

Keynote presentations by Ted Leonsis, Vice Chair, AOL; William Mitchell, Head of the MIT Media Lab; William Wray, Executive VP and CIO, Citizens Bank. Release of *The Complete Guide to the Mass Software Industry (2003–2004)*.



Council Trustee and Education Foundation Chair David Blohm poses with the 2003 Above and Beyond Award Winners and Education Foundation Executive Director Alice Jelin, at the Spring Meeting.

Sponsored by British Midlands, Nutter McClennen & Fish, PricewaterhouseCoopers, Silicon Valley Bank, and Waggener Edstrom.

INVESTMENT CONFERENCE

Members seeking financial investment or simply looking to network with capital providers participated in our highly successful 9th Annual Investment Conference attended by more than 200 technology private investors and VCs.

2003 Annual Investment Conference for Private Companies

Presentations by 28 innovative technology companies and two intensive preparatory sessions to coach presenting companies on how to pitch to investors. Sponsored by Broadview, PricewaterhouseCoopers, Silicon Valley Bank, Testa, Hurwitz & Thibault, and The Onstott Group.

■ PUBLIC POLICY ADVOCACY

Public policy advocacy that enhances the business climate for entrepreneurs has been and continues to be one of the major strengths and differentiators of the Council.

In 2003, the Council was proactively engaged in ongoing dialogue with key Massachusetts state officials and Members of Congress about the potential impact of legislation on the software industry. The Council's public policy goals emphasized innovation, entrepreneurship, and competition in a market-based economy. Efforts focused on promoting the growth of the Internet, facilitating workforce development, protecting intellectual property, and fostering access to capital.

In 2003 Members:

- Were represented at the state and federal levels through testimony at state hearings outlining principles to regulate spam and through support for the federal spam legislative solution, which passed and was signed by the President in December of 2003 and is effective January of 2004.



2003 Investment Conference: CEOs and Investors making connections – the action is in the conference demo room.

- Discussed with the state's Secretary of Administration and Finance and the CIO of the Commonwealth the impact of the state's open source/open standard's policy directive.
- Briefed Governor Romney, Secretary of Economic Affairs Robert Pozen, and Director of Economic Development Barbara Berke, and others as needed, on key issues impacting the industry, including the taxation of Internet transactions, the regulation of spam, attracting homeland security dollars and support for the higher education system, as well as highlighting the economic impact of the industry.
- Participated in select CEO meetings to brief local officials of the Federal Reserve Bank of Boston on the current trends in and economic health of the entrepreneurial technology community.
- Provided input to the Massachusetts House Speaker and his staff on economic development priorities to stimulate the state's economy and benefit a broad range of technology companies. Two of these priorities are reflected in the final versions of the legislation – bridge financing between the three funding phases of federal Small Business Innovative Research (SBIR) awards and support for the Commonwealth IT Initiative for public higher education.
- Participated in a meeting with the U.S. Under Secretary of Commerce to discuss policies including patents and intellectual property issues, deployment of broadband, stock options, spam, and education/workforce issues.
- Attended a variety of forums the Council sponsored in partnership with a number of other organizations, including National Venture Capital Association, D.C.-based Financial Executives Institute, and the Massachusetts Technology Collaborative on such issues as broadband deployment, purchase and pooling methods of accounting, and corporate governance.



Council Trustee Ray Kurzweil, Kurzweil Technologies, surrounded by the BU students assigned to his company's project as part of the 2003 Student Design Project.



Council Trustee Bill Warner, Founder, Avid Technologies and Wildfire, gets a group of executives excited about growing their companies at the CEO Roundtable.

■ POSITIVE IMPACT ON THE PIPELINE OF SKILLED WORKERS

In 2003, on behalf of the industry, the Council and its Members helped to shape the workforce of the future through such projects as:

Education Foundation's 2003 Above and Beyond Awards

Eleven middle school math and science teachers were awarded \$1,000 Above and Beyond Awards for classroom use from the Council's Education Foundation, by Council Trustee David Blohm, President of the Foundation, and Lesley College President Margaret McKenna, at the Council's Spring Membership Meeting in May. The award-winning teachers represented many different communities from around the state, including Boston, Braintree, Cambridge, Danvers, Hudson, Plymouth, Princeton, Orleans, Reading, Watertown, and Worcester. In addition, an 8th grade Science Teacher from Cambridge was presented with the \$10,000 Ascential Software Corporation Above and Beyond Award, in order to produce a resource guide entitled "Mucking About: Collecting Chemical and Biological Environmental Data with Students." This guide and its accompanying CD were distributed to middle schools throughout Massachusetts by the Foundation.

In a special show of support for the Awards and the work of the Foundation, Massachusetts Education Commissioner David Driscoll made a special visit to the 6th grade classroom of one of the award winners in Princeton, to congratulate her in person since she was unable to attend the event.

In addition, at an EMC-sponsored IT Workforce Conference with other industry leaders on "Getting

Serious About the Engineering and Science Pipeline" the Education Foundation's Above and Beyond Awards were featured as one of the Conference's Best Practices in impacting this workforce issue.

Boston University Student Design Project

This annual project partnered members with graphic design students to explore new and innovative approaches to corporate logos, marketing materials, and web sites. The 2003 program culminated in the exhibit of 40 student projects at the Spring Membership Meeting.

■ PROMOTION OF MASSACHUSETTS AS A CENTER FOR TECHNOLOGY INNOVATION AND LEADERSHIP

The Council continued to shine a spotlight in 2003 on the innovation and entrepreneurship which is synonymous with the Massachusetts software industry. In particular, on behalf of Members, the Council

- Helped to build support for Hanscom Air Force Base, which is in danger of being closed by the Department of Defense, by helping to publicize the fact that Hanscom's contribution of software and systems is crucial to the defense of the United States and has an economic impact on Massachusetts totaling \$3 billion.
- Signed a Protocol of Agreement for Mutual Cooperation with RUSOFT – National Software Development Association of Russia, along with several other New England software and technology associations. Motivated in part by U.S.-Russia government cooperation through the Russian American Business Dialogue and the ICT Roundtable process, the American and Russian organizations have committed themselves to exploring



Sales & Marketing Roundtable: Trustee Mike Kinhead, timeBLASTER, with roundtable participants.



Bob Weiler, President & CEO, Phase Forward, talks to the crowd at the Phase Forward Tech Tour.

how to increase mutual business opportunities for member companies in both countries.

- Briefed visiting trade delegations and business groups on the elements of innovation that form the basis of our technology industry in Massachusetts.

■ GROUP PURCHASING SAVINGS AND SERVICES

Since the founding of the Council in 1985, Members have benefited from programs and initiatives focused on helping them grow their businesses. In 2003, we expanded that mandate to include providing assistance to Members for cost control and improving their bottom line.

In the Fall of 2003, the Council launched the **MemberExtras Program**, a new suite of services designed to help companies lower their operating costs and save time and money on purchasing commodity items. The program was designed to save money for Member companies of all sizes – whether they employ five, five hundred, or five thousand people.

Initial offerings included **office supplies through Staples Business Advantage**, **business travel savings through Carlson Wagonlit Travel**, and access to **health insurance for companies with 1–9 employees** from nine regional and national health and dental insurance carriers.

The Council will continue to evaluate the needs of members on an ongoing basis to periodically add services that will reduce costs, save time and money, and add value to Council membership.

■ THE OUTLOOK FOR 2004

The Council implemented a number of strategic objectives in 2003 that resulted in a stronger-than-ever commitment to the technology community that we, as the largest technology trade association in the state, serve.

Under the leadership of Council Chair Deb Besemer, the Board of Trustees, and a Board Marketing Committee led by Trustee Paul Schaut of Performaworks, the Council effected a name change, adopted a new logo and tag line, launched a new web site, and reaffirmed our mission and agenda of promoting the software industry, assisting executives in starting, growing and managing their companies, and helping companies be successful in global markets. **Gil Fishman Associates**, designers of the Council's new identity, received an **American Corporate Identity Award** for the new logo.

The outlook for the economic climate in 2004 is positive. The feedback from our members indicates that there are more deals in the pipeline, sales cycles are getting a little shorter, and small and medium-sized companies are making small and medium-sized increases to their workforce. The indication is that venture capital investment is trending up and stabilizing, and since Massachusetts gets more than its fair share of all VC money invested, that is a positive trend for our companies.

The Council remains committed to providing a wide breadth of services, to offering an unparalleled depth of knowledge, and to wielding a positive influence on behalf of the industry, so that innovation, new company creation, and the spirit of entrepreneurship will continue to flourish in Massachusetts.

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