

2002 Annual Report

2002: Sustaining Momentum through Turbulent Times

The technology industry faced difficult times in 2002 – with IT expenditures, employment, and investment in technology showing a pronounced downturn. And while no one has a crystal ball to know just how long the tech industry slowdown will last, there is no doubt that the Council's role in supporting entrepreneurs and enhancing the entrepreneurial climate is key to the future success of the technology industry in Massachusetts.



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

Under the leadership of **Council Chair Deborah Besemer, President and CEO of BrassRing, Inc.**, the Council spent 2002 working on behalf of the industry on a wide range of issues and projects focused on helping Massachusetts software and Internet companies sustain their momentum through these turbulent times.

In particular, the Council targeted resources to help our Members identify and explore new markets such as wireless technologies and BIO-IT, and the new business opportunities they offer. A research project was undertaken in conjunction with the state, to explore opportunities for technology workers laid off over the last couple of years. The research focused on the BIO-IT area as a potential new workplace, but found that the Biotech industry was not doing enough hiring locally to warrant a major training effort. The Council will continue to monitor this situation over the next year.

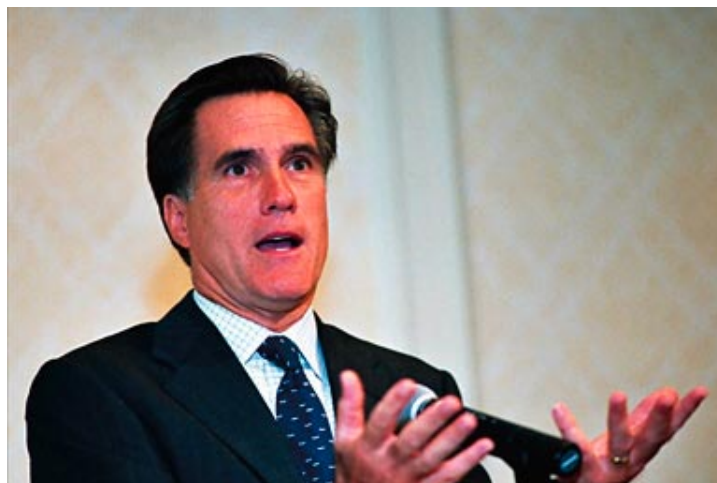
Research on the Industry

The Council's research focused on our annual effort to document the industry in Massachusetts. The thirteenth edition of the highly regarded **Complete Guide to the Massachusetts Software & Internet Industry, 2002 – 2003**, listed **more than 3,000 software and Internet companies in the state**. The research indicated that the number of companies, revenue and employment has more than tripled since 1989, with **135,000 people employed and \$11.6 billion in revenue**. The Guide was sponsored by **Silicon Valley Bank** and **Ernst & Young** and

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produced in cooperation with **Mass High Tech**. The Guide was distributed free to all members, posted on the Council's website at www.msicouncil.org, and was available for sale in print, and in a CD-ROM version. Assistance with the Guide on CD was provided by **Trigent Software** and **CD Works**.

A second research effort, through an exciting partnership with the **National Science Foundation** and the **University of Massachusetts Lowell**, involved a ground-breaking study, **Project TechForce: Women and Men in Information Technology Workplaces** and explored IT professionals' experiences in the workplace. The web-based study was launched in March of 2002 and used the companies listed in the Council's industry directory as the survey population. The findings will establish the nation's first systematic research and database concerning women and men in the IT industry. Results are expected to be announced in 2003.



Gubernatorial Candidate Mitt Romney addresses the Fall Meeting attendees.



Annual Meeting: New Council Chair **Deborah Besemer, Brass Ring**, is congratulated by outgoing Chair **Shikhar Ghosh, Verilytics**.

Educational Meetings and Networking Opportunities

In 2002, the Council conducted **more than 30 educational sessions** on business and technology issues, providing members with unparalleled access to both people and information and helping them to make better decisions for their companies.

The Annual Meeting, the Spring and Fall Membership Meetings, and two highly focused, well attended special events – the **Annual Investment Conference for Private Companies** and the **MassBroadband Conference** addressed the critical needs and special interests of members and the industry as a whole.

The Council also organized more than **12 business to business networking events** among members, investors, and other important service firms and constituencies where connections



Fall Meeting: Keynote speaker **Ivan Seidenberg, CEO of Verizon**, answers questions for the press after his presentation.



MassBroadband Conference: **Council President Joyce L. Plotkin** thanks **Congressman Edward Markey** for his keynote presentation at the **MassBroadband Conference** co-sponsored by **MassTech Collaborative**.

were made and doors were opened for future business opportunities. In total, more than **3500 industry executives** benefited from the expertise and advice of **138 industry veterans and business practitioners**. Focus groups were held during the summer of 2002 to poll member companies on their pressing business challenges and to solicit their feedback on the Council's educational sessions and program curriculum for 2003.

The Council's **website and regular e-mail communications** played an important role in bringing valuable information about resources directly to Members and the larger industry audience. The **Council's full calendar of events**, and an **industry events listing** including information on trade missions, conferences, and substantive executive-level industry events were updated regularly, posted on the website, and e-mailed on a weekly basis to more than 6000 industry contacts. At the completion of each Council program, **speakers' powerpoints** were posted on the website, benefiting Members unable to attend these information-filled programs.

2002 Program Highlights

Annual Meeting

Keynote Presentations by **Eric Benhamou**, Chairman, **3Com Corporation**, Interim CEO and Chairman, **Palm, Inc.**; **Dr. Eric Schmidt**, Chairman and CEO, **Google, Inc.**; **Robert Glauber**, Chairman, CEO, and President, **National Association of Securities Dealers**. Sponsored by **Atomic Marketing**, **Cyzygy Multimedia**, **DSI Technology Escrow Services**, **Eliassen Group**, **Polaris Venture Partners**, **PricewaterhouseCoopers**, **Silicon Valley East**, **Testa, Hurwitz & Thibault**.

Spring Membership Meeting

Keynote Presentations by **Mitchell Kertzman**, CEO, **Liberate Technologies**; **Ray Kurzweil**, President, **Kurzweil Technologies**. Presentation of **15 Above and Beyond Awards** to Massachusetts Middle School Math and Science Teachers.

Exhibition of **33** student design projects for the **2002 Boston University Student Design Project**. Sponsored by **IBM, Silicon Valley Bank**.

Fall Membership Meeting

Keynote Presentations by **Ivan Seidenberg**, President & CEO, **Verizon**; **Mitt Romney**, *Republican Candidate for Governor*; **Shannon O'Brien**, *Massachusetts State Treasurer, Democratic Candidate for Governor*. Special Presentation to **Industry Achievers: Tim Berners-Lee**, *Father of the World Wide Web*; **Bolt Beranek and Newman**, *Inventor of the ARPANET, Forerunner of the Internet (accepted by Leo Beranek)*; **Robert M. Metcalfe**, *Inventor of Ethernet, Founder of 3Com*; **William J. Warner**, *Founder, Avid Technology, Inc., The Digital Standard for Professionals in Media*. **Presentation to Industry Enablers: Massachusetts Institute of Technology**, *A "Technology Breeding Ground" (accepted by MIT Chancellor Phillip Clay)*; **Patrick J. McGovern**, *International Data Group, Creation of the First Technology-based Computer Research Firm*; **Jacqueline C. Morby**, *TA Associates, Early Recognition of the Investment Potential of the Software Industry*. Release of the **2002-2003 Guide to the Massachusetts Software & Internet Industry**. Sponsored by **BancBoston Ventures, Deloitte & Touche, IBM, McDermott, Will & Emery, Silicon Valley Bank**.

2002 Investment Conference for Private Companies

Presentations by **36** innovative technology companies to more than **300** members of the investment community. Two intensive preparatory sessions to coach presenting entrepreneurs on how to "pitch". Sponsored by **Broadview, Comerica, IDC, PricewaterhouseCoopers, Testa, Hurwitz & Thibault, Mass High Tech**.

MassBroadband Conference

Keynote presentation by **Congressman Edward Markey**. Panel discussions on emerging broadband technologies and applications and the deployment plans of broadband providers. Release of the "**MassBroadband Roadmap**". Cosponsored by the **Mass Tech Collaborative**.



Fall Meeting: Award Winner **Pat McGovern**, CEO, **IDC**, compares notes with Award Winner **Tim Berners-Lee**, father of the World Wide Web.



Investment Conference: A presenter at the **2002 Investment Conference** demonstrates his product for **Council Trustee and investor Alain Hanover**, **Navigator Technology Ventures** and other attendees in the Conference Demo Room.

4 Access to Capital Programs

Recently Funded Companies; Financials for Attracting Investment; VC and Angel Funding; and Alternative Sources of Financing. Series sponsored by **Testa, Hurwitz & Thibault** and moderated by **John Hession, Esq.**

I Technology Trends Program

Web Services. Moderated by **Council Trustee John Landry**, CEO, **Adesso Systems**.

3 Financial Management Programs

Valuation and Business Combinations, sponsored by **Deloitte & Touche**. Revenue Recognition; Compensation and Stock Options, sponsored by **PricewaterhouseCoopers**.

5 Legal Issues Programs

Top Ten Legal Issues for Young Companies; Financing Stops Along the Food Chain; Privacy and Security; Licensing; and Hot Topics. Moderated by **Peter Barnes-Brown** and **Howard Zaharoff**, **Morse, Barnes-Brown and Pendleton**.

8 Sales and Marketing Roundtables

Value Proposition; From Customer Demand to Closing Sales; Retooling a Sales and Marketing Strategy; Partnering for Sales Results; Lead Generation; Opening Doors to New Prospect Accounts; Telesales vs. Direct Sales. Moderated by **Council Trustee Mike Kinkead**, CEO, **timeBLASTER**.



Investment Conference: **Avonelle Christian James** of **Caribbean Supplies** makes her pitch to investors.



Spring Meeting: Council Trustee and Keynote Speaker **Ray Kurzweil**, **Kurzweil Technologies**, speaks as the head table looks on.

2 Marketing Programs

Gaining Visibility with Key Local Influencers: Boston Business Journal and Mass High Tech; Money Talks: How To Spend Sales and Marketing Dollars.

2 BIO-IT Programs

BIO-IT Business Opportunities, sponsored by **Bio-IT World Magazine**; BIO-IT Medical/Healthcare Business Opportunities.

7 Factory Tours

Highlighting some of the most interesting technology companies in the area, including **Salesnet; Upromise; Sophos; Sun Microsystems; NaviSite; Endeca; IBM – Grid Computing**.

5 Hyperlink Forums

Enterprise Software Comes to the Web; Investment and Merger Strategies; Partnerships and Channel Management; Rebirth of Media Grok; Consumer Technology and Business. Co-sponsored by **MIMC**.

1 Launch Event for 2003 Interactive Roundtable Groups

Based upon the feedback of members looking for involvement in leadership networks with their peers, and upon the successful



MassBroadband Conference: Council Trustees **Pam Reeve** of **Lightbridge**, **Paul Gudonis** of **Genuity**, **John Landry** of **Adesso**, and **Dan Bricklin** of **Trellix**, discussing Broadband Applications – New Drivers for Growth, at the **MassBroadband Conference** co-sponsored by the **Mass Tech Collaborative**.

example of the two-year old **Sales & Marketing Roundtables**, led by **Council Trustee Mike Kinkead** of **timeBLASTER**, the Council launched an additional 4 discussion groups to begin meeting in 2003 to focus on the particular interests and needs of Members. Groups include: **Under \$2 Million Revenue CEO Roundtable**, led by **Council Trustee Bill Warner**, founder of **Avid Technology and Wildfire**; **Over \$2 Million Revenue CEO Roundtable**, led by **Council Trustee David Blohm**, former **CEO of SmarterKids.com**; **BiO-IT/Life Sciences Roundtable**, led by **Judith Hurwitz, Judith Hurwitz & Associates**; and **Technology /Open Source Roundtable**, led by **Council Trustees Rich Carpenter, Carpenter Associates**, and **John Landry, Adesso**.



Annual Meeting: Keynote Speaker **Eric Schmidt**, **CEO, Google**, and **Council Trustee Bill Warner** share a laugh.

PUBLIC POLICY

During 2002 the Council worked closely with **key Massachusetts state officials and Members of Congress** to insure that Members' voices were heard in promoting the growth of our industry and in protecting their interests from the potential impact of state and federal legislation. Public policy efforts on behalf of the industry focused on promoting the growth of the Internet, facilitating workforce development, fostering access to capital, and protecting intellectual property.

Highlights included:

- Briefed **Alan Greenspan, Chairman of the Federal Reserve**, on what was happening in the **entrepreneurial technology economy**
- Solicited members' input and communicated their views to **members of the Massachusetts Congressional delegation** on various phases of the **expensing of stock options issue**. Members participated in dialogues about on-line privacy and security, intellectual property rights with respect to peer-to-peer networks, and broadband policy.
- As a member of a **national coalition of trade associations**, Council staff worked with Congress to develop **proposals for improved education of employees** about the need to diversify their holdings in retirement plans and **the need for employers to offer employees viable choices regarding investment options in their retirement plans**.

- Facilitated the meeting of six **technology company CEOs** with Council staff and **Massachusetts Senators Edward Kennedy and John Kerry** in Washington, to convey the industry's opposition to legislation that would force companies to expense the granting of stock options to their employees. Both Senators indicated their support for the industry's position.
- The Council, and a national coalition of technology associations supported legislation directing the **SEC to ensure that companies listed on the stock exchanges adopt shareholder approval for option plans involving directors and officers**. The SEC expressed its intention to move in this direction. NASDAQ proposed rules to require this of its listed companies.

Web-based public policy efforts included the posting of national and state-level perspectives on industry-impacting issues.

WORKFORCE DEVELOPMENT

The Council's efforts in the workforce development area in 2002 focused on increasing the quality and quantity of workers in Massachusetts with improved technology skills.

The work of the **Massachusetts Software & Internet Education Foundation** to recognize and reward outstanding middle school math and science teachers was an important piece of developing our workforce of the future. At the Council's Spring Membership Meeting, 15 teachers from across the state were awarded **Above and Beyond Awards by Dr. David Driscoll, Massachusetts Commissioner of Education, and Council Trustee David Blohm, President of the Foundation**. One middle school science teacher received the Foundation's top award, a \$10,000 stipend to document, further develop and package award-winning teaching practices that can be broadly disseminated and integrated in the curriculum across the state. All 15 teachers won \$1000 grants for classroom use, educational software from **The School Group of Riverdeep – The Learning Company**, a free professional development and training workshop from **WebCT**, and membership in the **Massachusetts Computer Using Educators (MassCUE)**.



Spring Meeting: Council Trustee Mike Kinkead discusses an original design that is part of the **2002 BU Student Design Project** with the BU student that created it.



Spring Meeting: **2002 Above and Beyond Award Winners** pose with **Commissioner of Education David Driscoll, Education Foundation President and Council Trustee David Blohm, and Foundation Executive Director Alice Jelin**.

Project descriptions of all 2002 award winners highlighting best practices in educational technology were posted on the Council's website and at the **Lesley University** site as well.

The **Boston University Student Design Project** provided members with new and innovative approaches to their marketing materials, web sites, logos, and product packaging by partnering them with graphic design students. The program culminated in the exhibit of 33 student projects at the Spring Membership Meeting.

The **Software Council Fellowship Program** completed its eighth and final year of operation by providing highly skilled workers to the software and Internet industry through retraining and education. Nearly six hundred people graduated from the program since its inception in 1993.

The Council also provided support to the **Commonwealth IT Initiative**, the state's first comprehensive effort to upgrade IT curriculum, provide enhanced professional development opportunities for faculty, create an IT minor that can be paired with any major, and encourage regional collaboration among institutions of public higher education throughout the state.

The Council represented the industry on a blue ribbon panel of a national workforce effort — **BEST (Building Engineering and Science Talent)**, a public-private partnership dedicated to

Factory Tours: Sun Microsystems Chief Researcher and Director of the Science Office, **John Gage** makes a point about the software and Internet aspects of Sun's business at the **May Factory Tour** at Sun's Burlington offices.





HyperLink Forums: There's "a whole lotta networking going on" at the **January HyperLink** discussion group on **Enterprise Software Comes to the Web**.

building a stronger, more diverse US workforce in science, engineering and technology by increasing the participation of under-represented groups (women, minorities, people with disabilities).

Lastly, the Council undertook a three-month effort, funded by the **Commonwealth Corporation**, to explore the jobs and training needs that exist at the **intersection of the biotech and the info tech industries**. In tandem with this research project, the Council developed and ran a series of programs focusing on business opportunities for Members in this dynamic area.



Legal Issues Series: Moderator **Howard Zaharoff, Morse, Barnes-Brown & Pendleton** and panelist **Thomas Rosenbloom of Epstein, Becker & Green** look on as **Neil Aronson of Mintz Levin** answers a question at the **Top Ten Legal Issues for Young Companies** program.



Annual Meeting: Keynote Speaker **Eric Benhamou, Chairman, 3Com**, addresses the crowd.

The Council's... agenda of research, educational and networking events, policy at the state and federal level, workforce development, and promoting the industry, will continue to support entrepreneurs in achieving success now and in the long term.

MARKETING MASSACHUSETTS

The Council worked proactively in 2002 to focus a number of audiences on **Massachusetts' role as a center for technology leadership and innovation**.

Council representatives briefed **high level government officials and delegations of technology executives** from Canada, Israel, Korea, Mexico, Netherlands, Northern Ireland, Russia, Singapore and the United Kingdom. Ongoing outreach to these groups continues to be particularly important for **developing partnerships** with Massachusetts technology companies and for **bringing Massachusetts technology to the international forefront** in solving business problems.

The Council also participated in a **New England-wide private economic development effort** called the **Creative Economy Initiative** sponsored by the New England Council, the six New England state arts agencies, the Boston Symphony Orchestra, and the New England Foundation for the Arts. The goal of the initiative is to define and quantify a "creative industry" cluster and the other key economic clusters – like the technology industry – that intersect with it, in order to unify, enhance, and strengthen it.

MOVING AHEAD

As we move forward, the Council remains committed to serving as a critical focal point for the business information, industry initiatives, and high quality programs and services that will help the industry move forward through the difficult times ahead. Our agenda of **research, educational and networking events, policy at the state and federal level, workforce development, and promoting the industry**, will continue to support entrepreneurs in achieving success now and in the long term.

Access to Capital Series: Moderator **John Hession, Testa, Hurwitz & Thibault**, introduces panelists at the **Access to Capital: Recently Funded Companies Share Their Secrets of Success** program sponsored by **Testa, Hurwitz & Thibault**



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