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UCD contest helps startups

By Clint Swett - Bee Staff Writer

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Geoff Jennings and his business partner, Shawna Brown, collected \$13,000 in winnings from business plan competitions last year, yet they are running their startup from a spare bedroom in Jennings' Natomas home.

Their experience shows that a winning entry in one of the nation's many business plan competitions isn't a guaranteed ticket to success. However, contestants do get a firm push-off with critiques and advice, contacts and a refined business strategy.

Brown and Jennings are now using what they learned from past competitions at the University of California, Davis, and one sponsored by clean-energy boosters in their search for funding to build a dozen prototypes of their energy-saving thermo-electric technology.

And as UC Davis concludes its seventh annual Big Bang business plan competition tonight, another group of would-be entrepreneurs will be on their way to learning the lessons of the marketplace. In the Big Bang, contestants must distill their business plans down to two-page executive summaries in which they discuss their product and its market possibilities. Semifinalists then submit more-extensive business plans.

"It really forces them to focus in on who their customers are and what their (companies') value proposition is," said Andrew Hargadon, who directs the Center for Entrepreneurship at UC Davis. "It forces them to get down on paper what their assumptions are, to question them, and then to move forward."

Indeed, Jennings said he found that part of the competition particularly helpful: "As two young students, it allowed us to get time with a panel of experienced entrepreneurs and venture capitalists. That just doesn't happen except in these kinds of settings."

He and Brown express confidence that material developed for NASA by Brown and other researchers at UC Davis and the California Institute of Technology for converting waste heat into electricity can be put to commercial use. One particularly promising area, they say, is the trucking industry, where exhaust heat can be used to power electrical systems in vehicles.

The competitive nature of the contest drives contestants to think commercially, said Scott Lenet, a Sacramento venture capitalist and one of the Big Bang judges. "When you are out there in the real world, you are competing as an entrepreneur," Lenet said. "Even though writing a business plan is different from running a business, the plans that tend to win are the ones where people are executing on it like a real business."

That's what may have appealed to Big Bang judges who last year awarded the \$10,000 first prize to the founders of Ensembles LLC in San Ramon, who wrote their plan even as they were on the verge of opening their business, which offers fresh ingredients for ready-to-cook meals.

"The competition made us go deeper into certain areas to make sure we had a well-rounded plan," said Leslie Leach, one of Ensemble's three co-founders. "It really gave structure to a lot of things we needed to be doing. And it served as a compass for making our decisions."

As for the \$10,000 prize money? "It went right to the contractors," she said.

It's not clear how many Big Bang winners or finalists actually launch successful businesses. UC Davis' Graduate School of Management, which organizes the contest, does not track how contestants have done in starting their own firms.

While a win might open doors to the investment community, it doesn't guarantee that funding will be forthcoming.

Barbara Grant, a director of venture capital firm American River Ventures who has advised Big Bang contestants, said contests shouldn't be evaluated -- at least initially -- on how much funding the winners attract.

Vcs such as ARV, she explained, look at more than 1,000 companies a year and might invest in only three or four.

"We would need to see a larger number of business plans come through the Big Bang program to really begin to see, just on a statistical basis, investments from VC firms beginning," she wrote in an e-mail. "I am confident this will be the case."

Still, for the very best plans, there's considerable money at stake. The top finishers from recent Big Bangs have joined the winners of 11 other competitions at California universities to compete for a \$250,000 first prize in the DFJ Venture Challenge.

MIT's business plan competition has a \$100,000 first prize, and since it was launched in 1989, it has launched more than 80 companies, with a combined value of more than \$4 billion, according to contest organizers.

Perhaps the oldest competition in the nation is the 23-year-old Moot Corp. Competition, sponsored by the McCombs School of Business at the University of Texas. With a \$100,000 first prize, Moot Corp. attracts entrants from schools around the United States, and about half the contestants end up starting their own business, estimated contest coordinator Ann Whitt.

"Most of the winners are too busy to let us know how they are doing," said Whitt, in explaining why the school doesn't have a more precise number.

Business plan competitions are most valuable for students when they are tightly integrated with classroom work, said Judith Cone, vice president for entrepreneurship at the Kauffman Foundation in Kansas City.

"It's a good exercise to see how all the bits and pieces of what you have been learning in the classroom come together," she said. "When you think about a young person having to organize their ideas so clearly they can convince very seasoned people to think their idea is sound, then that's a great learning experience."

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