

# BusinessWeek

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## The Afterlife of Business Plan Contest Winners

An increasing number of universities hold competitions to attract attention and help launch startups. But what happens next?

by [Jeffrey Gangemi](#)

Talk about experiential learning. In early 2005, Will Anderson, then a first-year student at the Stanford University Graduate School of Business, teamed up with Rory McDonald and Jared Archibald, two other Stanford business school students, and Stanford electrical engineering PhD candidate Paul Cuff to enter the Business Association of Stanford Engineering Students business-plan contest. Their idea: to adapt a speech and noise separating filter technology being developed in Stanford's electrical engineering school to dramatically improve hearing aids.

The team won the \$25,000 grand prize, and Anderson, McDonald, and Cuff (Archibald had moved on to other projects after the contest and now works in private equity investing), along with their faculty adviser, set about building a company around the idea. Adaptive Hearing Solutions received \$500,000 in venture capital, but the team kept in mind that its first task would be to prove the quality of the new product to potential buyers.

After a series of clinical trials, the technology marked only a small improvement over existing technology. "We were faced with whether we wanted a small business that might capture some value in the process, or whether we wanted to fold up while we were still ahead and move on to other pursuits. We chose the latter," says Anderson.

### CONTESTS PROLIFERATE

Although disappointed, Anderson says the team learned a lesson in entrepreneurship: Failure can be a bankable experience (see [BusinessWeek.com](#), 8/7/06, "[Starting Over After Your Business Fails](#)"). Anderson, for one, is taking his savvy and the connections he made through the contest and developing a private investment fund, called Start-up Fund LLC, aimed at helping entrepreneurs so they can test their ideas before going to the VC community. McDonald enrolled in the Stanford PhD program in management science, focusing on high-technology strategy, and Cuff is in the third year of his electrical-engineering PhD program.

Like this team from Stanford, not all business plan contest winners end up creating the next big thing. But more and more students are building their entrepreneurial IQ through such experience. The Kauffman Foundation inventoried 2,136 universities with entrepreneurship programs and found 353 business plan contests in 2006, more than double the 157 it found the last time it did the study, in 2002.

BusinessWeek.com checked in with the winners of five different business-plan competitions to find out where each business is today and whether the effort involved to participate in the competition was worth it. Whether the winning businesses became success stories or veered off course, all of the participants interviewed said their overall experiences were positive.

### MORE THAN JUST MONEY

Most business-plan contests award a first-place prize between \$10,000 and \$30,000. For some startups, that's enough to get them going without needing additional outside money. PrepMe, an online SAT prep service that won the University of Chicago Graduate School of Business New Venture Challenge, and Career Next Step, an online career assessment program that won the University of Virginia Business Plan Contest, were created by 2005 contest winners. Except for money from friends and family, both businesses opted against accepting outside funding. And they're both still in business, and growing.

Others use their monetary award as a jumping-off point to help snare another round of external financing. World of Good, a fair-trade goods and natural accessories retailer and winner of the 2005 Global Social Venture Competition held at UC Berkeley, and Adaptive Hearing Solutions needed venture capital to achieve the kind of growth they sought. Where Adaptive needed the funding to test its technology and determine its viability, World of Good just needed the venture funding to scale at the rate that founder and CEO Priya Haji knew was possible.

Winning a contest often means rewards besides the money. PrepMe founder Karan Goel says his company became successful and profitable quickly at least partly because of the free office space he won through the contest. "It wasn't just about the money but also the amount of professionalism it brought to the business. [It meant] being able to have meetings in a good place," says Goel.

## **STARTUP EXPERIENCE**

Even if a winning company eventually fails, the benefits of a business plan contest victory endure. Dhaval Gosalia, a University of Pennsylvania School of Engineering PhD candidate, and Wharton MBA student Jonathan Goodspeed, the 2005 winners of the Wharton Business Plan Competition, had a viable business plan and had begun developing it. Their company, FibrinX, was based around a tissue sealant designed to prevent excessive bleeding during surgery or after traumatic injury. But the developer of the technology ended up licensing it to another company for production.

Like most winners interviewed, Goodspeed says the connections and the hands-on experience are what got him to where he is now—an early-stage nanotechnology and advanced materials startup in Philadelphia. "A lot of the people I met are still people I keep in touch with and bounce ideas off," he says.

Though building a successful business is the dream of most competitors, experience is what makes the contests so useful. The participants get what Paul Magelli, senior scholar-in-residence at the Kauffman Foundation, calls actionable intellect. "They take that stuff off the page and learn how to stand up and articulate it, what it means, and how it fits. It becomes more than an abstraction or concept," he says. In other words, a business-plan contest fulfills the first requirement of succeeding in the startup world: getting your hands dirty with real experience.

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