

**Minutes from February 20, 2003**  
**Philippine Brain Gain Connection@MIT**  
an affiliate of Katipunan BGN

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*Outline of Minutes:*

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- II. Comments on the Fables Chip Startup (Discussion and Brainstorm)
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*In Attendance:*

Percival V. Guidote, MBA Class of 2004  
Karlo Laforteza, Former Intel (Philippines) Employee, 1995-97  
Tina Laforteza, MBA Class of 2004  
G.J. Lao, MS Candidate in Materials Science  
Neil G. Ruiz, Ph.D. Candidate in Political Economy

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**I. Report on MIT Association of Student Activities (ASA) Recognition Interview (Neil Ruiz)**

The interview with the Executive of MIT's ASA went well. They were wondering if we could simply become part of the MIT Filipino Students Association (FSA), but I told them that we needed to be a separate organization since we have a specific purpose and we do not want to be limited by the organizational structure of MIT FSA. Our statement of purpose as the Philippine Brain Connection@MIT is to be a group of MIT/Greater Boston Area students, in collaboration with students and professionals in the Philippines, dedicated to leveraging the latest technological trends, business methods, and government policies for the purpose of promoting the development of the Philippine economy. They will tell us if we are an official MIT organization by next week.

## **II. Comments on the Fabless Chip Startup (Discussion and Brainstorm)**

### **Clarification on revenue per wafer**

The excel file shows that the revenue from each wafer is \$50,000 and that fabrication costs are \$140,000/5000 wafers or \$24/wafer. Please confirm.

### **5-Force Analysis**

It may not be sufficient to analyze the viability of a startup simply from the expected returns. A classic Porter's 5-force analysis may be more useful to analyze if this startup business is worth undertaking at the present time.

#### 1. Rivalry

- Who are the existing competitors who are targeting the same customers? How many are they? How intense is the competition? Is intense competition driving prices and margins down? Is there any way by which this startup can differentiate itself, i.e. be superior to competitors? What core competencies will allow it to be so (e.g. superior cost structure → lower prices / design / performance?) Why would customers choose to buy from you and not from existing companies?

- Analyze the market: how big is it? How is it currently divided among existing wafer companies? Is the market growing? How are customers segmented? Is the market over-saturated?

#### 2. Buyer Power

- How much power do potential customers have in dictating prices? Usually if there are a lot of players in the same market, buyer power is very high because they can easily go to the next cheaper competitor.

#### 3. Supplier Power

- Analyze the power of the designers, the fabrication subcontractors, and the suppliers of raw material and their ability to dictate costs.

#### 4. New Entrants

- How easy is it for a similar startup to emerge and compete with you? What would be the barriers to entry (e.g. patents, exclusive contracts)? Switching costs for customers?

#### 5. Substitutes

- This analysis may not be applicable for this case as it deals with substitutes for wafers in general.

### **The Big Question:**

Who would your customers be and why would they buy from you and not anyone else? What do you think is your competitive advantage?

We are not denying that the Philippines has the skills to do this. In general, the market for chips is oversaturated. Everything PC related is becoming integrated (if you use to be a soundchip designer, you are now being designed out of the system).

### **III. Discussion of Relationships between Universities, VCs, and Technology Parks (General Discussion)**

The close proximity of Silicon Valley with Stanford/UC Berkeley and Route 128 with MIT/Harvard has been extremely important in building a network of knowledge, innovators, risk-takers, and startup capital. VC's are able to see the latest technology and provide capital for those new ideas. There is, indeed, a special relationship developed between research universities, VCs, and industry. This dynamic helps develop a culture of innovation, risk-taking, and entrepreneurship.

New ideas can come up through everyday informal interactions and discussions during academic presentations, informal meetings, and dinners. Competitions, such as the MIT \$50K Competition, allow students to present their ideas to VCs, learn/interact intimately with other students/academics within their specific research interests, network with companies, and take a risk in developing a product without worrying about trying to find startup capital or going into debt.

### **IV. Overview of MIT \$50K Competition (From Website: <http://50k.mit.edu>)**

The MIT \$50K Entrepreneurship Competition is designed to encourage students and researchers in the MIT community to act on their talent, ideas and energy to produce tomorrow's leading firms. Now in its 14th year, the Competition has awarded hundreds of thousands of dollars in cash and business startup services to outstanding teams of student entrepreneurs who submitted business plans for new ventures showing significant business potential. The refinement process of the Competition, its network of mentors, investors and potential partners, and the cash prizes awarded have helped many of these teams to act on their dreams and build their own companies and fortunes.

The MIT Entrepreneurship Competition provides teams who enter with valuable resources in the following areas crucial to successful entrepreneurship:

- Networks of world-class entrepreneurs, investors, and potential partners
- Mentorship by successful and seasoned professionals
- Education in specific business planning skills as well as general entrepreneurial insight
- Content rich feedback on their business model from world class entrepreneurs, investors, and professional service providers on our Judging Panel
- Teambuilding opportunities to create a winning team of founders
- Access to members of the private equity community
- Broad media exposure and PR buzz

Students from all five schools at MIT (Sloan, Engineering, Science, Humanities & Social Sciences, and Architecture) at the undergraduate and graduate levels have entered and been successful in the Competition. Multi-disciplinary teams that combine members from technical disciplines with members from the Sloan School have proven the most successful competitors. These teams bring together the pieces necessary for making the bridge between technology and

the marketplace. Their business plans are judged by a panel of experienced entrepreneurs, venture capitalists and legal professionals.

### *Real Ideas, Real Companies....*

As the world leader among university entrepreneurship competitions, the Competition has facilitated the birth of over 60 companies with an aggregate value of over \$10.5 billion dollars. These companies have generated over 1800 jobs and received \$175 million dollars in Venture Capital funding.

Many of these companies have been extremely successful. Some information on their achievements can be found in the press under our [News Section](#). Recent IPOs have included Akamai (AKAM), net.Genesis(NTG), and C-Bridge Internet Solutions (CBIS). Recent acquisitions include Direct Hit (acquired by Ask Jeeves), Silicon Spice (by Broadcom), WebLine Communications (Cisco). Other success stories include Actuality Systems, Frictionless Commerce, SensAble Technologies, Stylus Innovation, Virtmed, and Virtual Ink. Other successful companies can be found under the [Alumni Section](#).

### *History of the Competition*

The MIT \$50K was born in 1990 as a \$10K Competition, when the MIT Entrepreneurs Club and the Sloan New Ventures Association teamed up to create a competition that would take advantage of the winning combination of engineers and business students. 54 teams competed in the first competition with the winner receiving \$10K, and \$3K and \$2K going to the runners up. The original sponsors included the deans from the MIT Sloan School of Management and the School of Engineering as well as Thermo Electron and Price Waterhouse. The MIT \$10K has run every year since its inception, and in 1996 it evolved into the \$50K with \$30K going to the winner and \$10K each to two runners up. MIT's competition is now the nation's premier business plan competition teaching students how to turn their ideas into companies.

## **V. Our Recommendation: Need a Business Entrepreneurship Competition (similar to MIT \$50K) to be Organized by Katipunan BGN (Discussion and Brainstorm)**

We recommend that Katipunan BGN create a 1 Million Peso Competition. The idea is develop an institution that will allow Filipinos to create innovative technologies and not be afraid of taking risks. The emphasis is not simply about winning the money, but in creating a dynamic relationship between universities, VCs, and industry. It can serve as an opportunity for Filipino VC's to see what they could potentially invest in, for students/academics to find startup capital, for new innovative ideas to become transformed into tangible business plans. Some of the 1 Million Pesos do not necessarily have to be given in cash. Instead, services (legal and accounting services) can be donated to the competition. The incentive for VCs and companies to sponsor such a program is that if these technologies "make it," they can also gain from their successes.

Here are some comments on why it is important (very rough brainstorm):

- Puts our money into someone's innovative idea that has been screened
- This would work in the Philippines since a culture of entrepreneurship already exists
- “the seeds are there, this competition would help identify them, put them in good soil, and pour water on them so that we can see them grow”
- Energy will be high from young people (it removes all of the burden of developing new technologies at the Katipunan BGN)
- Great exposure for Katipunan BGN
- It's all about building a space for innovation!!!! The network=environment for innovation (where likeminded people get together)

Here are some ideas of what is necessary to make such a project successful:

- It has to be prestigious and public
- It has to be a Regular Event that happens every year
- There must be high-level people during the presentations

## **VI. Announcements:**

### **a. Global E-Lab (Tina Laforteza)**

Tina (MBA Class of 2004) just recently learned from my professor that here at Sloan, there is a program called Global E-Lab (short for Entrepreneurship Lab) which takes on entrepreneurial projects around the world, including Latin America, Europe and Asia. They are in fact eager to get more projects in Asia including the Philippines. The idea is that a company (anything from a small startup to a big established company) applies for assistance and then a team of Sloan MBA students under the guidance of faculty will study the project and fly in to the company's site for 2-3 weeks, and finally come out with a report and action plan for the company. The project could involve studying the market potential for a new business venture, or coming up with a solution for a problem, or coming up with a new business strategy. The host company only has to pay for the airfare and board and lodging for the students. If more money is necessary, say for a pilot project, Sloan has access to grants and may even be able to obtain more funds. Arrangements are on a case-by-case basis. Anyway, I suggest that you look at the Global E-Lab website for some examples of projects that have been done in the past: <http://srs.mit.edu>

The website also has an application form for companies. I am telling you about this because it struck me that this might be one type of resource the Katipunan BGN and Filipino entrepreneurs would like to have access to through Filipinos abroad. I am sure some entrepreneurs especially

those undergoing business with a technology bent will benefit from this program, considering Sloan's connection with the greater MIT community and access to all its science and engineering faculty and laboratories.

**b. MIT Globalization Project Conference on Transnational Community Development  
(Neil Ruiz)**

The Globalization Project of the MIT Industrial Performance Center will be holding a Conference in the Fall (September) on Transnational Community Development. Please send any of your ideas of potential invitees from the Philippines to Neil Ruiz ([nruiz@mit.edu](mailto:nruiz@mit.edu)) who is the co-organizer. The project will be sponsored by MIT Professors Suzanne Berger, Michael Piore, and Richard Locke (all former advisors/teachers of AnnaLee Saxenian). Here's a brief description of the conference:

Conversations about globalization and development have focused on foreign aid, foreign direct investment, and transnational production, but international migration is a phenomenon that now rivals these factors as a determinant of local and global economic development. The movement of workers across national borders has a profound effect on the places that they leave and those toward which they are headed. Money, markets, knowledge, and political influence all travel across networks they establish, and in quantities so significant that they not only redefine the development prospects and challenges of local communities and even nations, they also demand new models for thinking about the process of economic development itself. Migration stretches communities across national boundaries and makes daily community activities of production, reproduction, consumption and innovation increasingly transnational. As a result, economic development in communities touched by migration must be similarly transnational and must be built around the relationship between what is local and what is global. This is more than the increasingly popularized admonition to "think globally and act locally." What is required, in fact, is both thinking and acting in spheres which are simultaneously global and local.

We propose setting up a forum for the horizontal transfer of knowledge on transnational community development. We envision a decentralized network to facilitate direct conversations between local areas throughout the world on the specific obstacles and opportunities that migration present to economic transformation. To the extent possible, we would like to involve a number of constituencies in these conversations, including: (a) local academics; (b) non-governmental organizations addressing these issues; (c) local and transnational community leaders, including representatives from migrant organizations in receiving countries (Hometown Associations); and (d) local government. However, we would like to invite local universities to be the primary nodes in this network for horizontal knowledge sharing about transnational development. Not only are they most likely to have the institutional capacity to manage knowledge transfer, but more importantly, some of the most nuanced work available on the relationship between migration and development comes out of local universities that have close ties to communities deeply affected by migration.

As a first step toward establishing this network, we will organize a two-day workshop on transnational community development. The workshop will be held at MIT in early fall 2003. We will invite academics who study the impact of migration on the economic development of their local areas or regions to present some of their findings. We will also invite community

leaders, NGOs, and entrepreneurs that work on transnational community development to share some of their experiences. To the extent possible, we would like scholars and practitioners present from various geo-political regions where migration has significant implications for economic development. The hope is that this workshop will be the first in a series, held yearly or bi-yearly in different universities around the world that are part of the network.

MIT Industrial Performance Center “Globalization Project”:

<http://web.mit.edu/ipc/www/globalization.html>

Important book from MIT Industrial Performance Center done on Hong Kong:

<http://web.mit.edu/ipc/www/hongkong.html>