

## A Visit to the Echo Chamber

### A DAY AT MIT

Earlier this fall an MBA student from MIT's Sloan School gave me a call. He wanted to invite me to be a panelist at the Seventh Annual MIT Venture Capital Conference. The conference was run by students and is part of a series of events in something called MIT Innovation Week. This is a big deal in Boston, I mean Cambridge, for example, one of the other highlights of the week was a \$50k entrepreneurship competition in which students' business plans are judged and the best get some funding.

There was also a lot of attention given to China and India in the form of workshops with titles like, "Global Ties 2004: India and China Entrepreneurial Trajectory", which ran for two days. They wanted me to sit on a panel that discussed the future of the software industry. I was very impressed and quite flattered and of course I said yes.

This year's theme was "The Challenge of Convergence, Winning in an Uncertain World" and while there were tracks and panels on software and biotech, the real buzz was about the idea of converging products around multiple forms of media and the tie in with the entertainment industry. From the venture capital perspective I learned that software and biotech are topping out, either cyclically, in the case of biotech, or as long term propositions, in the case of software.

On my panel, for which I was the only person not sitting on millions of investment dollars, the general consensus seemed to be that all the good ideas are already taken. It's hard to find good places to put money because there aren't any really interesting business processes left that are waiting to be automated — that's the way it was presented. Hosting might offer some interest-

ing opportunities but of course the economic model is a challenge. I had a different take on the subject but I was the minority voice. Oh, well.

### GROUP DYNAMICS

For me, the conference was at least as interesting for the cultural dynamics on display and I learned quite a lot. First off there were the venture capitalists or VCs. My idea of a VC is of someone who keeps his or her own counsel; who uses the tools of financial and technology analysis to find investments in emerging companies and makes an investment based primarily on a belief in the company's vision of the future. While I have no doubt that's true to a degree, listening to them sure seemed like watching pack behavior. But I guess it's necessary to understand the dynamics of the pack if you need to time an investment to mature at the peak of a market cycle.

I sat through a session on the biotech industry and toward the end they opened up to questions from the audience. One of the last questions was a real eye opener for me. Someone asked the panel when in a company's life cycle it was best to seek venture funding. The group's considered opinion was that it was never too early. "If the money's available, why not take it?" one of the VCs on the panel said. I had always heard and believed that getting venture money was something like having sex in high school — it was really good to get but there were downstream ramifications that you needed to carefully consider.

Another dynamic that was fun to watch was the subtle inculcation of a healthy disrespect for regulation. Several times I heard phrases like, "This event was organized by the students without any 'help' from the faculty" or "the so-called administration" and

this was from senior faculty members. It's amazing that we waste little time indoctrinating these young and bright students with the idea that private infrastructure is always good and public infrastructure is always bad. I bet the faculty thinks differently about the so called administration on pay day or when they need to have an office painted.

### CONVERGENCE

But the main event was convergence on which I am a skeptic. There are many types of convergence and quite a few don't make a great deal of sense. My bible on the subject is a recently published book by Al and Laura Ries, two acclaimed marketing experts with a long track record to give them credibility. The book is "The Origin of Brands" and its thesis is that great new products don't get started through convergence, but through divergence.

Convergence products are like the Swiss Army Knife. Lots of people have them but rarely are they used. The SAK has a knife and fork but they are always a last resort since regular knives and forks are easier to handle and there's always the problem of how you cut a steak with one.

It seemed to me that this conference was a little too taken by its anticipation of the brave new world of digital convergence — the Swiss Army Knife of multi-media and entertainment or "content".

Convergence of digital media will make entertainment ubiquitous. But frankly, I worry about a society whose growth industry is entertaining itself. One VC said that if you want to know about the future of converged technology you should look at a teenager sitting in his or her room simultaneously surfing the Web, instant messaging, and talking on the phone. I have teenagers and I can attest to that reality. For me maybe there's a remedial course available, maybe it's called Stress 101.

Personally, I wish all of us had attended the workshop "Global Ties 2004: India and China Entrepreneurial Trajectory" we might have glimpsed another future and we might not have liked it. Maybe it's available on DVD.

## About the Author



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Denis Pombriant is a well known thought leader in CRM and he is the founder and managing principal of the Beagle Research Group, a CRM market research firm and consultancy. In 2003, CRM Magazine named Pombriant one of the most influential executives in the CRM industry. Pombriant's latest white paper, "The New Garage" discusses the emerging new enterprise software industry business model.

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## About Beagle Research Group

Beagle Research Group is a consulting and market research organization focused on emerging companies and technologies that will have an important impact on the way business is conducted in the years ahead. Our work is based on professional standards of quantitative and qualitative research which informs all of our publications.

This document was researched and written by Beagle Research Group.

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