Budding Businesses Get a Boost

By Warren Johnston

Hanover -- Laurie Higginbotham, Tim Healy and John Pepper are risk takers. They are business owners who thought things through before they leaped into the entrepreneurial world. They had good ideas for their businesses, and perhaps because they hedged their bets by planning, consulting and learning, they are successful.

Higginbotham, Healy and Pepper improved their odds at the Tuck School of Business at Dartmouth.

Although they attended at different times and at different stages of life, their experiences were similar, and after graduation, all were able to turn their dreams into reality.

All, too, were able to take advantage of the contacts, associations and education offered by the school’s Center for Private Equity and Entrepreneurship.

Higginbotham, who graduated in June, now owns Laurie Weber Designs, an accessory fashion firm in New York. She had a fledgling company when she went to Tuck. She was selling her designer belts mostly to friends. She developed her business plan for expansion and took advantage of the contacts, expertise and resources provided by the school, including incubator office space.

After graduating, she moved to New York. Her belts are now in about 80 stores in more than 25 states. Laurie Weber Fashions is expected to gross $500,000 this year, and a line of handbags will be added in 2005.
Tim Healy and his partner, David Brewster, came up with the idea of starting an energy technology business early in their first year at Tuck. They planned a company that would save utility customers money, cut electrical costs and help the environment. Shortly after they graduated, they had an experienced board of advisers, seed funding, strategic partners and a customer pipeline. They had EnerNOC LLC up and running.

After an incubation period in Lebanon, the 3-year-old company moved to Boston's Faneuil Hall and has some of the major grocery chains as customers. Healy and Brewster have a multimillion-dollar business.

When Pepper was at Tuck, he had the first of his The Wrap restaurants operating in Boston. Although he went to Tuck before the Center had come into fruition, he used the same school resources to plan the business and to figure out how to expand it.

Now he has 10 restaurants open, including one in Hanover. He is planning for new locations and has a franchise partner for Wraps outside of New England. Stellar Restaurant Group is 7 years old and grossed more than $7.7 million in the fiscal year ended Sept. 30. The business is expected to hit $9 million in 2005, Pepper said.

The Center

The Center for Private Equity and Entrepreneurship, which started in 1998, is a research and education center that focuses on private equity investing and its relationships with entrepreneurs.

The Center conducts national research projects and surveys over several years to assess the best practices of the private funding industry. The studies are focused on the key areas of valuation, governance and risk management, and the results are aired in published articles and discussed in conferences.

About 20 percent of Tuck students express an interest in being entrepreneurs, and the faculty of the Center are there to accommodate them, Tuck Dean Paul Danos said.

“Entrepreneurs start with ideas. We help them cultivate those ideas and develop their business,” Danos said.

To develop the ideas, students form teams and create business plans that are tested in competition. In addition to providing students with the expertise of the faculty, the Center also gives them opportunities to learn from the venture capitalists and entrepreneurs who come to Tuck to lecture and consult.

The Center, too, can provide students with partial funding for internships and a selected number of startup companies, such as Laurie Weber, are given incubator space to help the business grow into reality.

Essentially, the Center nurtures students with good ideas, and puts them on the road to becoming entrepreneurs.

“We have space for three student startup companies. We provide them with basic office facilities and equipment. As the startup teams get going, they don't have to worry about working out of their apartments or lugging stuff around from place to place,” Center Director Colin C. Blaydon said.

The incubator allowed Laurie Weber to act more professionally and to have a telephone number, which is important to a company that is trying to grow and being funded out-of-pocket, Higginbotham said.

“Having the office space at the school was a nice thing. It's nice to be able to go to work and have a phone,” she said.

The incubators are awarded on a basis of competition. Business plans are presented to an outside panel of venture capitalists and entrepreneurs, who judge them on their merits and feasibilities, Center Executive Director Fred Wainwright said.

“If the students feel good about their plans and want to go forward, then they can apply for one of the three incubator slots. They are monitored during the summer, and they need to show meaningful progress. They need to compete in business plan
competition outside of the school,” Wainwright said.

The incubator also allowed Higginbotham to stay in close contact with her advisers and Wainwright, who she said was very helpful in getting her business going in the right direction.

In addition to the incubators, students also can take special courses that fill in the gaps of their expertise. “They can pick and choose the courses to suit their interests,” Wainwright said.

Students also have opportunities to join student clubs, such as the private and equity funding club and the entrepreneurial and technology club, Wainwright said.

The Center calls on Tuck and Dartmouth alumni to help the budding entrepreneurs. Those resources also continue to be available after graduation, and grads who are successful entrepreneurs return the favor to Tuck by volunteering as mentors and lecturers.

“Tuck has a global reputation and a large alumni body of entrepreneurs -- some are repeat entrepreneurs -- and they are available to advise and consult with students,” Wainwright said.

When Michael Horvath, who has resigned from Tuck's faculty to be the chief financial officer at GlycoFi, was teaching the entrepreneurial course, more than half the lectures were conducted by outside experts.

“Out of my 18 lectures, at least 10 were done by entrepreneurs and venture capitalists. We really think that students can learn from others' success,” Horvath said, adding that the outside lecturers talk with the class and then meet with students and teams in one-on-one conferences. “That's one of the biggest benefits to the program.”

Pepper returns to the campus frequently. He finds the experience helps him as much as he hopes he’s helping the students.

“People at the school have a wide array of resources and expertise. That's why I'm motivated to stay in touch. When I'm there, I find it inspiring, and I always leave with good ideas,” Pepper said.

Tuck entrepreneurial students also are encouraged to work with and form teams with students and professionals in other parts of Dartmouth's campus, such as the medical school and the Thayer School of Engineering, Wainwright said.

“That gives the teams a multidimensional mix that is very healthy,” he said.

When the student companies begin to fly, they may be directed to Greg Fairbrothers, who is a fellow at the Center and the director the Dartmouth Entrepreneurial Network, which is not limited to just Tuck. DEN focuses on helping anyone in the Dartmouth community with entrepreneurial ideas. DEN helps execute their business plans and getting them to the startup stage and beyond.

“We're often the stop of first resort,” Fairbrothers said.

DEN not only offers expertise, but also connects starting companies with industry advisers.

Higginbotham got advice and contacts from DEN. “Greg (Fairbrothers) was always willing to offer advice and introduced me to people who had complimentary businesses,” she said.

For EnerNOC's Healy and Brewster, DEN was there for advice, and they won the DEN “Greener Ventures” business plan competition, which helped build the company's credibility.

Both the Center and DEN work with the teams to find funding from equity partners, such as the North Country Angels and the Granite State Angels, said Wainwright, who serves as executive director of both groups.

“Equity funding is an integral part of entrepreneurship,” Wainwright said.

**EnerNOC**

During their first months at Tuck, Healy and Brewster came up with an idea for a company that would make money by conserving energy and helping the environment.
There are three ways to meet the growing demand for electricity, Healy said.

“You can build new generating plants. You can build new transmission wires to bring power in from the outside, or you can provide demand-response solutions that instantaneously cut electric consumption. We came up with a way to do that.”

Healy and Brewster have developed software that uses the Internet to reach major consumers of electricity, such as grocery stores, hospitals and municipal sewage treatment plants, and turn off some of their nonessential uses during peak demand periods. The software also can turn on generators at the facilities to cut outside usage altogether.

“By using the Internet, we can cut off one-third of the lights in a grocery store. Generally, the customers don’t even know it’s happening. The costs savings are significant,” Healy said.

Reducing the lighting load at 50 different sites for a grocery chain saves a great deal of power that can be sent somewhere else on the grid where it’s needed. It improves the customer’s bottom line, and they also get the benefit of being good stewards of the environment, Healy said.

In addition to the money being saved by the customers in consumption costs, utilities also pay compensation fees for the conservation. The fees are split with EnerNOC.

Both Brewster and Healy had entrepreneurial backgrounds when they came to Tuck, so it didn’t take them long to decide to start the company.

“One of the problems with the restaurant industry is that the people who work in it tend to be transient and temporary. Pepper and the management of Stellar Restaurant Group are having some success changing that atmosphere.

“One way we solve that is by giving people an opportunity that they haven't had before. We give them an opportunity to manage. We try to keep them in a developing mode and keep them learning. We want people who are willing to do that,” he said, adding that the company also tries to pay above-industry wages.

Horvath became a key mentor to the EnerNOC founders, and he hooked them up with venture capitalists and advisers who were some of the best in the energy field. While building their business plan, Healy and Brewster took summer internships with different utility companies so that they could learn the business from different perspectives.

After their 2002 graduation, Horvath found EnerNOC incubator space at GlycoFi until the company landed $2.6 million in venture capital and had the strength to move to Boston.

The company has not forgotten Tuck or Dartmouth, Healy said. The company has 22 full-time employees, and 12 of them are either Tuck or Dartmouth grads. Their board of advisers also is filled with Dartmouth and Tuck alums and professors.

“Tuck students are team players. They believe in hard work. Tuck also is the filter for people who care about the environment and giving back to the community,” Healy said.

EnerNOC is now considered the leading provider of demand-response, price-response and demand-management solutions in the country.

The Wrap

When Pepper made his business plan presentation to a panel of judges at Tuck, the first Wrap had been open 45 days. As part of his presentation, he brought in the cooks from the restaurant. They prepared wraps and burritos, which were served to the judges.

The food apparently went over well, and it is continuing to draw customers in Boston and Hanover.

“We offer customers options. They can eat low-fat, low-carb, low-sodium food if they want to, or if someone wants extra steak with extra guacamole, they can have it. We cater to all types of diets. We're about choice and options,” Pepper said.

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Stellar has a diverse staff of 122 employees from 15 or 20 different countries, Pepper said. All of the workers are kept in the loop about what is going on with the company financially and with plans for the future. The company also provides English lessons for non-native speakers, as well as Spanish lessons for English speakers.

Managers of the Wrap restaurants run the businesses as if they owned them. “It's their business. It will go or not based on their performance,” Pepper said.

The result has been a stable staff that feels loyal to the company.

Pepper recently shut down the Hanover restaurant to retrain staff and bring them more in line with the company philosophy. The restaurant has reopened and is doing well, Pepper said.

The company also is considering additional Wraps in locations such as Concord, Portsmouth and Portland, Maine, along with more in the Boston area, he said.

**Laurie Weber**

By the time Higginbotham got to Tuck, she was beginning to sell her designer accent belts in a few stores, as well as to friends and at parties. It was a part-time job. After stabs at other occupations, she seemed to like the fashion business the best, but she wasn't sure that the belts would make her a living.

At Tuck she developed her business plan and was able to line up manufacturers as well as customers.

“I really wasn't planning to do this full time. Now, it's a full-time, grass-roots business,” Higginbotham said.

After she graduated, Higginbotham and her partner, Rebecca Trachsel, took the business to New York.

The company has a line of fabric belts that are targeted for women in their 20s and 30s with a medium income between $40,000 and $100,000. Laurie Weber belts, which sell from $40 to $52, are now in 80 stores and had spring sales in Bloomingdale's, Higginbotham said.

So far, the business is being supported by sales revenue and personal funds, but Higginbotham said the company could seek a small amount of outside funding in January to help it expand.

And although she has only been out of Tuck for six months, she has already hired another Tuck classmate to help with the marketing.

Wainwright said the Center is expanding course offerings and efforts to assist entrepreneurs and venture capitalists.