



## New Venture Creation and Product Innovation



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### ***What kind of a course is this?***

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This is a capstone Executive MBA program. The students have gone through one year of curriculum before they come to my class. This class is designed to give students experiential experience about running and creating a new business whether it is for an established organization or as a new company.

### ***What is the format of the course?***

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It is a one-week intensive program. All the students live in the same hotel. They cannot work on their normal job. They only take this class and work solely on the simulation during this week.

### ***Why do you call this an EMBA class in entrepreneurship and innovation?***

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We want the students to be innovative and entrepreneurial. There is a heavy component in the class focussing on creating growth through innovation—innovation in terms of product, services and the business model.

### ***You have the students prepare in advance. What do they need to do in the month before the week-long training?***

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Students have four different tasks they have to do before they come to this program. First they must read the LINKS Manual. Then they must go through the FAQ's (frequently asked questions) on the LINKS website. We ask each of the teams to design testing questions for their own teams, and they have to test each team member's knowledge about the FAQ's and the manual. They are given a sample of the market research studies and the team has to develop their own "IT" (Information Technology). They have to build their own decision-making Excel models where they take the raw data from the market research and summarize it in their own words, to help them make their own decisions. This is for the teams to track the changes that happen once decisions have been made. So even with the changes they make throughout the week, they are able to know how the bottom line is affected. They use pro-forma financial statements as well.



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### ***Do the students know who their team-mates are going to be beforehand?***

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I have used two different formats. I have assigned the teams, so they know who the team members are. And, when we have more time, I have also chosen those who act as a leader and entrepreneur, and they would have to negotiate executive compensation packages with their class mates. The exercise makes them think about offering stock options as well as a salary. They have to compete with other CEO's to form the best team that they can. This is a way to teach them to form executive teams and new venture teams.

This year there were eight chosen as the leaders and they knew who their competition was. They went through a pre-selection period, where the CEO's negotiate and see how well they can recruit people. At the end, everyone can see what compensation packages were offered and available. This is all done weeks prior to the LINKS extensive week-long session.

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### ***How does LINKS fit into this course?***

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I use LINKS as the key tool for experiential learning. Students have to develop their strategies based on data. LINKS provides a lot of data—to understand the market and to understand the competition. The second purpose of LINKS is to allow them to implement the strategies they develop, so the students see the consequences of their own decisions. LINKS also provides them with the opportunity to say “here are the consequences of your decisions, now how do you go about improving the results and change the strategies.” LINKS helps students understand the entire business. I teach people who want to be lead entrepreneurs or senior executives in a fast-growing company. They have to know all of their costs and have to know everything about their business. They may not need to do everything all at once but they need to see the big picture. LINKS is a great tool to learn all the terminologies and all the different parts of the business—from customer service, product development, product deliveries, and customer satisfaction—essentially anything they need to know about a business. Once they go through my class using LINKS, they have gone through all of the terms and issues of anything associated with the organization.

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### ***Since there are multiple game runs per day, do you have any special scheduling challenges?***

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There are always challenges, and that's part of the teaching community. The students have to meet schedules. You have to know what information is useful and what information is not. More importantly, they have to develop executive decision-aid tools that allow them to make efficient, fast decisions. After the second day, they quickly get more efficient in the decision-making process and analyzing the marketing information.

On day two, students have to make their decision input at noon and then on the classroom schedule they have situational analysis from 1-2:30, so they would have their data results ready from that decision making process at that time.

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Randy is great with providing support and making sure that LINKS results come without error. Normally we get the results within thirty minutes. When I am teaching, I walk through the importance of the information and the analysis of the information. I teach them the tools and methodology. I teach them how to conduct situational analogy and show them examples and its consequences and what leads to the next step. I show them the importance and pitfalls of situational analogy. I give them examples of bad situational analogies. If they are not serious about situational analogies they might as well not be doing this. It will lead them to the wrong conclusions.

**Your schedule shows an auction on Tuesday at 9 PM. What is that about?**

I try to maximize their learning experience in LINKS and keep the interest as real as possible. I do this after they have made four decisions. If they are getting quite comfortable about their executive-making decisions, I introduce some environmental changes. This year there were two environmental changes. One is we told the students that there is new technology coming up. There is a completely new venture called “Song Smart Homes Inc.” and it raised \$245M venture capital to develop home security that uses hyperware/metaware which is the product in LINKS. This news was released at a press conference prior to the auction.

Executive MBA Innovation and Entrepreneurship Residency Class of 2019 August 9 <sup>th</sup> to August 13 <sup>th</sup> , 2010 InterContinental Hotel Kansas City at the Plaza					
Time	Monday August 9	Tuesday August 10	Wednesday August 11	Thursday August 12	Friday August 13
8:00am to 9:00am	Business Introduction to the network and simulation environment * Pending team exercise and tests	Business in Host	Business in Host	Business in Host	Business in Host
9:00am to 10:00am	Quarter 4 Decision and Candidate team composition negotiations <b>LINKS QUARTER 4 Due at 11:30am</b> 11:30am LINKS Quiz (20 minutes) held based on LINKS participant's priority	Decision-making Review Meeting with Major Investors (20 minutes per firm)	Decision-making Review Meeting with Major Investors	Decision-making Review Meeting with Major Investors	Decision-making Review Meeting with Major Investors
10:00am to 11:00am	LINKS QUARTER 4 Due at 11:30am	LINKS QUARTER 4 Due at noon	LINKS QUARTER 5 Due at noon	LINKS QUARTER 6 Due at noon	LINKS QUARTER 7 Due at noon
11:00am to 12:00pm	LINKS QUARTER 4 Due at 11:30am	LINKS QUARTER 4 Due at noon	LINKS QUARTER 5 Due at noon	LINKS QUARTER 6 Due at noon	LINKS QUARTER 7 Due at noon
12:00pm to 1:00pm	LUNCH at hotel	LUNCH at hotel	LUNCH at hotel	LUNCH at hotel	LUNCH at hotel
1:00pm to 2:00pm	1:00pm-2:30pm Market Research * Executive team composition negotiations Review of Quarter 4 results Decision-making	1:00pm-2:30pm How to Prepare for Decision Analysis Statistical Analysis Review Meeting with Major Investors (20 minutes per firm)	1:00pm-2:30pm How to Prepare for Decision Analysis Statistical Analysis Review Meeting with Major Investors	1:00pm-2:30pm How to Prepare for Decision Analysis Statistical Analysis Review Meeting with Major Investors	1:00pm-2:30pm How to Prepare for Decision Analysis Statistical Analysis Review Meeting with Major Investors
2:00pm to 3:00pm	LINKS QUARTER 5 Due at 4:00pm	LINKS QUARTER 6 Due at 4:00pm	LINKS QUARTER 7 Due at 4:00pm	LINKS QUARTER 8 Due at 4:00pm	LINKS QUARTER 9 Due at 4:00pm
3:00pm to 4:00pm	LINKS QUARTER 5 Due at 4:00pm	LINKS QUARTER 6 Due at 4:00pm	LINKS QUARTER 7 Due at 4:00pm	LINKS QUARTER 8 Due at 4:00pm	LINKS QUARTER 9 Due at 4:00pm
4:00pm to 5:00pm	LINKS QUARTER 5 Due at 4:00pm	LINKS QUARTER 6 Due at 4:00pm	LINKS QUARTER 7 Due at 4:00pm	LINKS QUARTER 8 Due at 4:00pm	LINKS QUARTER 9 Due at 4:00pm
5:00pm to 6:00pm	LINKS QUARTER 5 Due at 4:00pm	LINKS QUARTER 6 Due at 4:00pm	LINKS QUARTER 7 Due at 4:00pm	LINKS QUARTER 8 Due at 4:00pm	LINKS QUARTER 9 Due at 4:00pm
6:00pm to 7:00pm	LINKS QUARTER 5 Due at 4:00pm	LINKS QUARTER 6 Due at 4:00pm	LINKS QUARTER 7 Due at 4:00pm	LINKS QUARTER 8 Due at 4:00pm	LINKS QUARTER 9 Due at 4:00pm
7:00pm to 8:00pm	LINKS QUARTER 5 Due at 4:00pm	LINKS QUARTER 6 Due at 4:00pm	LINKS QUARTER 7 Due at 4:00pm	LINKS QUARTER 8 Due at 4:00pm	LINKS QUARTER 9 Due at 4:00pm
8:00pm to 9:00pm	LINKS QUARTER 5 Due at 4:00pm	LINKS QUARTER 6 Due at 4:00pm	LINKS QUARTER 7 Due at 4:00pm	LINKS QUARTER 8 Due at 4:00pm	LINKS QUARTER 9 Due at 4:00pm
9:00pm to 10:00pm	LINKS QUARTER 5 Due at 4:00pm	LINKS QUARTER 6 Due at 4:00pm	LINKS QUARTER 7 Due at 4:00pm	LINKS QUARTER 8 Due at 4:00pm	LINKS QUARTER 9 Due at 4:00pm
10:00pm to 11:00pm	LINKS QUARTER 5 Due at 4:00pm	LINKS QUARTER 6 Due at 4:00pm	LINKS QUARTER 7 Due at 4:00pm	LINKS QUARTER 8 Due at 4:00pm	LINKS QUARTER 9 Due at 4:00pm
11:00pm to 12:00am	LINKS QUARTER 5 Due at 4:00pm	LINKS QUARTER 6 Due at 4:00pm	LINKS QUARTER 7 Due at 4:00pm	LINKS QUARTER 8 Due at 4:00pm	LINKS QUARTER 9 Due at 4:00pm

We open LINKS with three market areas—Europe, Asia and North America. The second change is we add a region, which is Latin America. But that region only wants to issue two licenses to operate a business in that region. We have open-bid auctions for access to these market regions. Everyone is not allowed to just go in and open up in these regions. At the press conference, we state that the governments in that Latin American region want to issue licences for companies to do business in those regions for three quarters. After that, the market is open to all firms.

The decision to bid on these licenses is based on whether they have the resources available to them. Secondly, they must decide what their strategies for global business are? Third, if they believe this is what they want to do, they have to evaluate the new market regions. I teach them the tools for them to evaluate a new business and determine how much this license is worth to the team. In developing bidding strategies they have to think about the competition and ask themselves what do these markets mean to the success of the company?

This year it was interesting because I did multiple things: opened the new region, announced “Song’s Smart Homes”—plus a complimentary product coming in, and the third was a solution to the firms running at over capacity. In the real world that would not work. You cannot keep running at 140% capacity. In LINKS you can do that, however I wanted this to match real world conditions where you would run into trouble with labor unions. So I brought in four other people who served as labor unions that were threatening to go on strike. All the firms now had to

negotiate with the labor unions. They reached agreements of not having emergency production and not having over-capacity production for the next three quarters or have a financial penalty for going over.

This flexible teaching tool allows me to take full advantage of the situation, because we don't want to change the simulation but we can work with and go beyond the simulation. Teams learn

a lot from the exercise. They realize that a \$2M penalty for going over production is not worth it. And they may lose the contract if labor disputes continue. They have to decide how much production they want to do, whether to bring in high-margin products or low-margin products, decide on the pricing and to increase or reduce their marketing expenditures to control their demand.



### *Did the students do what they were supposed to do?*

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Some non-performing teams started to chase competition because they didn't know what they were doing and they didn't have a working strategy. Later on, with the coaching I gave, the non-performing teams were a great example to demonstrate to the whole class how effective the LINKS learning process can be. These teams can get back on track with a good mentoring effort.

### *How do your students react to LINKS?*

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They loved the experience. They can see the consequences of their decisions. They love the amount of information they get from LINKS. My students love the week-long experience—even the low-performing teams. I tell the students to focus on their own learning, rather than comparing themselves to the competition. I sit down early with each team to set up their performance criteria—specific measurable objectives for income, gross margin, and stock price which they tie to their own performance and compensation. I tell them “What is important is how you run your own business. Competition is important, but it is how you deliver shareholder value that counts.”