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Steve Bear, Adjunct Professor at Iona College in New Rochelle, NY, has over 30 years of business experience in marketing and general management with major pharmaceutical corporations. He works as a consultant and has been with Iona since 1998. He teaches at Iona for the "joy of it". His students are undergraduate seniors majoring in marketing. He is a first time user of the LINKS Marketing Simulation and at the time of this interview was in the middle of the course.

Teaching Through a Tsunami

Something happened that was unusual with your students' results during your simulation. Will you explain what that was?

One team became confused about the inputting process, and they put in a price that was lower than their cost of goods. That caused two things to happen— they accumulated an extraordinary amount of market share based on this very attractive price to the consumer and they lost an extraordinary amount of money based on pricing under cost of goods.

Would this have been considered illegal in the "real world"?

I told the team that what they had done was "dumping". They had priced below cost which is treated differently by different nations. It is generally considered to be predatory pricing and there is often remediation that is sought—from forcing the company to raise its price all the way up to punitive fines and damages.



After some reflection, I decided to meet with the students to determine why this occurred. I wanted to be sure and I needed to be fair to the other teams. However after having a private meeting with them I concluded that it was simply human error. There was a misunderstanding by the individual who was assigned that week to do all the inputting.

There are potentially lots of things that one could have done to deal with this, from saying we are going to wipe this round out and rerun the whole round again and put new inputs in, to concluding this was not an accident and disbanding the team. What we decided to do was treat it as one of the vagaries of life, and treat it as one of the unpredictable events that can occur.

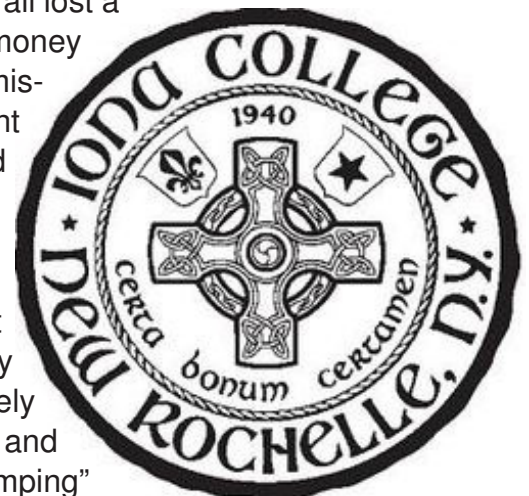
The team would be required to raise their price in the next round above the cost of goods, and they were going to be fined. The maximum one-round fine in this version of LINKS is 2.5 million dollars so I selected that as the fine.

How did the team react to the fine?

They were somewhat appalled at the size of the fine, One team member rather plaintively asked “what could we do to avoid having a fine?” And I candidly had not considered what they might do to avoid having a fine. I thought they ought to be fined. I wanted it to be very difficult for them to perform well based on having done this because in the real world, if they were caught dumping, the government would make every effort to constrain them. In the interaction that occurred, I said, “if you write a report about dumping and you submit it to me the evening before the next LINKS input is due, so that I know that you understand what you have done and how it works in the real world, I’ll eliminate the fine.” And that is what they did. The important thing to me was that they understand what dumping is and they are cognisant that this was an error that should not have occurred. They ended up at the bottom of the LINKS competition for that round, and they did a little extra work.

How did the other teams react when they saw the results?

At the start of the class I asked the remaining teams to have a short meeting and see if they could assess what had actually happened. The other teams all lost a tremendous amount of market share and they all lost some money as well—not a lot of money but they all lost some. They all mis-forecast because the market shares dropped in a significant way. And they wound up not being able to cover their fixed costs. One team knew exactly what had happened. They took a look at their loss of market share and the industry notes which indicated that one team had gained a huge amount of share and profitability of the industry and they inferred that some team must have priced extremely low. They didn’t actually know that they had priced below cost of goods, but extremely low causing a radical shift in market share. So that was good, and I explained that’s what happened and I was reporting the “dumping”



to everyone, because in the real world, if someone had dumped there would typically be complaints by firms in the industry. And then there would be some kind of administrative hearing. And the results of that hearing would be made public. So I was making the results of this public. Dumping had occurred, and the team had to raise their price above costs for the next round but I wasn't dictating the precise price. Everyone had a very interesting next round. They had to make a judgment about what the team that lost a great deal of money was going to do and what was going to happen when their price increased.



What did the team that did the dumping do?

We have had two rounds since that happened. In the first round the team increased their price at a profit but was clearly priced very low. As a result, they held a great deal of market share but the industry returned to profitability. But their performance wasn't all that good. In the second round, they increased their price again, and they performed reasonably well. Again they lost market share but they are still the market leader. At the new price point they had positive net income and they are performing better. Because of the significant amount of money that they lost, they are still in the bottom tier of the simulation. They had a team meeting with me. They have appropriately recognized that whether they had originally intended to or not, they are now on a cost leadership strategy and they found a reasonable price point and now they have got to manage the rest of the simulation and be a very effective cost leader and win the simulation with that strategy.

What was the reaction of the students on the other teams?

There was a bit of confusion going into that class. When I explained the situation, that clarified all the confusion. There was a lot of good-natured bantering and commentary going on. Everybody accepted this with equanimity, because the problem was positioned as "dumping" which can occur in the real world. The teams that were impacted most significantly were a bit annoyed, but recognized that this could happen in the real world. So the question became what should everyone do next.

What other options did you consider?

I decided that the most important thing to do was to find out why this occurred. Had it been malicious then I would have disbanded the team. I also considered asking Dr. Chapman to re-run the simulation, but I thought it was more interesting to treat this as a highly unusual event that might occur, and let the teams react accordingly.

Are you glad you did not decide to re-run the entire simulation?

Any time you artificially interject by whatever means you do through the course of the simulation, you don't know what that's going to do either. So if you provide information, if you suggest things to the whole class you are having an impact, which is something you might choose to do

for educational purposes but you don't know what it's going to change. The world is challenging and difficult as the economy of the last two years has shown all of us. Events occur that are unpredictable as the meltdown was not predicted by many, and its severity was certainly not something anyone expected. I think there was more to learn and benefit from having to deal with this surprising and unpredictable event. If I had concluded that the team had done this in a malicious way and if it was impossible to get back to some reasonable normalcy then I think I would have re-run it. I did speak to Randy about what the probability was once the team raised their price, and would the simulation be permanently distorted? Our conclusion was no. Everyone would still have a shot once the prices and market share were adjusted. I don't think I would have re-run it unless I felt that the simulation couldn't continue in an interesting and reasonably fair way.

Has morale changed with any of the teams?

I was pleased to see that the students reacted to this turmoil with a great deal of resiliency. There isn't any morale problem. The team that made the mistake was certainly embarrassed. But they took it fairly graciously when I explained to the class what had happened. Although they are still in the bottom portion of the simulation but they are quite focussed to do their best and they have bounced back. They are improving and working hard to see if they can become the winning team.

Do you have any other remarks to make?

I had built into the syllabus a lecture on Porter's 1980 generic strategies— cost leadership vs. product differentiation vs. niche or focus and I was using both the simulation and a case study to exemplify the concepts. What this incident let me do was really dramatize Porter's work because it shows the issues around cost leadership. If you price low enough you can be a cost leader and accumulate a lot of market share—good—but if you price too low and you can't make money, then you are a cost leader that is highly unsuccessful.

Following the incident, I added a brief discussion about the experience curve and discussed how gaining market share can reduce costs. I was able to use the incident to underline materials I communicate in the class. That's the beauty of simulation. Hopefully five years from now, some of the students will remember the concepts as clear and well communicated because it was illustrated so vividly in the class.

The LINKS Marketing Simulation is a wonderful educational tool and I am pleased about the energy that it builds in the class. It's very complex, and initially the students don't understand how much work is involved and how much they have to learn, but the inherent joy of competition pushes them to do that work.

LINKS 1,300

LINKS-simulations.com has just passed the 1,300 milestone...1,300 LINKS events (industries) since the beginning of LINKS.

PENNSTATE



SMEAL College of Business

With two LINKS Supply Chain Management Fundamentals Simulation industries, Terry Harrison's EMBA class at Pennsylvania State University includes LINKS industries 1,299 and 1,300. Terry Harrison is a long-time LINKS user and a member of the LINKS Instructor Hall-of-Fame. Thanks Terry for your long-time interest in and support of LINKS.



And thanks, too, to our growing LINKS instructor community for their on-going interest in LINKS.

Who's Using LINKS? Participants' Geography

Since 2000, 30,000+ LINKS participants from these 73 countries have benefited from their LINKS simulations experience.



Americas	Europe	Africa	Asia Pacific
Argentina	Austria	Cameroon	Azerbaijan
Brazil	Belgium	Egypt	Australia
Canada	Bulgaria	Gabon	China
Chile	Denmark	Ghana	Dubai
Colombia	Finland	Kenya	Hong Kong
Ecuador	France	Namibia	India
El Salvador	Germany	Nigeria	Indonesia
Guatemala	Greece	Senegal	Japan
Mexico	Hungary	South Africa	Korea
Peru	Iceland	Togo	Kuwait
Puerto Rico	Ireland	Uganda	Malaysia
Trinidad			Maldives
United States			Mongolia
Uruguay			
Venezuela			
			New Zealand
			Oman
			Pakistan
			Philippines
			Russia
			Saudi Arabia
			Singapore
			Sri Lanka
			Taiwan
			Thailand
			Turkey
			UAE
			Vietnam



LINKS Train-The-Trainer Seminar

May 18-20, 2010

LINKS Simulations Immersion Experience

Five Teleconferences and a Four-Round LINKS Simulation Event

Registration is available for the next three-day, intensive-mode Train-The-Trainer distance-learning seminar for the LINKS simulations. Randy Chapman, the LINKS author, leads these distance-learning events for academic faculty interested in learning more about teaching with LINKS. This intensive-mode seminar format includes 5-6 hours of work per day during the three days of the distance-learning seminar.

LINKS Train-The-Trainer Seminars are offered for the enterprise management, marketing, services, and supply chain management LINKS variants.

Current LINKS instructors are invited to pass along this announcement to faculty colleagues and

advanced doctoral students who might be interested in learning more about teaching with LINKS.

Experienced LINKS instructors sometimes participate in a LINKS Train-The-Trainer Seminar to refresh their memories of LINKS details just prior to teaching with LINKS or to explore another LINKS simulation variant for a future teaching activity. Such experienced LINKS instructors may elect just to participate in the TTT's four-round simulation event, ignoring the public teleconferences included in the LINKS TTT program. (PowerPoint decks are e-mailed to all LINKS TTT participants before each teleconference, so such experienced LINKS instructors may freely choose to participate in all, some, or none of the teleconferences as per their availability and interest.)

Details about LINKS Train-The-Trainer seminars may be accessed via these URLs:

- <http://www.LINKS-simulations.com/TTT/EMttt.pdf> [Enterprise Management]
- <http://www.LINKS-simulations.com/TTT/MSttt.pdf> [Marketing]
- <http://www.LINKS-simulations.com/TTT/SMttt.pdf> [Services Marketing]
- <http://www.LINKS-simulations.com/TTT/SCttt.pdf> [Supply Chain Management]



Reminders

LINKS Passcode Retrieval:

Convenient LINKS passcode retrieval for a LINKS participant (student or instructor) is possible via the “Retrieve LINKS Passcode” link on the main LINKS webpage (<http://www.LINKS-simulations.com>). Executing the “Retrieve LINKS Passcode” operation e-mails the firm’s passcode to the participant’s official e-mail address as currently recorded in the LINKS Simulation Database.

E-Mail Address Management:

LINKS instructors submit their students’ e-mail addresses (grouped into teams) as part of the information-set provided to initialize a LINKS industry. Often, these are institutional rather than personal e-mail addresses. Since some participants prefer to use a personal e-mail address rather than an institutional e-mail address for LINKS, it’s possible for participants to update their official e-mail address as recorded in the LINKS Simulation Database.

Participant updates of official e-mail addresses as recorded in the LINKS Simulation Database are possible only after initialization and publication (via e-mail to all team members) of each LINKS firm’s passcode. Using their LINKS firm’s passcode, LINKS participants may change their official LINKS e-mail address after LINKS initialization via the “E-Mail Address Management” button in the LINKS Simulation Database. Confirmations of e-mail address changes are e-mailed to the old and new e-mail addresses.

Student Payment Timing:

The published LINKS price (the discounted price) is in effect until the first round of LINKS is complete. Then, the price is increased 25%. This means that we can initialize your LINKS simulation event (and advance LINKS through to its normal starting point) and students can continue to pay at the discounted price until the first scheduled round. Before initialization can occur, we do need to receive your game-run schedule and the students’ e-mail addresses (grouped into teams).

It is not necessary for your students to pay before LINKS begins to have access to the discounted LINKS price. Students must only pay before the first official game run on your game-run schedule to receive the discounted price. Thus, student payments can occur simultaneously with the beginning of your LINKS simulation event.

Student payment with a personal credit card is via the “Pay For LINKS” link on the LINKS webpage.

As a practical matter, a final warning/reminder will be e-mailed to those students who haven’t paid by the first game run, before implementing the non-discounted price.

LINKS Resources:

- **LINKS Website Resources:** LINKS website (<http://www.LINKS-simulations.com>) links provide convenient access to all LINKS simulation variants, to the LINKS Simulation Database, to passcode-protected instructor resources, and to user interaction contact points such as "Pay For LINKS", "Payment Questions?", and "Retrieve LINKS Passcode"

- **Printed Manuals:** LINKS manuals are freely available for download via the LINKS website. However, some LINKS instructors prefer to have publication-quality printed manuals provided for all of their students, rather than relying on their students to individually download/print the participant's manual from the LINKS website. We're happy to provide this service for LINKS instructors. The all-inclusive additional cost for participant manuals varies from \$18/student to \$28/student depending on the LINKS simulations variant. We normally need three weeks advance notice to arrange for production and shipping (to the instructor) from our on-demand printer.

- **LINKS Instructor Resources Access:** You may access the evolving LINKS Instructor Resources via the LINKS webpage. Contact Randy Chapman (Chapman@LINKS-simulations.com), the LINKS author, to obtain the relevant access parameters (username and passcode).



The LINKS-Simulations Newsletter is a monthly newsletter for current and prospective LINKS instructors and for LINKS friends. Please e-mail questions, comments, suggestions, and other contributions (e.g., LINKS teaching tips) to Winkler@LINKS-simulations.com.



Editor: Cyndy Winkler

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