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New Venture Creation and Product Innovation



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What kind of a course is this?

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?

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?

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?

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.

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

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.

How does LINKS fit into this course?

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

Executive MBA Innovation and Entrepreneurship Residency					
Class of 2010					
August 29 to August 31st, 2010					
InterContinental Hotel Kansas City at the Plaza					
Time	Activity	Business Faculty	Business Faculty	Business Faculty	Business Faculty
8:00 am to 8:30 am	8:00am Introduction to the course and evaluation environment <ul style="list-style-type: none"> Founding team exercises and lesson Quarter 4 Decision and Share the team compensation negotiations LINKS QUARTER 4 Due at 11:30am 11:30am LINKS Quiz (20 minutes, based on LINKS participant research)	Statistical Analysis	Decision-making	Decision-making	Preparation to the Residency Starting at 8:00am LINKS QUARTER 10 Due at 8:00am Lunch team has 25 minutes presentation and 10 minutes for questions and decision from the board! Post-Quiz 5
8:30 am to 1:00 pm	LINKS activities	LINKS activities	LINKS activities	LINKS activities	LINKS activities
1:00 pm to 7:30 pm	1:00pm-2:30pm: Market Research Student Quarter 4 team compensation negotiations Review of Quarter 4 results Decision-making	1:00pm-2:30pm: How to Prepare for Statistical Analysis Statistical Analysis Review Meeting with Major Investors (20 minutes per firm)	Decision-making Review Meeting with Major Investors	Decision-making Review Meeting with Major Investors LINKS QUARTER 8 Due at noon LINKS QUARTER 9 Due at noon LINKS QUARTER 11 Due at 8:00am	Decision-making Management Factor and presentation of the Presentation Pre-Quiz LINKS QUARTER 12 Due at 8:00am Teaching evaluation End of Residency at 5:00pm
8:00 pm to 11:00 pm	LINKS QUARTER 10 Due at 8:00pm LINKS QUARTER 11 Due at 8:00pm 8:00pm Press Announcement: Investment environment changes Video: Auction Discussion/Quiz	LINKS QUARTER 10 Due at 8:00pm LINKS QUARTER 11 Due at 8:00pm 8:00pm Press Conference	LINKS QUARTER 10 Due at 8:00pm 8:00pm The Press Conference	10:00pm News in the classroom at 7:30pm for networking information	

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.

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

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.

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.

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?

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?

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.”

Reminder:

LINKS Global SCM Competition

LINKS-simulations.com is pleased to announce an exciting new initiative...the LINKS Global SCM Competition. The initial competition is scheduled for October-November 2010. The LINKS Supply Chain Management Simulation will be used in the LINKS Global SCM Competition.

Highlights of the LINKS Global SCM Competition:

- ◆ Cross-Institution 6- and 8-Round Supply Chain Management Simulation Competitions
- ◆ Your Student Teams Compete Against Student Teams From Other Institutions
- ◆ Challenges Students in an Intense Team-Based Cross-Institution Competition
- ◆ For Students in Academic Degree-Granting Programs Worldwide
- ◆ Undergraduates Compete Against Undergraduates; MBAs Compete Against MBAs
- ◆ Targeted at Upper-Level Undergraduates and Advanced (2nd-Year) MBAs



Separate LINKS Global SCM Competitions are offered in 6-round and 8-round formats to accommodate wide-ranging institutional class schedules, varying instructor timing preferences, and instructor preferences for the intensity of a within-course team-based supply chain management simulation experience.

Further details about the October-November 2010 LINKS Global SCM Competition (scheduling, student eligibility, costs, and registration procedure) are accessible via the LINKS Global Competition link on the LINKS website.

Participating in the LINKS Global SCM Competition is an alternative instructional/learning opportunity to the traditional usage of LINKS within a single instructor's course (i.e., an event with students from a single course conducted according to the course instructor's preferred scheduling).



Pre-Business LINKS

I have been successfully using the supply chain version of LINKS for over six years and this past summer decided to try another version of LINKS—the LINKS Enterprise Management Simulation. I used this simulation in a summer institute for college seniors and recent graduates who are in a non-business academic field (education, communications, psychology, engineering, history, and nutritional science are some of the majors).



Laura Meade
Texas Christian U

The program is a four-week , 9:00am-4:00pm intensive “basics in business” where the students are exposed to accounting, finance, economics, marketing, strategy, business law, supply chain management and other career-building skills. Having been the academic program director for this program for five years and having tried other types of simulations and projects to culminate the variety of skills the students were learning, I decided to try the LINKS Enterprise Management Simulation. The simulation was a success!

The simulation began at the end of week two after the accounting professor had addressed the LINKS Corporate P&L Statement and the strategy professor had discussed multiple strategies for success. These professors did not learn the ins and outs of LINKS, but since it mirrors what they currently teach it was a simple addition to their curriculum. I led the students through the simulation and it did not take long for me to understand the simulation well enough to lead the class. This LINKS version has similar financial statements, the performance evaluation is still a multi-factor balanced score card, and of course the students still enter their decisions on-line and have to decide whether or not to invest in research studies and, if so, which ones.

This simulation marks the transition of time by quarters instead of months, but the industry is still the set-top box industry. As is the hallmark of the LINKS simulations, the students became very involved in the competitive aspects of the game. The end deliverable was a final presentation where the team presented their strategies and how they leveraged the basic business concepts they had learned to succeed (or not) in the simulation.

The LINKS Enterprise Management Simulation was an excellent addition to the four-week Summer Institute and I plan to use it again next summer!



Setting Up a LINKS industry

As we gear up for another busy LINKS season, I thought it might be helpful to write about setting up a LINKS industry. Two documents are required from an instructor to do this: a complete LINKS game-run schedule (Word document) and a team assignments document (Excel worksheet). These files can be found near the top of the Instructor Resources webpage on the LINKS website under “Sign-Up Materials.”

The LINKS game-run schedule form (<http://www.links-simulations.com/signup/SignUpForm.doc>) is in tabular format in a Word document. This document provides detailed game run schedule instructions to us so that we can execute your LINKS event for you. It also includes the following sample schedule as a guide to the LINKS instructor:

We need the game run schedule to setup a payment webpage for students for a LINKS event where students pay for LINKS with a credit card via the “Pay For LINKS” link on the LINKS website. Thus, instructors may wish to send the game run schedule to us ahead of time (before final class enrollment is certain and before LINKS teams have been formed), so that the students may begin paying for LINKS early in the course even though the event may not begin until later in the course.

LINKS Schedule	Date	Time (your local time)	Special Instructions and Instructor-Optional Switches
Initialization (and advancement to M Q #3 and passcode e-mailing to you and your students)	03/14/2007	Anytime	Deactivate product development, service, and generate demand initially.
M Q #4 [round 1]	03/21/2007	15:00	
M Q #5 [round 2]	03/28/2007	15:00	Activate service and generate demand.
M Q #6 [round 3]	04/04/2007	15:00	Activate product development.
M Q #7 [round 4]	04/11/2007	15:00	Activate product 3 and region 4.
M Q #8 [round 5]	04/18/2007	15:00	Increase raw materials costs by 50%.
M Q #9 [round 6]	04/25/2007	15:00	
M Q #10 [round 7]	05/02/2007	15:00	
M Q #11 [round 8]	05/09/2007	15:00	Last LINKS round is a double-run.
M Q #12 [round 9]			
M Q #13 [round 10]			
M Q #14 [round 11]			
M Q #15 [round 12]			

Notes: (1) Since this LINKS event only has eight rounds, rounds 9-12 are left blank in this LINKS Schedule. (2) This sample schedule shows regular weekly decision inputs on the same week days and times. Such “regularity” is not a requirement, but it’s a typical scheduling pattern to help LINKS students in their time management and work-life scheduling.

We need team assignments (students' e-mail addresses grouped into LINKS teams) prior to initializing a LINKS industry. Team assignments to LINKS firms are in an Excel worksheet (<http://www.links-simulations.com/signup/TeamEmailAddresses.xls>). Extensive instructions are provided within this Excel file, including the following sample template for formatting the e-mail addresses:

Required Information				Optional Information		
Industry	Firm		E-Mail Address	Last Name	First Name	Other Information
[begin]						
A	0		instructor.name@yourcollegeuniversity.edu	Smith	Chris	
A	1		first.student@yourcollegeuniversity.edu	Benjamin	Kayla	
A	1		second.student@yourcollegeuniversity.edu	Hannah	Maria	
A	1		third.student@yourcollegeuniversity.edu	Lee	Kristine	
A	2		another.student1@yourcollegeuniversity.edu	Gates	Bill	
A	2		another.student2@yourcollegeuniversity.edu	Lynn	Michelle	
B	0		instructor.name@yourcollegeuniversity.edu	Smith	Chris	
B	1		yet.another.student@yourcollegeuniversity.edu	Woods	Tiger	
B	2		still.another.student@yourcollegeuniversity.edu	Singh	Rajiv	
B	2		laststudent_inthisfile@somewhere.com	Dell	Michael	
[end]						

E-mail these two files as attachments to Chapman@LINKS-simulations.com at least 24 hours before you want your students to be able to access their firm's webpage and results.

Once these two files are received, we work quickly to encode this information into our LINKS game run scheduling system which is accessed by the LINKS software throughout LINKS events. Initialization of an industry is mostly automated in our software. The LINKS Administrator sets a few switches in a parameter file at the beginning. The LINKS software then runs automatically through the initialization process, uploading the results for each round to the LINKS website. An e-mail is sent to students and to the instructor (passwords and results availability) according to the schedule provided by the LINKS instructor.

We strive to have a quick turn-around when we are setting up an industry for an instructor, and we have found that the information in these two files play a huge role in making this process as efficient as possible. While we have provided much information within the Instructor Resources part of the LINKS website regarding this process, we always welcome questions from instructors. Our goal is to make this process run as smoothly as possible for you!

Reminders

LINKS Passcode Retrieval: 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 recorded in the LINKS Simulation Database.

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

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 a LINKS 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.

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

E-Mail Address Management: Using their LINKS firm’s passcode, LINKS students may change their official LINKS e-mail address 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.

LINKS Instructor Resources: Instructors access LINKS Instructor Resources via the LINKS webpage. Contact Randy Chapman (Chapman@LINKS-simulations.com), the LINKS author, to obtain the username and passcode.



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



Editor: Cyndy Winkler

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