

Ilinc –LearnLinc – Case Study

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TECHNOLOGY JOURNAL / NET INTEREST

Software Seeks to Breathe Life Into Corporate Training Classes

*Workers Avoid
Long Courses—
And Long Trips*

By REBECCA QUICK
Staff Reporter of THE WALL STREET JOURNAL
THE INTERNET promises a lot of miracles, but here's one thing even it can't do: make corporate training classes actually enjoyable. But maybe it can make them a little less painful.

A handful of Web companies are designing software packages that allow workers, sitting at their own desks, to learn everything from basic computer skills to accounting methods from live instructors. With just a computer and an Internet connection, these software applications allow you to dial in to a virtual classroom—along with colleagues from around the globe. The instructor can call on students, lead them through a presentation or throw out a pop quiz to make sure the class is paying attention.

For businesses, the biggest advantage is that cyberspace training cuts out the ex-

The screenshot shows the Ilinc software interface. On the left is a vertical list of student names with checkboxes and a 'Click the box' button. On the right, a 'Project Schedule' table is displayed, and below it is a 'Hours this week' pie chart.

Name	Function	Hours this week	Total hours for project
Chuck C. Carter	Project Lead	3	30
Pauline Edwards	Developer	3	45
Angela Christie	Developer	3	65
Amelinda Lopez	Marketing	12	10
Michael Systems	Writer	3	12
Laura's Learning	Writer	3	30
Lucretia C. Carter	Testing	8	30
Jonathan King	Testing	6	15

The pie chart shows the distribution of hours for the week:

- Chuck Carter: 30%
- Pauline Edwards: 6%
- Angela Christie: 6%
- Amelinda Lopez: 27%
- Michael Systems: 17%
- Laura's Learning: 17%
- Lucretia C. Carter: 8%
- Jonathan King: 6%

Here is what an instructor using Ilinc software sees. The left side displays a list of students logged on, command buttons for turning the floor over to a student, and a dialog box for typing messages to an individual student. The right side is where the teacher guides the students through presentations via an application like a browser.



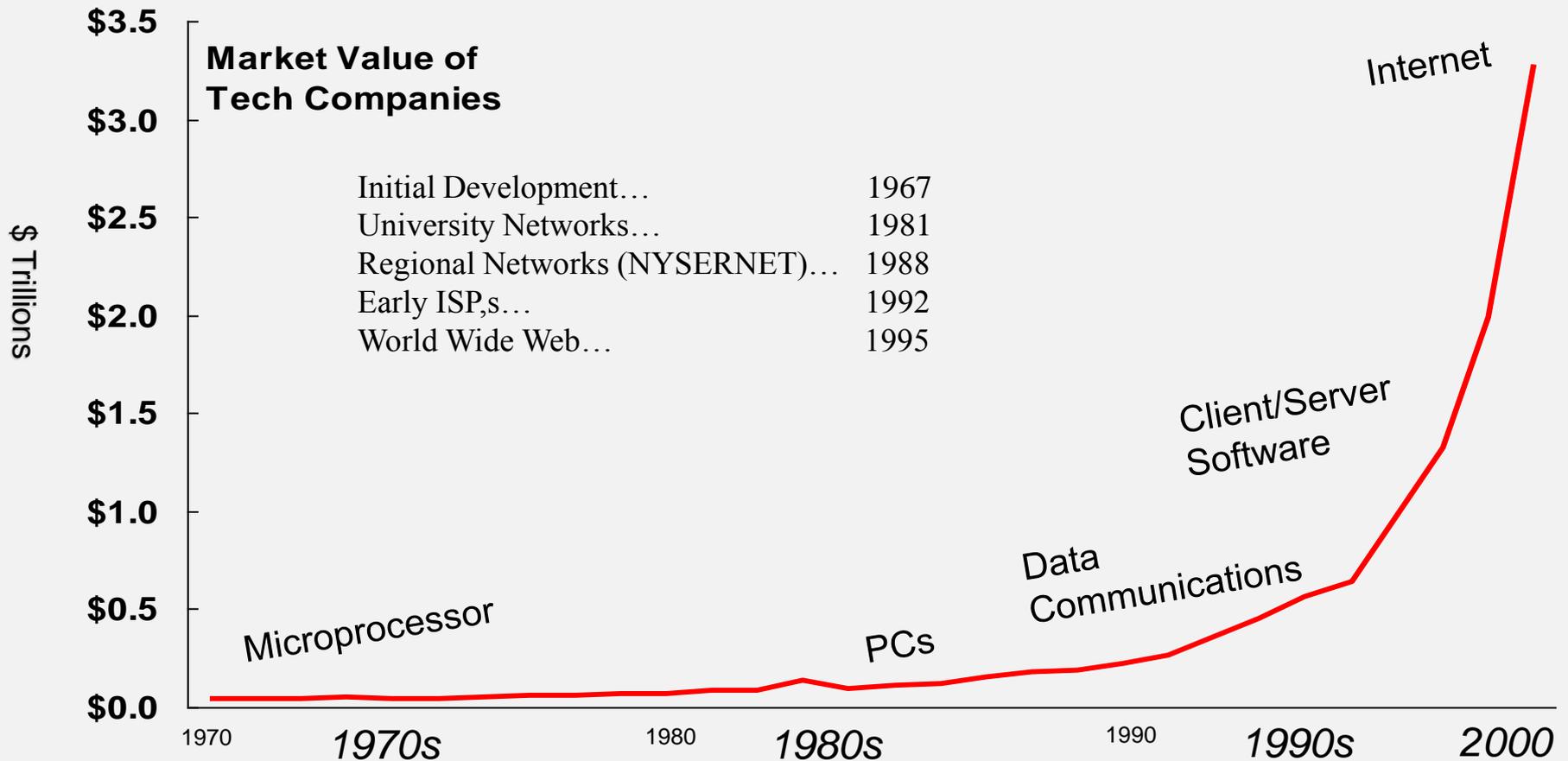
Opportunity Recognition

- Solving a problem
 - Every problem is a brilliantly disguised opportunity –Gardner
- A major problem in the 90's: The Learning Corporation
 - Rapid changes in technology, computers, the internet, globalization, and intense economic competitiveness were forcing companies to adapt. To adapt, their employees had to learn many new things.
 - Employee training is expensive –especially for large geographically distributed firms.
 - How could they provide rapid learning opportunities to employees without breaking the bank at a time when economic competition was ferocious?



The Internet Tsunami

- Do you think the pace of change is accelerating?



Introduction

- The founding, growth and eventual acquisition of the ILINC Corporation is a typical small example of technological entrepreneurship.
- ILINC was founded in 1993 by a professor (the author) and two students at Rensselaer Polytechnic Institute.
- Later the name was changed to LearnLinc to match the name of its popular product and eventually
- LearnLinc entered a triple merger in early 2000 with Gilat Communications and Allen Communications to form the Mentergy Corporation (NASDAQ).



The Idea. The Research

- Managing learning on networks
- Consulting with IBM, AT&T, GTE, Boeing, NeXT, Microsoft, Intel, etc
- Joint Venture between AT&T Bell Labs and RPI
 - WorldWorx product released
- New technology releases allow a better idea.



The Opportunity

- Propose a significantly enhanced and advanced version to AT&T
 - AT&T declines
 - But Bell Labs excited!
- Research continues in Wilson's Lab
- Design and Manufacturing Learning Environment
- Degerhan Usluel, MBA student, BSEE, former entrepreneur
- Degerhan recruits Mark Bernstein, former CA "TopGun."
- They want to start company and want Wilson to lead it.
- Distributed learning environment with multicast video, application sharing, agents to control bandwidth.
 - None of these had been done reliably and internet was not ready.



The Team: ILinc LearnLinc Founders

- [



Chief Technology
Officer

Vice President
Marketing

Chairman and CEO

Exit Strategy

- Need to decide ahead of time how we wanted this to end.
 - Private Company
 - Public Company
 - IPO or acquisition
 - Life Style Company
- We all wanted to create a public company and either IPO or Sell.



Intellectual Property

- The Team considered whether to patent the software or proceed while trying to make it a trade secret.
- Advantage of patenting
 - Protect our intellectual property from being copied.
 - Dissuade competitors.
- Disadvantages:
 - Could get to market faster,
 - patenting (and defending) is a long and expensive process.
 - Potential dispute with AT&T who had funded earlier project.



Creating a Prototype

- Need a prototype to raise money.
- Need a prototype to acquire early customers.
- Need a polished pitch



LearnLinc

Instructor PC

LearnLinc Server



Internet / intranet

Student Workstations



Dallas, TX



Anaheim, CA

Learning Instructor

Project Planning ...

ON AIR



Live from Detroit, Michigan

Mute

People

Name
Jolene Wall
Dennis Bates
Luke Hansen
Jill Donnelly
Darren Stahlman
Laura Sheehan
Suzie Dressel
Brian LaRosa
Owen Carter
Karen Meyer
Mick Brady
Janice Marcola
Robin Jacobs

9 25

Not much progress
Still working
Almost finished
Completed

Robin Jacobs: Welcome to project planning with Excel. During the next two hours, we'll cover the basic functions of Excel as they apply to tracking resources, schedules, and expenses.

Jolene Wall (private): Hi, I'm new to the class and I don't have a lot of experience with Excel. Can you give me some examples I can study outside of class to catch up?

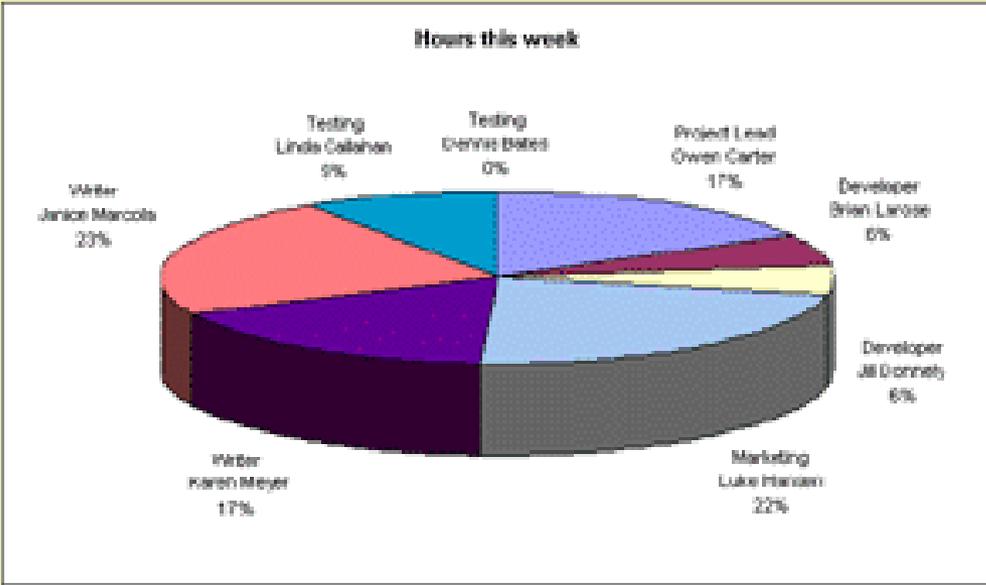
Fill in your review materials available to everyone.

Microsoft Excel - Book2.xls

Project Schedule

Name	Function	Hours this week	Total hours for project
Owen Carter	Project Lead	9	80
Brian LaRosa	Developer	3	40
Jill Donnelly	Developer	3	65
Luke Hansen	Marketing	12	10
Karen Meyer	Writer	9	12
Janice Marcola	Writer	12	30
Linda Callahan	Testing	5	30
Dennis Bates	Testing	0	15

Hours this week



Function	Name	Hours	Percentage
Writer	Janice Marcola	12	20%
Writer	Karen Meyer	9	17%
Marketing	Luke Hansen	12	22%
Project Lead	Owen Carter	9	17%
Developer	Brian LaRosa	3	6%
Developer	Jill Donnelly	3	6%
Testing	Linda Callahan	5	9%
Testing	Dennis Bates	0	0%

Funding the Enterprise

- Met with many successful entrepreneurs
 - Bugle Boy, Wellfleet, Interlan, Bay Networks, Nortel, MapInfo, etc
- Went against advice
- Decided to sell vaporware.
- Success magazine called it the “Wimpy method”
 - Wimpy: “I’ll gladly pay you Tuesday for a hamburger today!”
 - ILinc: “I’ll gladly give you software next year for \$300,000 today.”
- Against all odds (and reason): It worked!
- First Customers: IBM, AT&T, GTE, Sprint, Office Depot, and News Corp.



Building the Product

- Degerhan actually conquered the reliable multicasting challenge and made the product work!
- Bernstein sold lots of vaporware.
- Every customer, except for one, was very satisfied.



Venture Capital

- Once company was up and running, we were short of working capital and tired of co-signing bridge loans!
- First Round: Exponential Investors and New York state development fund.
- Board asks Wilson to leave RPI permanently.
- Instead Wilson hires a new CEO who would bring advanced start-up experience.
- Second and Third Rounds: GeoCapital Investors, Intel, and original investors.
- Total outside investment was less than 50% of the company.
 - Very rare, but left the company short of cash compared to new arrivals.
 - We were using the old model. They used the TechBoom model.



Fortune on ILinc:

- “Interactive Learning International Corp. (ILINC), a two-year-old company in Troy, New York, has shown what's possible in today's world of limited telecommunications bandwidth. ILINC's interactive training programs can be transmitted to users' PCs over local- and wide-area networks, as well as high-speed communications links such as ISDN (integrated services digital networks). A live instructor can appear in a window on the screen and address students in dozens of locations. He can launch video and audio clips for all the "class" to see and hear. And at discussion time, a student can click on a "raise hand" icon to get the floor. “
 - REPORTER ASSOCIATE Alicia Hills Moore
 - *Copyright © 1996, Time Inc., all rights reserved.*



Wall Street Journal on ILinc -1998

- "It's great -- by using it, we've cut our travel expenses substantially," says Gary Schweikhart, a spokesman for Office Depot, an office-supply company in Delray Beach, Fla. Office Depot first took its corporate training sessions on-line in May 1996. It was one of the first customers of Interactive Learning International Inc., or ILINC, a Troy, N.Y., maker of distance-learning software. Since then, about 1,500 Office Depot employees have completed on-line training, on everything from how to write a business letter to how to use the company's proprietary order-taking system.
- "We were in a situation where we were doing a lot of training of trainers" in order to have enough qualified instructors to teach employees at 629 stores and 68 sales offices across the country, says Doug Kendig, the company's manager of training technology. "We had to deputize a lot of people [to train employees], and you don't always get the best results that way."
- But now Office Depot uses the ILINC software for about 20% of its training, with classes in Florida, California and Texas using just six instructors. "I think it's fantastic," says Jeannette Perez, who works in Office Depot's commercial credit-card department. "It just holds my attention more, because you're interacting with the computer."
 - Wall Street Journal –Thursday August 6, 1998



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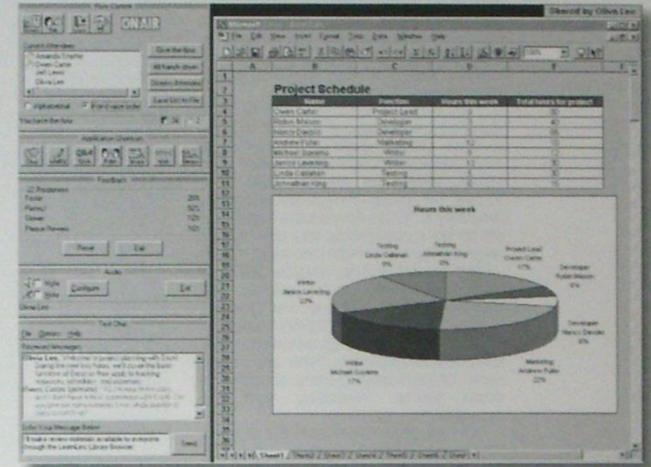
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For businesses, the biggest advantage is that cyberspace training cuts out the expense of getting the instructor and students in the same place. It also means that training classes can be pared into shorter sessions and spread out over a number of days or weeks—meaning you don't lose an employee for entire days at a time. Even better, instructors can train employees in multiple locations at one time, allowing for rapid deployments of, say, new software being rolled out to a corporate empire.

The no-travel-required aspect may also be the biggest benefit for the folks who actually have to endure corporate training classes. That means more time at home and less on the road—no more trips to headquarters to learn how to make a spreadsheet. Shorter training sessions are also a plus for



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students: Studies show that retention levels drop (and doodling, no doubt, rises) significantly after two hours.

Of course, some things can't readily be learned over the Internet. Teaching presentation skills, for example, is largely about eye contact, voice projection and body language, skills that don't translate well in the digital realm. And some critics argue that on-line training will never replace the good old-fashioned way of learning.

Still, demand is clearly growing. One interactive-software supplier, Centra Software Inc. of Lexington, Mass., says its revenue has doubled each quarter for the past year. And earlier this year, International Business Machines Corp. acquired Data-

Beam Corp., a Lexington, Ky., firm that sells distance-learning software.

Here's how the software packages work: Students go to a special Web site, on either the Internet or a corporate intranet, and sign in. Once on-line, their screens split in two: On the left side are a set of controls for communicating with the instructor and other students, while the right side shows an application such as a browser, whiteboard or word processor.

Anything the instructor does on the right side of the screen automatically appears on the right side of the students' screens. So, if the instructor, say, moves to a Web site, the entire class is automatically dragged along. Speakers and microphones on the computers

(over please)



Going Public

- Rapid Growth meant much more capital needed.
- Arrival of several “fast-followers” meant that we had competitors nipping at our heels.
- Potential IPO was about \$100 million.
- Acquisition was only about \$50 million but could create some beneficial alliances.
- Investment Banker hired.



Mentergy formed

- With help of Investment Banker and VC advisors:
- A triple reverse merger.
- Sold control of LearnLinc to GILAT Communication of Israel and at the same time used LearnLinc to acquire Allen Communications, John Bryce Training, and GILAT itself.
- Closed deal on February 29, 2000 for \$52 million.
- Combination called Mentergy
 - Value was \$500 million in March
 - New York, Salt Lake City, Europe, and Israel.
 - Created headquarters in Atlanta
 - As tech bust came they entered bankruptcy in 2002.



Opportunity Recognition -Questions for the Student:

- 1. A new venture is expected to be attractive, timely, durable, and anchored in a product or service that creates or adds value for the buyer. How did ILINC fit with this description?
- 2. What was the "opportunity gap" that ILINC addressed.
- 3. Was ILINC a disruptive innovation? What did it disrupt?
- 4. How did ILINC fit with trends in economic forces, social forces, technological advances, and political and regulatory changes?
- 5. How did the personal characteristics of the entrepreneurs help and hurt?



Positioning and Type of Innovation –Questions

- Where would you place LearnLinc on the spectrum of types of innovations?
 - Product or process; radical or incremental; architectural or component, competence enhancing or destroying?
- How would you place LearnLinc on the S curve of technology?
 - What does this imply for its adoption?
- LearnLinc offered a low cost universal way to bring learning to learners in a corporate training environment.
 - Were they operating in segment zero? If so, what was the market they were disrupting?
- If you were advising ILINC as to how to manage its LearnLinc product just prior to its acquisition, what would you identify as major challenges they would need to face quickly?



Intellectual Property –Questions for the Students

- Why is it that the founders decided not to patent the product?
- What were the obstacles to patenting the software?
- What other forms of intellectual property protection might have been available to the founders, and what do you see as the advantages and disadvantages of each?
- What was the consequence of not doing the patent?
- If you were one of the founders, would you have pursued a patent?
- Do you see any other strategies that they might have used?



Growth, IPO, or Being Acquired- Questions

- 1. What were the apparent advantages to doing an IPO?
- 2. What were the advantages to being acquired instead.
- 3. What drove the founders to consider these two alternatives instead of continuing organic growth?
- 4. If you were the founder, what strategy would you have selected and why?

