Henry Tam and the MGI Team

Henry Tam felt tired and extremely frustrated. He was halfway through his final semester in the MBA program at Harvard Business School (HBS), and things were not going as expected. Spring break was about to start, but Henry, like many others in the class of 2002, was feeling the pain of the worst job market in over a decade. Henry recalled the troubled sentiment around campus:

"Going to business school during the aftermath of the Internet crash changed everything. Before the crash, the feeling was that if you graduated from HBS, you could take on the world. Now people were feeling a lot more insecurity. I was having some doubt about my own capabilities—about what I could accomplish on my own."

Anxious to test his abilities and distinguish himself beyond the standard curriculum, Henry had decided to enter the School’s annual business plan contest. About six weeks earlier, in late January, Henry had teamed with HBS classmate Dana Soiman and the founders of start-up company Music Games International (MGI). The MGI founders—an HBS alumnus (MBA ’87) and two professional musicians—later brought two additional students from other institutions onto the team, creating a group composed of diverse views and talents. (See Exhibit 1 for team member bios.)

The team was dynamic but very conflicted, and progress on the business plan had been slow. They had a promising product: a CD-ROM music game that children enjoyed playing while learning about music. The team could not agree, however, on a fundamental aspect of the plan—the target market for the product—which made it difficult to move forward. Henry and Dana thought the business plan should focus on gaining a foothold in the education market, whereas the team’s founders wanted to go after the larger, more competitive entertainment market. With the final business plan due in just three weeks, Henry knew that he and Dana had to find a way to pull the team together and salvage the situation.

The HBS Business Plan Contest

The HBS business plan contest was started in 1996 as a vehicle to educate and prepare students for future entrepreneurship opportunities. The contest came about through the initiative of a group of students working in cooperation with faculty and MBA Career Services. It had since become a major campus event and the highlight of many students’ HBS experience.
The contest offered students a chance to have experts and venture capitalists evaluate their ideas for launching a business, and to receive advice in a realistic and supportive environment. Most teams were made up of HBS students, but students could team up with friends and colleagues from outside HBS, or even hook up with a group of strangers with an idea for a business. The official requirement was for teams to include at least one second-year HBS MBA student. (See Exhibit 2 for a summary of the contest rules and guidelines.) Though there was no obligation for teams to go forward with proposed projects after the contest, many participants had successfully launched businesses based on plans developed for the HBS contest. Success stories of teams that went on to receive venture capital financing inspired many students to enter the contest. However, participation represented a significant commitment for an HBS student, especially in terms of time.

Henry did not have a great idea for a new business, but he believed he could be an asset to the right team. The business plan contest Web site contained an online bulletin board where teams seeking to add new members and individuals looking to join a team could communicate. It was there that Henry saw two announcements that caught his eye. Both postings came from entrepreneurs from outside HBS in search of people with a business background to help develop a solid plan.

Henry’s first contact was with a woman with an idea for a weight management program that would run on a personal digital assistant. Upon meeting with her, Henry found that she already had a business plan written, and seemed to just want an HBS student to polish it and submit it to the contest. “Obviously,” Henry recalled, “this was not something I wanted to sign on to.” Disillusioned by this first experience, Henry approached the second contact with a bit of trepidation.

After calling the second contact, Henry arranged to meet with Igor Tkachenko, a Russian musician who lived just a few blocks from the HBS campus. “Igor took me into his office in the basement of this old-looking house, and we were surrounded by all this high-tech equipment that seemed completely out of context with the building,” Igor told Henry about Music Games International (MGI), the company he had founded with his two partners, and the different kinds of interactive music products they wanted to produce. Igor showed Henry the prototype of the company’s first game, and explained the company’s ideas for future products.

Music Games International

Music Games International (MGI) was a small start-up company founded by Alexander (Sasha) Gimpelson, Igor Tkachenko, and Roman Yakub, all immigrants to the United States from the former Soviet Union. Igor and Sasha had been friends for over 20 years, having lived in the same New York neighborhood as teenagers. In early 2000, at the height of the dot-com boom, the two got together with an idea to form a company that would produce original music and sound effects for Web sites. Sasha, an HBS graduate (MBA ’87), had a business background and Igor was an accomplished musician and composer. Igor brought in Roman, a friend and fellow composer, and together the three launched the business that became MGI.

The company had a promising start, easily lining up a number of clients, but a few months later, recalled Roman, “the Internet bubble burst and suddenly no one could afford extras like music for Web sites.” Undaunted, the entrepreneurs considered other ways to turn their interests and talents into a business, and came up with the idea of producing interactive music-based games. “The obvious games for music like ‘name that tune,’ or assembling portions of a composition into the correct order, like a sequential puzzle, were not very interesting,” explained Roman. “But there was another idea for a new kind of puzzle using layers of different instruments that was very interesting. We thought there could be an opportunity for a patent.”
MGI’s “music puzzle” concept drew upon the professional recording studio method of making individual recordings (called “tracks”) of each musical instrument, and then combining, or “mixing,” the separate tracks to produce the final piece of music. MGI’s software platform allowed almost any musical composition to be turned into a game. The basis of the game was to take apart and reassemble individual instrument tracks as pieces of a layered music “puzzle.” In addition to the various instrument components of the original piece, a game could incorporate new “alternate” instrument tracks created especially to fit with the original composition. A player could try to select the correct music tracks to recreate the original music piece, or mix an entirely new composition. This creative aspect of the game was what made it so appealing to musicians like Igor: “Our product allows the music lover to get right into the music—not just play games around it—and eventually insert their own music.” Combining alternate tracks with the “correct” tracks from the original composition made the game unique and potentially worthy of a patent.

The MGI founders saw enormous potential for using the software both as an innovative way to teach children about music, and as the basis for a new genre of interactive music entertainment products aimed at the multi-billion dollar teen market. The MGI founders reasoned that given the growing competition from popular music available through the Internet, the crisis-stricken music industry would be hungry for innovative ways of adding value to their compact disc products and might be willing to finance the further development of MGI’s “music substitution” technology.

The Product

In fall 2001, MGI released its first commercial product, Tchaikovsky’s Nutcracker: The Music Game, a CD-ROM for young children. The game consisted of a series of interactive music puzzles based on Tchaikovsky’s famous score for the Nutcracker Ballet. The game, played on a personal computer, opened with animated characters from the ballet twirling across the screen to the “Dance of the Sugar Plum Fairy,” which was one of the eight Nutcracker Suite musical pieces included as separate puzzles. After choosing a musical piece, a player would listen to the music and then select any of eight musical instruments that appeared below an animated stage on the computer screen. The object of the game was to identify, through trial and error, the four instruments playing the music. By “clicking” on an animated instrument, a player could listen to the music played by that instrument alone. By clicking on the violin, for instance, a player would hear a violin solo of the Nutcracker music. If a player selected both the piano and the saxophone, and clicked “play,” he would hear the music played by just those two instruments. A player could form an “orchestra” made up of any combination of the eight instruments. When a player selected the four “correct” instruments (those used in the original composition heard at the start of the game), the stage would light up and all of the characters would dance together. The game was both fun and educational, as children learned to distinguish sounds made by various instruments while creatively combining the instruments to form new and original music compositions.

The first edition of the Nutcracker music game was a critical success but a commercial failure. Roman and Igor’s established relationships with world-class musicians in Russia had allowed MGI to commission first-rate performances and recordings at a much lower cost than would have been possible in the United States. MGI had also teamed up with an experienced New York-based Web designer and contracted top software graphics talent in Russia and Eastern Europe to produce the game.

Children’s software reviewers gave MGI’s product high marks for quality and originality, but the company lacked the experience and resources needed to effectively market and distribute the product. “We couldn’t produce the final product with our own money until the end of November, which was too late for the Christmas season,” explained Roman. “Sasha, the only business person—
and a great sales person—couldn’t sell the product because he was overwhelmed. Sasha was our production manager, business manager, and fundraiser, and he had no time left for selling.”

The Founders

MGI’s three founding partners made up the company’s entire staff. The company contracted external talent when needed, but for the most part, the founders worked alone, and were somewhat wary of bringing in outsiders. As Roman explained:

Maybe we are not easy to work with. In the beginning we tried to make the company larger by adding some people, but it didn’t work out. There was another composer who worked with us, but he left because he didn’t see a future in it. There was a guy with business management experience, but he couldn’t get along with Sasha. There were others, but at some point they would begin looking around for other opportunities. I don’t know why—maybe they were too young. For Igor, Sasha and me it’s very different. We wouldn’t walk away from the company. We will always work anything out.

Despite some conflict among them, the three founders formed a close-knit group. “Roman, Sasha and myself are the core of this and we are fine together,” expressed Igor, “even if there are some problems between Sasha and Roman.” Roman added: “We’ve had some difficulties, and been through a few crises and major misunderstandings. I’m not sure who is to blame. It’s difficult for friends to be in business together.” Sasha took the internal conflicts in stride: “That’s just the way it is. We work and we fight.”

Roman pointed to specific commonalities and differences among the founders that influenced their interactions:

Igor and I are from the Ukraine, part of the former Soviet Union, and Sasha is from St. Petersburg. Igor and I are both composers, and we had similar upbringings in the Ukraine. We have a lot of common ground. Sasha is very different. He’s very Americanized and he communicates in English. Igor and Sasha have been in the U.S. about 20 years, twice as long as I have, and both speak much better English than I do. Igor and I talk to each other in Russian, and we try to get Sasha to speak in Russian, but he prefers English.

Despite the tensions, all three were committed to working together, and each valued the contribution the others made to the company. As Roman explained:

We each have our advantages and capacities. For example, musicians are generally very bad managers, bad business people and bad promoters, so Sasha plays an important role. The company wouldn’t survive without Sasha’s ability to organize things, make phone calls, remind the others of things, and so on. His financial abilities are also crucial. Twice he has come through with investors. . . . Igor is like the father that holds the company together. He’s a workaholic! He can sit 16 hours at the computer. I can’t do that—I get tired after a few hours, but I think I have a lot of creative ideas. That doesn’t mean Igor or Sasha don’t have ideas, but I accept credit for the initial idea of the puzzle. I was also behind pushing the idea into production. I’m important for having a vision of where to go.

Igor expressed similar views: “Roman and myself—we two are not from the business world, we are musicians. This is our idea—our creative vision. Sasha is the one who keeps us in check. He keeps us on track because our ideas jump all over the place. Sasha has experience in business. I trust him completely—he is a real friend.” Sasha, too, recognized the individual value of each partner, but he also realized that the group lacked specialized industry and market skills:
Roman and Igor provided the music skills, and eventually they developed technical skills for using music in a software environment. They also had music contacts in Russia. Our strength was creativity, but we had no knowledge; I was just learning about the industry. HBS had provided me with good general management skills—not marketing necessarily, but general management. And I had some good experience. I know something about everything.

By the start of 2002, the founders realized that they would need outside assistance to develop their vision into a viable business. “MGI was in a very sad state. It was our lowest point,” recalled Sasha. “We worked very hard to get the product out, but ended up losing money. The three of us had been working full time on MGI and we were broke—we had nothing to show for it!” It was at this stage that MGI turned to the HBS Business Plan Contest. “We understood from the start that we needed a business plan, but we didn’t have anyone to do it,” explained Roman. “We didn’t have people with experience. So Sasha came up with the great idea to send an e-mail to HBS students to help us write the business plan. For them it would be like an internship—gaining experience from dealing with a real company.” (Exhibit 3 contains the text of Sasha’s e-mail.)

The Business Plan Team Forms

Henry knew he wanted to be part of the MGI team from that first meeting with Igor: “I was drawn to him because of his creativity and charisma. . . . Igor sold me into the project with his charisma. But he had no business experience, as he readily acknowledged.” Henry continued:

Igor showed me the Nutcracker game, and it looked to be in good shape. The graphics were pretty cool and the music was nice. I began asking all my questions about marketing, partnerships, and so on, but Igor said I should talk to Sasha about these things. He told me that Sasha was an HBS grad and explained a little about his diverse work experience. Sasha’s background seemed rather unusual for an HBS grad. I remember thinking that I could add real value to this team.

Though he knew little about the company and its founders, Henry was impressed with MGI’s product, and the company’s seemingly desperate need for business planning only heightened his enthusiasm. Henry was not the only HBS student interested in MGI, however. “At least 20 people came to see me individually,” recalled Igor. “One person was really, really interested—that was Dana Soiman. I shared some affinity with her because she’s Romanian and I grew up in the Ukraine near the Romanian border, just 20 kilometers from where she grew up. She was very impressed with the game, and it made sense for her because she wanted to work with kids.”

Like Henry, Dana was a second year MBA student seeking to enter the business plan contest. “I was taken with the product and with the concept for repackaging music into an interactive format,” said Dana, recalling her motivations for joining the MGI team. “Igor had excellent music knowledge and expertise, especially for composing, plus he had experience with teaching children. I had some media experience, and I thought figuring out how to turn their idea into a good business plan would be a great opportunity.” Igor introduced Dana to Sasha, and Sasha agreed that she was right for the team: “She had an investment banking background and we had a huge hole in that area. Also, she was very enthusiastic about the product—that’s very important.”

Igor told Henry that MGI had already agreed to form a team with Dana, but that perhaps they could all work together. Acknowledging that MGI “could use all the help it could get,” Sasha urged Dana to accept Henry’s collaboration: “I pushed Dana to include Henry because I really wanted him.
Henry’s resume had a lot of the right pieces. He had a background in business development and some media experience. Plus, he had a good meeting with Igor—‘Igor liked him as a person.’

With the deadline for entering the contest just days away, Henry had to move fast. Henry remembered Dana from the previous semester’s finance class, and he contacted her about joining the MGI team. Henry learned that Dana had already made the necessary preparations to enter the contest, including an arrangement to enlist the sponsorship of a senior faculty advisor. They agreed to work on the MGI business plan together, and Henry arranged to use his experience as the basis of a final paper for a class on entrepreneurship.

Henry felt that he and Dana shared a common interest in the contest as a way of getting the most out of their business school experience, and possibly even as an opportunity to join a start-up company after graduation: “During our time at HBS we had read and evaluated so many business plans, but had never actually written one. We both thought we should have this experience before graduating. . . . We wanted to write a business plan we could be proud of, and maybe get a job with the company.”

Since Henry and Dana were unclear about the details of MGI’s product such as the status of the patent application, they came up with a list of 25 “due diligence” questions to ask Igor and Sasha at the first team meeting. They also discussed the “cast of characters,” recalled Henry. “Dana and I both admired Igor’s creativity, and we talked about Sasha’s unconventional background. Based on Sasha’s resume, it seemed he had jumped from industry to industry without any significant accomplishment. I also thought that Sasha’s background didn’t fit at all with the nature of the MGI product. . . . It was unfair, but I remember going into the first team meeting with some preconceptions about Sasha.”

Launching the Team

The First Meeting

The business plan team held its first official meeting on a Friday afternoon at the beginning of February 2002. Henry, Dana, Igor, and Sasha sat around a small conference table in Mellon Hall on the HBS campus. “Sasha and Igor were both really nice guys and easy to talk to,” noted Henry, “but Sasha was very unfocused—always jumping from one idea to another.” Henry recalled his first impression of Sasha: “He was different than what you would imagine an HBS grad of his generation to be like. You have this image in your head and he was just the opposite. . . . I guess from early on we pigeonholed Sasha as someone we would have to work on—as a challenge.”

“Everyone was open to each other and eager to start work,” recalled Dana. “There were no particular roles at first. Both Henry and I felt that there was lots of room for our contribution. MGI had a good product, but it was not yet a business.” While he shared Dana’s enthusiasm about the opportunity to contribute, Henry also felt somewhat uncomfortable, in part because he and Dana were unsure of their roles and about where their participation would lead:

At that first meeting we were feeling each other out. Dana and I wanted to get the expectations established. It seemed to me that Sasha saw our role as business plan writers, specifically for the contest, whereas Igor understood the need for us to help with vision and strategy. We asked Igor and Sasha about how they saw our role post-graduation, and Sasha said there were possibilities, “if things work out.”
Henry’s doubts about how MGI intended to use the HBS students intensified when Sasha brought out a brown envelope containing a long list of names of HBS alumni for Henry and Dana to contact. “Sasha realized he had no retail experience and so wanted us to use the alumni network to help market the product,” said Henry. “We were both really put off by this, especially Dana. Given the lack of any coherent strategy, we felt that making the calls would be a waste of time.” As Dana recalled, “It seemed premature to ask for help from senior people without having done our homework. We were not even sure what we were selling—was it a game? A service? A concept?”

Sasha had identified dozens of HBS graduates at companies like Disney and Sony who might be able to help MGI with product placement. “I asked Dana and Henry to make the contacts,” explained Sasha, “because I found that when I was a student, I got much better responses from alumni than after I graduated. Alumni are much more willing to help students—I know this from experience. Dana insisted that was wrong. That really bothered me and led to heated discussions.”

“Everything was OK at first,” added Igor. “Then, swipes between Sasha and Dana began. There was complete animosity between Sasha and Dana. The tension was palpable. I saw that Henry noticed it too. We kept looking at each other. But then we had a very productive meeting. We decided who would do what, and Henry got the bulk of the job.”

To Henry, it had seemed that the group was developing a confrontational stance of “Dana and me versus the Russians.” But despite his misgivings, Henry saw great potential for making a meaningful contribution. “Sasha saw us as ‘interns,’ while we saw ourselves as leaders and facilitators in shaping the vision. They really needed more than a couple of HBS interns to call alumni. They needed a plan of action to get them from utter chaos to a legitimate company with prospects.” Moreover, Henry believed that both Sasha and Igor would value his and Dana’s contribution, “especially Igor, who kept saying ‘we really need you guys.’ . . . This also gave us leverage.”

The Second Meeting

One week later, the team held its second meeting in the same Mellon Hall conference room. Roman, who had been communicating with the team via e-mail, met Henry and Dana for the first time. Alex Sartakov, a student at Boston’s Berklee College of Music, also joined the team at this time. Alex had met Igor and Sasha through a mutual friend who showed him a demonstration of the Nutcracker game. The more Alex experimented with the product, the more he liked it. “There’s nothing on the market quite like it,” he said. “This product is valuable because Igor and Roman are great musicians and composers. The way they choose the music and ask questions—even the questions they ask—it’s fantastic! When I first saw it, I thought it was a very smart way to teach. I think they thought about this for a long time. As a musician, I appreciate it a lot.”

Alex had offered to help MGI with ideas on how to market the Nutcracker game. “I tried to explain what the music business is and how it operates, because Sasha comes from a different kind of business.” For the past several months, Alex had been acting as an informal advisor to MGI, and now Sasha had invited him to attend the business plan sessions. Alex described the first session he attended as “very unorganized brainstorming.” “There was no structure,” he recalled. “Ideas were coming from every direction! I didn’t interfere until there were questions about specific music industry things that I knew. I saw my role as a music industry consultant. I would just watch and listen, and if they needed something, I offered.”

“We had some good debates about the direction of the company,” recalled Sasha, “like whether we should be acting as a publisher versus a developer, and whether we should be targeting kids versus teenagers.” Sasha and the other founders were more interested in the teen market: “It made
more sense from the perspective of our experience and connections with the music industry. We didn’t have any connections, experience, knowledge, or anything about the children’s market. We would be starting from zero.”

Dana worried about the team members’ limited experience and their need for leadership: “We needed one more person to make the whole thing work: someone with seniority and a deep knowledge of the market. We had the right attitude—we were all committed and willing to work hard—but no one on the team knew the right way to go, or how to decide what direction to take.”

For Roman, the meeting had been a “great brainstorming session,” but what he remembered best was the tension between Dana and Sasha: “Sasha and Dana had negative chemistry. They didn’t work very well together. There was a lot of friction between them. Whatever Dana said, Sasha didn’t agree, and whatever Sasha said, Dana dismissed.” Roman continued:

Dana looked at things like a financial specialist—a wide lens, very broad view. Sasha, in her eyes, was just a salesperson. Even though Sasha had her same degree, plus real experience, Dana dismissed him as just a salesperson—not a visionary. Sasha, meanwhile, perceived Dana as too general. Sasha thought Dana just talked without knowing anything; he thought she didn’t do the analysis, didn’t know the financials, and was too general. I think the truth is somewhere in between. Dana did know some things that could help us.

As Dana recalled:

Henry and I wanted to see the meetings progress, but the others were more comfortable with brainstorming because that’s what they had always done. In fact, even Henry and I were very tempted to carry on with creative discussions. They were much more fun and a lot less frustrating. But time was limited and we had a business plan to deliver. There were times when I had to say “no” to further debates in the interest of refocusing the group. Sasha took it badly that I kept being so strict.

“It’s just that business students think they know everything—just as I did at one time,” explained Sasha. “Now I know that I don’t know.” He continued:

I have poor interpersonal skills; I say what I mean without thinking about the consequences. (My worst test at HBS was a final in organizational behavior. It was awful! I got a low pass, but I think I should have flunked.) I put Dana down sometimes, especially when she was talking about things she didn’t know about. I told her in front of everyone that what she was saying was bullshit. . . . I was never shy about expressing my opinion. After all, in our case it was about our well-being!

“Sasha is very aggressive,” concurred Alex. “That’s what I liked about him. But there’s also a bad side to that. . . . He has very strong ideas about things and is not open to others. At least that’s the way he comes across.”

Given the degree of discord and lack of organization at the meetings, Henry concluded that the team needed a new approach. “Dana and I realized we needed to take control of the situation.” The two decided to get together a day or two before the full team meetings to go over notes and establish a game plan. Henry described the agreed-upon strategy:

We figured out Sasha as someone we had to deal with, so very early on, Dana and I functioned as a unit and played good cop/bad cop roles on certain issues. Since Dana and Sasha had this strong personality clash, and Sasha would always disagree with Dana, sometimes we decided that Dana would take an extreme position that Sasha would oppose,
and then I would come out with a middle position—which is what both of us really wanted—as a compromise.

The second team meeting had gone on for nearly three hours—twice as long as the first. At the end of the session, Henry and Dana agreed to present their ideas for the business plan at the next meeting, and suggested that Sasha bring his ideas as well.

The Third Meeting

When the team gathered again the following week, Henry was surprised to find yet another new member in attendance. Sasha introduced Dav Clark, an MIT graduate student with software development experience, and announced that Dav would be working with MGI on an entry for MIT’s business plan contest. Like HBS, MIT held an annual business plan competition each spring for its students. Though Sasha had been trying to recruit an MIT student for the previous month or so, Henry and Dana first learned of MGI’s intention to enter a second contest through Dav’s arrival at this meeting. The unexpected development troubled Henry and Dana. As Henry explained:

Dav’s entry into the team heightened tension in some ways. Dana and I had the impression that Sasha brought Dav on as a ploy to enter the MIT contest. In order to participate in the MIT contest, Sasha needed to find an MIT student to join the team. This raised a number of issues for us: First, what were Sasha’s motivations? Did he think Dav added value to the team or was just using him to get into the MIT contest? Second, if Sasha did this with Dav, was he just using us to get into the HBS contest? Third, Sasha never consulted us on this, so this was a big surprise.

Dav understood that he had been recruited to facilitate MGI’s entry into the MIT contest, but this did not present a problem for him. In fact, having joined MGI just two days before MIT’s online application deadline, Dav’s initiation had been to pull an all-nighter to get Sasha and Igor’s rough draft of an Executive Summary ready for submission. Dav viewed his participation with MGI as an opportunity to experiment, and possibly get in on the ground floor of something big. In Dav’s view, MGI’s product needed some technological improvement, but “from a design standpoint it’s excellent. It’s a lot better than a lot of what’s out there in terms of children’s entertainment. It’s more fun and more educational. . . . The design talent is phenomenal at a conceptual level.”

In addition to working on the MIT business plan, Dav collaborated in separate sessions with Sasha and Igor on the technical aspects of product design and on the patent application. During the group meetings at HBS, however, Dav took on a more subdued role. “My style was very incompatible with [the MGI founders’],” noted Dav, “but it worked out OK anyway. I usually sat there with nothing to say. I’m not very aggressive in group conversations. That’s just the way I am. I think that’s a reasonable way to be.”

Henry and Dana had arrived at the meeting prepared with a PowerPoint presentation summarizing the work they had done so far. “The presentation really impressed Igor and Roman,” recalled Henry:

That was the coup, in terms of us taking charge. . . . Sasha brought in his ideas too, but we basically ignored him. It wasn’t deliberate. Sasha’s presentation was pencil-sketched on graph paper rather than on PowerPoint. Everyone was looking at our slides and forgot about Sasha. It seemed like we were getting buy-in from everyone except Sasha.
Sasha felt that his efforts were being wasted: “When we first started meeting, I prepared lots of stuff. I was always sending things to Dana and Henry, and I was producing material for the meetings, but it wasn’t being used much. That was another big frustration of mine.”

While remaining quiet, Dav paid close attention to the proceedings. From Dav’s perspective:

It was a really complex dynamic. All of us were happy to be working together and we were motivated, but certain allegiances cropped up, basically around HBS versus the Russians. Within the Russian group, Roman would disagree with the others. It wasn’t looked at favorably because I think they felt they should be presenting a united front. Roman would say something, and Sasha and Igor would say, “No, no, that’s not what we think. That’s not how you feel.” The Russians would have discussions in the stairwell and tell Roman, “We need to get it straight and stick to our story.” Sasha and Igor seemed to think there were too many people for each to have their own ideas.

Henry observed that with seven people on the team, “the conference room was getting crowded,” but he also appreciated the addition of what he perceived to be “neutral outsiders.” In Henry’s view, Dav and Alex’s presence helped ameliorate the divide between the HBS students and the MGI founders. Henry also noted that with Dav’s arrival, he was no longer the sole American on the team.

Dav saw the greatest differences within the team as rooted in national or ethnic origins, sometimes attributing behaviors among the MGI founders to cultural stereotypes. “Sasha doesn’t budge much,” said Dav. “He holds his position and then eventually gives up. Maybe it’s a Russian style of consensus. Roman was also fairly stubborn. Roman might say, ‘OK, OK, we’ll do it your way,’ but then come back to his point.”

Alex also pointed out cultural differences, but noted that there were other distinctions besides nationality demarking the team members: “There was debate on every issue! Maybe it’s the Russian mentality. Everyone wants to be thorough. Also, some people were from completely different backgrounds. Henry doesn’t even know how to play an instrument, while Igor is an accomplished musician. It was a clash of civilizations!”

Alex saw himself as a kind of mediator, and referred to his being able to “bridge the gap” between the HBS students and the musicians. Like Igor and Roman, Alex had been trained as a musician in the former Soviet Union before coming to the United States. Alex shared a native language and national origin with the MGI founders, but he was closer in age to Henry and Dana and, like them, was studying business. “I was at school too,” Alex said, “and some of my professors were HBS grads, so we were on the same page.” Alex felt that the greatest divide within the team came from the contrast between the creative impulses of the musicians and the more pragmatic approach of the HBS students:

I think Roman and Igor didn’t understand what Dana wanted in terms of guidelines and structure for the business plan. They knew what music to use, what kids like, and how to teach music, but not the business end of it. This was for the business plan. For investors it has to be as clear as possible. If you’re doing it for yourself, then you can put in all the details you want.

Dana, too, noted that much of the tension and chaos at the meetings was a product of the “inherent friction between business and creative people.” As she recalled:

The brainstorming sessions were great at first, but they went on too long, and there was no implementation. The founders kept raising lots of ideas and wanted to pursue all possible avenues. Henry and I tried to establish a process for choosing one alternative out of eight or ten divergent visions, but whenever we seemed to be getting close, one of the others would say
‘no—let’s change it.’ After a while there was a lot of frustration because we all had the sense that we just kept covering the same ground.

As the arguments continued, Alex became concerned about Dana: “The meetings were kind of rough. Dana was really upset that everything was crazy—that we were all over the place. Everyone was saying this game could be everything; that we should market it to teacher associations, churches, cultural and ethnic groups, and so on.”

Alex felt he understood Dana. In his view, “Dana wanted everything to run like a banker’s meeting. . . . I imagine they like to get to the bottom line very fast. They are organized, have notes, spend 15 minutes on each topic, and so on.” Sensing Dana’s growing frustration, Alex took her aside at the end of the meeting:

I was trying to explain the difference in mentality. When musicians get together it’s very relaxed. Dana thought time was being wasted, but I didn’t think so. With creators you have to waste time. Creative people like to philosophize. Any topic becomes a two-hour conversation getting deeper and deeper, or sometimes going in a circle. There’s some logic to it, but it’s not a linear path. From the outside, it looks disorganized. She didn’t understand that, to them, ego is not about money or power, but about showing people that they are really, really creative and have great ideas. They want other people to see that, and when they meet business people, they want those people to gather up all their ideas and make something out of it.

“The first meetings were really frustrating,” concluded Alex. “It seemed we had to scrap everything each time. It seemed it was too big a group.”

Forging Ahead

The business plan team continued to meet each Friday afternoon, but Henry worried that the meetings had become too long and unmanageable, and that they were not accomplishing anything. “At one point,” recalled Henry, “I suggested that each person summarize their vision for the company. We went around the table and found that even after all our discussions, each person had a different vision!”

The main point of contention revolved around the marketing of MGI’s product. With their sights set on breaking into the music industry, the MGI founders had thought of their music puzzle primarily as an entertainment product. Once the business planning process got started, however, Igor saw that Henry was taking it in a different direction:

Henry was doing a lot of work on the education market. At some point early on, I had mentioned that the best audience for the product was teachers, and Henry went with it. But Sasha and I had discussed the education market before, at length, and had decided it was not the way to go because the market isn’t large enough. Music is at the bottom of a school’s priority list. Dana sided with Henry on this.

“Education is very small compared with the music industry,” added Roman. “Even if we took just a little bite of either, the difference was very big. There was a big argument about this. Sasha didn’t believe the figures. He thought the education numbers were shaky, but Dana and Henry insisted they were the correct numbers.”

Sasha countered:
Going after the education market made no sense for MGI. The team has no experience or interest in teaching kids, and while our product is great for teaching a couple of musical concepts and learning about instruments, it is not suitable for in-class teaching. Even if we did find a way to incorporate the product into lesson plans, few public school systems include music in the curriculum, and they have no money available for this. There are two Fortune 500 companies with well-established subsidiaries in the music education market and two very innovative smaller companies with award-winning music education software—and there is MGI, with no product, experience or desire in education.

“The education market was definitely smaller,” Henry explained, “but given the nature of the product and its stage of development, Dana and I saw very little chance of success in marketing it as ‘entertainment.’ From a competition and capability standpoint, it seemed that ‘education’ was the way to go.”

“It was really a matter of short-term versus long-term,” added Dana. “The founders wanted the future of the company to be in the entertainment industry, and so did we. But even if you’re going for the long-term strategy, you still need to succeed in the short-term to prove your worth.”

Alex felt that Henry and Dana were beginning to win over the rest of the team on the basis of their work. “It was clear that Henry and Dana thought about the issues and they really prepared. I think that Igor, Sasha and Roman respected the amount of work they did. And Henry and Dana were confident. It was leadership by example.”

Igor also stressed the importance of Henry’s role on the team:

Henry brought in written material to each meeting. That gave us something concrete to talk about. He would come with stacks of information. Henry is able to listen to any part of an argument and create symbiosis. He’s very analytical and very creative. He took Sasha’s info and Dana’s info and put it together into a coherent whole. . . . Sasha and I criticized the hell out of Henry for taking the education direction, and he wouldn’t take it personally. He would say, “This is what I found in my research and if you have other numbers, then show me.” Henry was very confident and very calm. Had it been just me, Sasha and Dana, we would have broken up.

Dana, too, commented on Henry’s “calm and soft-spoken” manner, and how it contrasted with her own “more strict” approach. Henry, though, noted that he had not always remained calm, and that this may have been a good thing: “I remember getting flustered and hearing my voice get louder as I talked to the group. I think I was unconsciously mimicking the way they discussed things. I think the Russians respected that because it showed them that I cared about the group and the plan.”

Regrouping

Despite some limited progress, by mid-March the team did not even have a first draft of the business plan that was due in just three weeks. Feeling overburdened, Henry realized that his and Dana’s role on the team had become increasingly muddled:

I don’t think we were very clear with respect to the role that we took on initially. We each served as facilitator, moderator, task manager, and strategic thinker. That structure was useful early on, but began to break down as time went on. . . . It was very frustrating. Dana and I had taken on a lot of work and responsibility. We were the CEOs of the group; we were directing
people to do different tasks, forming coalitions, doing management, and so forth. It was really a drain on us.

“We had too much to juggle,” agreed Dana. “We had to define a single idea for the business plan, pull the founders together to get their help and input, and develop it all into a successful business plan. . . . We were doing a huge amount of work for the business plan, especially on weekends, when there were many other things we needed to do.”

Henry had also observed that the three founders were not as cohesive a group as he had originally thought. “Sasha and Igor did not always have a joint position, and Sasha and Roman had some personality conflicts. I felt I had to handle them at the same time that I had this pivotal role in producing the business plan.” Dav added that despite differences between Sasha and Igor, together they brought direction to the team. “Sasha and Igor had been working together for years and years,” noted Dav. “There was some inherent tension; they would have heated discussions, but there were no hard feelings between them.”

Alex felt he had a clear understanding of each person’s role on the team. As he explained:

Dav was brought in to handle the technology side because he has computer expertise. Roman had ideas about teaching music and also had music connections in Russia. He also had connections with teachers to sell through schools. Igor was more involved. He was always talking to Sasha. They’re like partners. I see them as two CEOs. Sasha did the business and marketing and Igor was the creative musician.

Henry and Dana were specifically involved to write the business plan for this contest. They were important because they definitely knew better than any of us how to write a successful business plan, how the contest worked, and so on. Henry and Dana had the structure down. They imposed guidelines on us. I think that was most important.

Dav added another perspective on leadership roles:

In terms of the business plan, Henry was the leader. In other situations, Sasha was the leader. Sasha was definitely the most visibly passionate person on the team, which I think was a great asset. He would motivate the others. He was also the most strongly oriented toward moving forward—getting things done. He provided a lot of energy, but the exact same traits caused tension. So his strengths could also be considered weaknesses if taken to the extreme. But I think without Sasha, the whole thing never would have happened.

“There was no clear leader,” added Dana. “Whoever had the most energy at the time provided leadership.” In this regard, Dana felt that she and Henry complemented each other very well. “At first, when Henry was skeptical, I had a lot of energy and enthusiasm about the project,” said Dana. “Later, when I was feeling that it wasn’t going to work, Henry had lots of energy.”

As spring break approached, Henry thought about the team’s situation. The contest deadline for submitting the business plan was in less than three weeks, and the team still had a large amount of work to accomplish. “Dana and I had lots of other school work and we were both feeling a lot of stress. Personally, I didn’t know how I was going to get everything done,” recalled Henry, but “I believed in the project and still had expectations of possibilities after graduation.”

Even after all the frustrating meetings, Henry was more determined than ever to help the team produce the best possible plan in time for the contest. “It had become such a big part of my life at that point.” Henry had devoted more time to the business plan contest than to any other project at school, and it was turning out to be an extraordinary learning experience: “It was the biggest event in my
HBS career. It brought together everything in the curriculum: marketing, operations, finance, and all the other areas.”

Henry was also motivated by the challenge of working on a complex team: “There was so much diversity! I was learning a lot about dealing with different kinds of people. I also felt an obligation to see this thing through. Despite the tumultuous meetings, I had developed bonds with my team members, and I didn’t want to let them down.” All in all, Henry still hoped that the experience would turn out to be worthwhile. There was one thing, however, of which he was certain: If the team continued to operate as it had so far, it had little chance of putting together a coherent business plan. Henry pondered what he could do to help the team work.
Exhibit 1  MGI Team Member Bios as Submitted to the Business Plan Contest

**Alexander [Sasha] Gimpelson** (co-founder)
Mr. Gimpelson has extensive marketing, sales management and business development experience with IBM, Eli Lilly, Alcoa and ProNetMusic. His start-up experience includes the founding of Paramed and ProNetMusic, as well as the establishment of Alcoa CSI Vostok operations. He received his BS from Columbia University and an MBA from Harvard Business School in 1987.

**Igor Tkachenko** (co-founder)
Igor Tkachenko is an award-winning composer and pianist with an international reputation. Mr. Tkachenko has appeared in major concert halls and festivals throughout Europe and the United States, including Carnegie Hall in New York, Berlin and St. Petersburg Philharmonic Halls, the Helsinki National Opera, among many others. Mr. Tkachenko has composed works for film, new media, theater, chamber groups, dance companies, and has received numerous commissions. He was the winner of the Best Music award and the Audience Choice award at the 3rd International Internet Film Festival (FIFI) in France. Founder of critically acclaimed 21st Century Duo; Mr. Tkachenko has produced 7 CDs of original music. He is the founder of ProNetMusic.com.

**Roman Yakub** (co-founder)
Mr. Yakub is an internationally acclaimed composer with substantial experience in both traditional and electronic/computer compositions. He was a prizewinner in the prestigious ALEA III International Composition Competition. Mr. Yakub’s symphonic and chamber music has been performed in both the US and Europe. He has received commissions from the Ministry of Culture of Russia, Bachanalia Festival in New York and numerous theatre companies. Roman Yakub holds a Doctor of Musical Arts in Composition degree from Boston University, where he also taught Electronic and Computer Music.

**Dav Clark**
Mr. Clark is a graduate student in the Brain and Cognitive Sciences department at MIT, where he is leading a team of graduate and undergraduate students in developing software to visualize and process time-series waveform data. He is also a member of The Voice Institute and Bread and Jams, organizations dedicated to the use of music in creative ways to enrich, educate and serve the Boston metropolitan community.

**Alexander Jan Sartakov**
Mr. Sartakov has substantial experience in both music and business. He is a Berklee College of Music student with a dual major in Music Business Management and Music Production and Engineering. His business experience includes production management and marketing for Heavy Rotation Records, Berklee College of Music record label, where Mr. Sartakov serves as Director since 2000. He is a recognized expert in computer music applications. Mr. Sartakov received several awards and scholarships including a NAMM (National Association of Music Merchandisers) Scholarship Award.

**Dana Soiman**
Dana Soiman is an MBA candidate at the Harvard Business School, Class of 2002. She graduated from Bucharest Academy of Economic Studies with a B.S. in Finance and Banking. Dana started her career with CSFB in London, working in Fixed Income Origination. From 1998 to 2000 she worked for Barclays Capital in London in the Tax and Debt structuring department. During this time she worked on two intellectual property securitization transactions. Her last job before the MBA was with Goldman Sachs in London in Derivatives Structuring.

**Henry Tam Jr.**
Henry Tam is an MBA candidate at the Harvard Business School, Class of 2002. He started his career in Fixed Income Capital Markets group at JP Morgan in New York where he also completed the investment banking training program. After leaving JP Morgan, Henry worked for the International Finance Corp. in Washington, D.C., where he served as an investment analyst. Prior to HBS, Henry worked as a summer associate in business development at AOL Time Warner and as a strategy consultant at PricewaterhouseCoopers. Henry has a BA degree in economics from Columbia University and was a Fulbright Scholar.

Source:  Music Games International.
Exhibit 2 2002 HBS Business Plan Contest: Information from the Contest Web Site

About the Contest

This year marks the 54th anniversary of the entrepreneurial curriculum at Harvard Business School and the sixth year of the HBS Business Plan Contest. Last year's contest involved entries from diverse industries culminating in an awards ceremony attended by over 500 people including students, faculty and venture capitalists. The HBS Business Plan Contest offers prizes totaling over $60,000 to the winners and runners-up in the contest. Prize money and services are intended to catalyze further development and possible implementation of the team's idea. The focus of the HBS Business Plan Contest is to provide an integrative learning experience for participating students. While it is hoped that business plans developed for the HBS Business Plan Contest will reflect real opportunities, there is no obligation for the winners to implement their business plans.

The Contest has three prime objectives:
1. To educate students in the process of creating and evaluating new business ventures;
2. To prepare students for opportunities in entrepreneurship sometime during their careers; and
3. To harness the unique resources that HBS and its communities offer.

Business Plan Submission

The Business Plan submission is the actual plan which you are submitting for judging. Submissions must be on 8.5 x 11 paper and may not exceed 30 pages of text, graphs, and appendices due in South Hall 316B. At a minimum, final submissions should include:

- 10 Copies for distribution to judges
- quarterly financial projections for two years and annual projections to five years with both a pro forma cash flow and budget analysis (and in the case of social enterprise, impact potential and funding model)
- other analysis, as appropriate (e.g., break even analysis; estimated market share calculations)
- a working model or prototype, if practicable
- market data based on customer research and customer response analysis
- no more than a 20 slide “PowerPoint” or similar overview/summary of the proposed business (does not count towards 30 page limit).

Judging Criteria

Business Plan submissions will be judged by a group of judges including venture capitalists and entrepreneurs. Judges will be asked to evaluate the plans based upon their likelihood of actually becoming the basis of a viable business, or, in the case of an intrapreneurial venture, the likelihood of making a meaningful contribution to the existing business. This consideration, in turn, will include such factors as the degree of creativity and innovation embodied in the basic opportunity definition and business concept, the appropriateness of the strategy for exploiting the opportunity, the reasonableness of the plan for financing the business, and the team's ability to actually implement the plan. Judges will make further distinctions based upon the potential of the business to create value (including the value created by a non-profit venture), although they will be explicitly instructed not to use the typically very high venture capitalist's hurdle for the absolute scale of the business. We wish to preserve the opportunity for a small scale, "boot-strapped venture," which might not require much capital, and thus, would typically be uninteresting to a traditional venture fund.

Exhibit 3  Text of Sasha’s E-mail to HBS Students

Subject: HBS Alumnus needs assistance
Date: January 15, 2002

We (Music Games Int’l) invented a patent pending software platform that allows conversion of almost any music into music games for both children, teens and adults. We are an award-winning team of composers, animators and educators. Last year we won the Best Animation award at South-by-South West and an Audience Choice and Best Music Awards at the FIFI internet film festival.

Our first “conversion” title, Tchaikovsky’s Nutcracker: The Music Game, received great reception by educators and children software evaluators:

“Kids Music Stage has created a little gem with their new release, Tchaikovsky’s Nutcracker - The Music Game” — Children’s Software Press, Diane S. Kendall, Editor
http://www2.powertolearn.com/Articles/View/0,2006,169,00.html

“The music jigsaw puzzle... a truly fascinating concept." — SuperKids
http://www.superkids.com/aWeb/pages/reviews/music/2/nutcracker/merge.shtml

“My kid loves it! He can’t stop playing it!” — National Public Radio, Bruce Gellerman, host of ‘Here & Now’ http://www.here-now.org/topics/_arts/al_011220.asp

“Four Stars rating… Engaging way to surround a child with the music… Inventive music puzzles.” — Jinny Gudmundsen, Editor, Choosing Children’s Software Magazine

New titles will include “Sleeping Beauty”, “Mother Goose”, as well as “Branded” titles. We also have beta of “teen/adult” versions of the software. Limited data (two focus groups) indicates that our Teen Game adds significant value to a regular Music CD release. It suggests that teens/young adults are willing to pay $1–$3 extra for a new Music CD release, which contains our game.

Our strength is in production capabilities. We are now looking for help with general management, sales and marketing for children edutainment market.

I will be out from Jan 17–28. After Jan 17, please contact Igor Tkachenko at [telephone and e-mail].

Best regards,

Sasha

Alexander "Sasha" Gimpelson

Source: Music Games International.