



Microsoft Innovation Center

Case Study

International Strategy Fall 2009

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Introduction

Michal Hrabí returned to his office after a session at the University of Technology, during which he had introduced the students to the upcoming Imagine Cup, Microsoft's IT innovation competition for students. The students had shown little interest in the contest, and going through the session he did not really feel as if he had come across students. 'How come they did not see this opportunity to take their ideas to the next step, receive professional feedback and possibly even win the prize, which included experience, reputation and cool cash? What else could I do to persuade them to participate?'

Mr. Hrabí has been responsible for the Microsoft Innovation Center in Brno (MIC) for 8 months. The Centre consists only of him and a part-time Microsoft employee, however, a close cooperation and shared facilities with the South Moravian Innovation Centre (JIC) made him part of a larger organisation. The integration of the activities of JIC and MIC had been successful, however Mr Hrabí was unsatisfied with one aspect of the integration between the JIC and the MIC: while the JIC was a well-known organisation among start-ups in the region, the recently established MIC remained a rather unknown part of the centre. Its services, products and events, such as Imagine Cup, were not promoted properly. BizSpark, a key product of the MICs, which had attracted a large number of companies in countries such as Brazil, Russia, and others, had trouble to attract a few as 50 start-ups in the Czech Republic.

Mr. Hrabí knew that he could use the marketing department of the JIC to promote MIC. However, he seriously doubted that JIC marketing would take any action to promote MIC unless he gave specific orders regarding what should be done. How action should he take?

History of MICs

The first Microsoft Innovation Center was established in Brazil in 2003 as a voluntary activity of the local Microsoft branch without any prior arrangement or permission from the Microsoft Corporation in the US. The original objectives of the centre were to help start-up companies (mainly from the IT sector) with their business development. Subsequently, other innovation centres were also established by local Microsoft branches without any formal centralized structure, which made every centre different from all others. Since 2003, a number of innovation centres were established by local Microsoft branches all over the world (mainly in developing regions), however the lack of any formal structure made all centres slightly different from each other.

At the moment, there are 110 MICs in 48 countries, offering a wide range of products and services to the IT sector companies in local communities, aiming to "foster innovation and grow sustainable local software economies."

What is in it for Microsoft?

Microsoft Corporation gains from MICs because the centres support an innovative IT ecosystem that potentially creates future Microsoft partners. The business model of Microsoft is based on partner cooperation, often with SMEs, and a large part of the companies' income is generated through such partnerships. Moreover, the cheap access to Microsoft software for start-ups is limited to the three-

year incubation time. If the start-up decides to use or develop the software in its business, it will have to pay license fees when incubation time is over.

South Moravian Innovation Centre (JIC) and Microsoft Innovation Center in Brno (MIC)

The South Moravian Innovation Centre (JIC) is a business incubator that was established in Brno in 2003 by the South Moravian Region, the Statutory City of Brno, and the four local universities: University of Technology, Masaryk University, Mendel University of Agriculture and Forestry in Brno and the Veterinary and Pharmaceutical Sciences in Brno. It is the oldest technology centre of its kind in the Czech Republic (but still one of the youngest technology parks in Europe). The JIC aims to create a supportive infrastructure for innovative entrepreneurship of all kinds in the South-Moravian region and support innovative start-up ideas in Central Europe. Nowadays, the centre focuses on innovative companies, students and research organisations and offers them finance, consultancy services, networking opportunities, useful contacts and facilities (JIC 2009).

The Czech Microsoft Innovation Center was established in Brno somewhat by coincidence. In 2007, the IT engineer responsible for the South-Moravian Innovation Centre (JIC)* went to Microsoft's sales office in Prague to ask for cheap Microsoft licenses to the start-ups in JIC's incubation programme. At that time Microsoft Prague had just failed to negotiate an agreement about the establishment of an innovation centre with the agencies (like the JIC) and universities in Prague. There was no incubation programme in Prague at the time, and when Microsoft Prague became aware of the well-established South Moravian Innovation Centre, they immediately saw the opportunity to establish the innovation centre in Brno.

The new Microsoft Innovation Center in Brno was officially opened in February 2008 as a joint project of Microsoft and South Moravian Innovation Centre (JIC), focusing primarily on the development of IT skills and on support of IT companies, providing them with cheap access to Microsoft software packages as well as other services and products (for more information about products, see section Products below). Contrary to the JIC, MIC does not provide any financial support.

During the first year of the existence of MIC Brno, 9 companies participated in its programme. Since its establishment, MIC Brno has already organized 40 educational seminars on various topics related to IT technologies and business world for approx. 1200 IT experts, developers and students (Microsoft Press Release).

MIC in Brno employs just two people. Michal Hrabí, the Head of MIC Brno, is responsible for the planning and strategy of the centre and is in charge of communication with Microsoft Prague as well as the Microsoft Corporation in the US. Mr Hrabí explains that the Microsoft sales office in Prague has a little to do with the MIC on the day-to-day basis. The centre is financed mainly by the JIC, also cooperating with the technology park on some of their projects and using the JIC marketing and finance departments, whereas Microsoft contributes by providing access to Microsoft products/software and guest speakers for seminars and workshops within its network. Mr Hrabí also receives some materials and other support from the Microsoft Prague office.

MIC in Brno is a part of Microsoft Innovation Centers Network that connects all MICs all around the world. In 2009, an Advisory Board consisting of ten MICs was established, and the MIC Brno happened to become one of them. The Board has recently agreed upon a common formal structure and objectives for establishing new MICs around the world.

The Environment

Though not a capital city, Brno represented a wonderful choice for the establishment of the MIC. With a population of over 400,000, it is the second largest city in the Czech Republic and a home to 4 major technology-oriented universities, three of which produce over 1000 IT students every year (which is more than in Prague). A high number of IT students has attracted a large number of IT companies to the city. The Technology Park in which the MIC is located, hosts companies such as Siemens, FEI, SGI, Vodafone, Honeywell Controls or Symbol Technologies (Technology Park 2009). IBM alone has around 2500 IT professionals in their centre in Brno, and the combination of a large amount of IT-students and a good infrastructure for IT companies keeps attracting and generating even more IT companies in Brno. Moreover, Brno has been ranked as number 60 in the chart of European innovative regions based on the innovation index¹, and it has ambition to move forward within this ranking. The city's strategic location between Prague, Bratislava and Vienna further increased its importance as a technology and innovation hub.

Products and services

Microsoft Innovation Center provides a wide range of products and services designed to promote the development of companies in the region. These products are offered free of charge thanks to the close cooperation between the University of Technology in Brno, Microsoft and the Czech government. The products and services are listed below:

Seminars

Microsoft Innovation Center organizes approximately 12 seminars per month, facilitating access to knowledge for the local companies. The lectures are usually delivered by IT experts from Microsoft. These lectures usually take place in the University of Technology in Brno and cover the current issues and most recent technological developments in software industry. All companies taking part in the seminars can benefit from the knowledge and insights to the industry as well as the access to a range of Microsoft products.

BizSpark

Microsoft provides a free access to a broad range of software for all start-up companies for the entire duration of the incubation program (three years). This allows the companies to have access to the essential PC tools and software equipment at the stage when most of them would not be able to afford this equipment. At the end of the three-years incubation program, the companies have to start paying for the use of the software. Using this strategy, Microsoft helps new companies to

¹ Innovation index consists of fifteen different factors, e.i. number of people working in hi-tech industry, number of patents in the region.

develop when they are in their most vulnerable stage, but at the same time it increases its future user base.

Microsoft Library

Microsoft Innovation Center also provides access to the MIC Library. Companies get the possibility of borrowing specialized trade and professional publications (primarily those published by Microsoft Press). They also get access to a broad variety of titles available online.

WebsiteSpark

The MIC also provides a number of development tools and solutions for the creators of WebPages and other online applications. In addition to those, the users receive professional support and training by Microsoft. This not only provides the developers with quick and easy access to new versions of Microsoft software but also an opportunity to test all new products for free.

IT Lab

All companies located in the JIC incubator and all members of the MIC also get access to specialized software designed to test scenarios.

Promotion and Cooperation

Members of the MIC also get an opportunity to promote their company and their products through the MIC Promotion Centre, which provides access to printed media and conferences. This exposure can increase the companies' brand awareness and gives them a possibility of commercial cooperation with other developed companies. Many start-ups also benefit from sharing their research and development activities with other innovative companies MIC Network.

Target groups of MIC products

The target groups of MIC vary according to product, but includes following (MIC 2009):

- Researchers
- Developers
- Software architects
- Small and medium-based businesses
- Innovative start-up companies
- Students
- All those who wish to develop their knowledge in the field of ICT

For some of the products, certain requirements must be met to receive the products. Companies that wish to join the BizSpark, for instance, are required to have revenues lower than US\$ 500,000 per year and less than three years in the market. Basically, all Czech start-ups can live up to these

requirements. The sole requirement for joining Websitespark is that the company must have more than ten employees.

Before the MIC became part of the JIC, start-ups would often be using open source software because they did not have money for the Microsoft software.

	Students	Incubated companies	Start-up Company (non-incubated)	Other
BizSpark		X	X	
Imagine Cup	X			
IT Laboratory	X	X		
MIC library	X	X	X	
MS Business Academy		X	X	
Promotion and Cooperation		X	X	
Lectures and seminars	X	X	X	X
WebsiteSpark		X	X	X

Imagine Cup

Imagine Cup is the largest global technology competition for high school and university students, currently running the 8th year of the contest. Students can compete in any of the five categories (Software Design, Mobile Development, Game Design, Digital Media and IT Challenge) with a common topic like “Imagine a world where technologies can solve today’s major problems”. The competition spans a year, beginning with local, regional and online contests whose winners go on to attend the Worldwide Finals held in a different location every year to compete for the prizes totalling 110 000 USD. The competition gives the students an opportunity to get practical experience, improve their presentation skills and compete with the best of their peers from all over the world, but also to use their projects for their course works or a university thesis.

Though the competition is very popular in countries like Romania, Russia or Brazil, very few Czech students apply for the competition each year. MIC tries to attract students by promoting the event at the partner universities (which currently include CVUT Prague, VSB-TU Ostrava, ZCU Plzen and University in Hradec Kralove; VUT in Brno is currently being approved as another partner university) and encourages them to apply, offering students support with their projects and, in the case their idea is successful in the competition, offering assistance with starting a company in the JIC incubator in Brno. However, Czech students are still very reluctant to apply.

Mr Hrabí believes this happens because students are afraid to their lose time working on a project they might not win and go for the safe option of getting a job and secure their “winnings” instead, not taking into consideration that by participating they might learn something new. They only consider money and the certainty of winning.

All this puts Mr. Hrabí in a difficult position – how can he communicate all the benefits participation in the Imagine Cup brings to students and how can he persuade them to take part in it?

MIC Awareness

Another problem, slowing down the development of the MIC Brno, is a very low awareness of the MIC between students and local businessmen. Moreover, there is no special budget for the marketing activities of the MIC. Although the marketing department of JIC promotes the activities of the JIC constantly, they usually focus on particular projects, e.g. incubators, and they do not even seem to know how to promote MIC. As a result, all marketing activities had to be approved and financed by the Prague office however marketing expenses were cut to around 25% of last year's level after the crisis. Mr. Hrabí promotes the activities of the centre himself by conducting talks at partner universities and making presentation about MIC and its activities. He also looks for students interested in MIC projects however he feels this promotion is insufficient. He feels the centre has to use new promotion channels (newsletters do not work!) to attract two new perspective groups – university students and alumni who do not want to work in research laboratories, and having ideas of their own, or writing software applications or games, look for employment or ways to set their own ventures, and high school students, as those are usually very skilled young people who have more time for participating in the Imagine Cup and who, though they are less likely to found their own companies while still at high school, could gain a lot from participating.

Marketing

The main challenge for MIC marketing is to increase awareness of MIC services and to attract students to come to MIC with their idea or project and to become a start-up company at MIC. Secondary target is also to attract students to participate in competitions, for example Imagine Cup, and finally, to inform them about seminars and other services offered by MIC.

Microsoft Innovation Center currently uses three main channels to market all programs and services that are offered. The centre is primarily presented on a webpage run by Microsoft and containing information about the whole product and service range of the MIC. It also contains information on the upcoming events and competitions. The other source being currently used is a newsletter sent to students and school offices via email. However, this measure did not prove itself as a very effective one. The last channel being used by the Microsoft Innovation Center to communicate students the services and events they offer is personal presentation of MIC at some of the student's conferences and events. Nevertheless, there is a problem. MIC does not have the resources to become more present in this field.

The majority of all marketing material and campaigns are prepared by Mr. Hrabí. Moreover, MIC has the possibility to obtain strong support (realization and financing) for preparation of posters and other advertising materials concerning some event directly from the Microsoft Headquarters in Prague. MIC, as a part of the JIC, also has the possibility to obtain marketing support from the JIC marketing department. Unfortunately, this support is not really helping the MIC much as the department is primarily focused on the JIC products and services, and is not very much interested in MIC promotion. Therefore, preparation of some campaign is only possible under the precondition that all information and exact idea is presented to the marketing department.

Reluctance of students to work on own projects

The biggest issue that MIC currently faces is the reluctance of students to work on their own projects and to compete with their projects with other students in the Czech Republic as well as all around the world. Generally, the attitude of students studying technical universities is not very entrepreneurial and is relatively passive towards any work which does not offer reliable return. It is important to emphasize that by return, students mean nothing but financial profit – unfortunately not other valuable items like experience or recognition. From the students' point of view, working on projects with uncertain result is a loss of time leading to a situation that students rather go and start working for a big IT company and get the sure financial revenue. Some of the students also work on projects under the lead of their professors with the vision of gaining some reputation. The reality is however, mostly the opposite as the students hardly get even their name on a back page of the presented research or project. Many students also miss the self-confidence and do not think their ideas are good enough to become successful.

The problem of getting students willing to work on own projects and to change their attitude towards project work is a hard task which the MIC has to cope with every day. The challenge here is to show the students that they are capable to work on a project and that the experience, they get by doing so, might be worth more than just working at a company. Furthermore, project work and participation in competitions give students a significant competitive advantage over other students in the future, especially when applying for a job. Moreover, it is necessary to increase awareness of all MIC support programs the student teams are eligible to get. It can be assumed that there are, in reality, some very motivated students who would like to work on projects however, as they are not aware of the existence of MIC and the support it is offering, they are reluctant to start to develop their ideas and projects and turn them into a real company.

Conclusion:

After the presentation of all relevant information about the current status of MIC and about the problems it faces, we would like to ask the following questions:

- Based the current marketing strategy, instruments and the limited resources available, please prepare a proposal on how to increase the awareness of the MIC among the targeted groups.
- How should MIC address the students in order to persuade them about the benefits of working on a project?
- What should the communication towards students be like in order to get their attention and attract them to compete with other student teams and maybe to start their own business later on?
- How should MIC increase the number of students and start-ups entering the MIC and the JIC incubation process?

Bibliography

- [1] (JIC 2009): South Moravian Innovation Centre Web-page: <http://www.jic.cz/en/about-us.html>
- [2] Interview
- [3] (Case Study 2006): 'Local software economy case study: Microsoft Innovation Centers' download.microsoft.com/download/6/9/f/.../innovation_center.pdf
- [4] (Technology Park 2009) Czech Technology Park: <http://www.technologypark.cz/>
- [5] Microsoft Innovation Center Web-page: <http://www.msic.cz/cz/>
- [6] Imagine Cup Web-page: <http://www.imaginecup.com/>
- [7] (Microsoft Press release): http://www.microsoft.com/cze/presspass/msg/20090701_news1.msp

BizSpark**Who can get the product?**

- Novice (start-up) business.

What is the content of the product?

- A wide range of software from Microsoft as a development license.

What does the product bring to you?

- Opportunity to try any software from Microsoft without paying for them separately.
- Quick and easy access to the latest versions of Microsoft software.

How do I get the product / what is needed?

Applicants for entry into the program BizSpark must meet the following conditions:

- The company is not older than 3 years.
- Annual turnover is not exceeding USD 500 000.
- The company is privately owned.

How much does it cost?

- The company pays a one-time fee of \$ 100 at the completion of the three year period.

WebsiteSpark**Who can get the product?**

- Creators of web pages and applications.

What is the content of the product?

- Development tools and solutions for WEB (3 licenses MS Visual Studio 2008 Professional, 2 licenses MS Expression Web 3, 1 license MS Expression Studio 3)
- 2 production licenses MS Windows Web Server 2008 or R2 and two production licenses Microsoft SQL Server 2008 Web Edition.
- Premium Web administration tool from an independent contractor (DotNetPanel)
- Professional support and training interventions in the form of technical support, access to community support, unlimited access to controlled technical discussions on MSDN and unlimited support for non-technical issues.

What does the product bring to you?

- Chance to test Microsoft software without paying for them separately
- Quick and easy access to new versions of Microsoft software.
- Visibility to supply and help in contacting potential customers around the world via the Web marketplace, galleries and other applications, portals.
- Opportunity to take advantage of special offers from serverhosting WebsiteSpark hosting partners.

How do I get the product / what is needed?

Applicants for entry into the program WebsiteSpark must satisfy the sole condition:

- The company has more than 10 employees.

The company must after entering the program:

- Within 6 months after entry into WebsiteSpark create and host at least one new web page or application on Microsoft technologies and report this to Microsoft.
- Report other new sites created during membership WebsiteSpark.
- Sign up for the Partner Network Microsoft Partner Network.

How much does it cost?

- The company pays by the completion of the program a one-time fee of \$ 100.

MIC Library**Who can get the product?**

- Companies located in the incubator JIC.
- Students and companies that are members of the MIC.

What is the content of the product?

- Possibility of renting professional publications primarily from Microsoft Press. Catalog and book titles are available online.

What does the product bring to you?

- Expert knowledge of the publications directly from specialists in the field.

How do I get the product / what is needed?

- Being registered at www.msic.cz
- Book loans in the system.

How much does it cost?

- The service is provided free of charge to companies incubated at JIC and students and businesses that are members of the MIC.

IT Lab**Who can get the product?**

- Companies located in the incubator JIC.
- Students who are members of the MIC.

What is the content of the product?

- Lending hardware and software of Microsoft Innovation Center, which is designed to test scenarios of developed software.
- Option of having to configure the software before borrowing.

What does the product bring to you?

- Financial and time savings.
- Testing functionality software.

How do I get the product / what is needed?

- Turn to the MIC.

How much does it cost?

- The service is provided free of charge to companies incubated at JIC and students who are members of the MIC.

Promotion and cooperation**Who can get the product?**

- Companies that are members of the MIC.

What is the content of the product?

- Visibility of the company and its products in the promotion center. Especially in the printed media and at conferences.
- Seeking opportunities for cooperation with local companies, Microsoft Innovation Center and MIC World (within the network Network MIC) and co-operation with the advanced firms in the relevant fields (mainly IT).

What does the product bring to you?

- Company and product visibility, greater awareness of your brand.
- The reputation of the brand with the Microsoft Innovation Center.
- The possibility of commercial cooperation with developed companies.
- Cooperation on research and development with other innovative companies in the MIC Network.

How do I get the product / what is needed?

- Turn to the MIC.

How much does it cost?

- The service is provided free of charge to companies that are members of the MIC.
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Source: Webpage of MIC, Brno
<http://www.msic.cz/cz/aktivita/mapa-sluzeb/>



Register Now!

Register and sign up for one of the 5 competitions today.



Learn

Get inspired by the 2010 theme, success stories, and visit next year's Finals location: Poland!



Connect

Post your questions in the Imagine Cup forums. Follow us on Facebook and Twitter.



Free Software

Access professional-level software and designer tools at no charge through Dreamspark.

About

[What is the Imagine Cup?](#) - [Competition Overview](#) - [FAQ](#) - [2009 Winners](#)

Theme of Imagine Cup 2010

"The Imagine Cup inspires students to use their creativity to help change the world for the better by discovering new ways to use technology to address some of the world's toughest challenges. Some of the greatest innovations and companies of tomorrow will be created by today's students."

- Steve Ballmer, Microsoft Chief Executive Officer on April 23, 2009

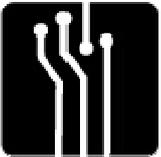
The Imagine Cup continues to encourage students around the globe to imagine a better world in which people are empowered by technology. The United Nations has identified some of the hardest challenges in the world today in its Millennium Development Goals — ranging from reducing poverty and halting the spread of HIV/AIDS to providing universal primary education. The Imagine Cup is calling on programmers, designers, and technologists to rise to this challenge and use these Development Goals as their inspiration.

Competition Categories



Software Design

Does the idea of creating an application that can be used by real people around the world challenge you? Consider entering the Software Design competition and show the world what you can do. This is for the best programmers, thinkers, and solution builders to go after the really tough problems. It's a chance to start competing locally, show off your skills and then hopefully advance to the global stage at the Worldwide Finals. You and up to three friends form a team and apply your creative genius to creating a solution inspired by the 2010 Theme. Create innovative software and service solutions that unleash the power of technology to benefit your area or ... the entire planet.



Embedded Development

Embedded devices are becoming smarter, more powerful, and woven seamlessly in to our everyday lives. Get ready to go beyond the PC desktop and work in both hardware and software to build an exciting solution using Windows Embedded CE 6.0 R3 plus a provided embedded platform. Are you ready to push the envelope of where you can apply embedded technology to improve the world around you?



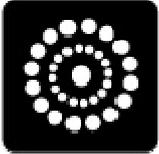
Game Design

Game Design is where art and science come together. Through the Imagine Cup, you can learn and advance toward a career as a game developer or entrepreneur. Use 3D or 2D, make it multi-level or single player but don't forget one crucial thing – you have to take on the 2010 Theme in your game. How about creating a game that is accessible for users with disabilities or an educational experience for children to learn about the environment? Join up to three of your friends and build a complex and full game experience, using Microsoft's XNA Game Studio 3.0, Visual Studio and/or Silverlight.



Digital Media

The world sees video everywhere. Our photos are online for our friends to view and every day we are checking out the latest cool media files. Today, you get to be that someone. You and one friend team up to create a web video submission. Use the internet to share your point of view, explain, and touch on issues in our global society that relate to the 2010 Theme. Go big, go viral and get the world to stand up and take notice of what you have to say. You'll be judged not just on your incredible video content, but also on the number of votes you receive.



IT Challenge

Systems are behind everything technical thing we do: from a single computer to massive enterprise infrastructures. The IT Challenge asks you to become a master at making those systems work. You will be tested on your knowledge, faced with unique scenarios and diverse customer needs to solve at every twist and turn. If you make it to the end of this competition, you'll attend the Worldwide Finals and be announced as the best of the best in the industry.



Source: Imagine Cup webpage

- <http://imaginecup.com/CompetitionsContent/MDG.aspx>
- <http://imaginecup.com/Competition/Overview.aspx>