

Chapter 4 Crafting a Strategy

Chapter 4 crafting a strategy: the quest for competitive advantage

Discussion questions

1. what are the advantages and disadvantages of being a first mover in an industry? Give some examples of first-mover and later-mover firms. Were they successful?
2. how does horizontal growth differ from vertical growth as a corporate strategy? From concentric diversification?
3. when should a corporation or business unit outsource a function or an activity?
4. is it possible for a company to have a sustainable competitive advantage when its industry becomes hyper-competitive?

Strategic practice exercises

1. log on to www.business-ethics.com and review which companies are on the latest list of the 100best corporate citizens. Also review the criteria for earning a spot on this list. Are the criteria sound? Is there ample reason to believe that the 100companies on this list pursue strategies that are ethical? Why or why not?
2. go to www.google.com and do a search for low cost producer. See if you can identify five companies that are purchasing a low cost strategy in their respective industries.

Using the advanced search engine function at www.google.com, enter best cost producer in the exact phrase box and see if you can locate three companies that indicate they are employing a best-cost producer strategy.

Case study

On March 14, 2000, Stephen King, the horror writer, published his new book, *Riding the Bullet*, on the internet before it appeared in print. Within 24 hours, around 400,000 people had downloaded the book—even though they had to download software to read the book. The unexpected demand crashed servers. According to Jack Romanos, president of Simon & Schuster, "I don't think anybody could have anticipated how many people were out there who are willing to accept the written word in a paperless format." To many, this announced the coming of the electronic novel. Environmentalists applauded that e-books will soon replace the paper books and newspapers, thus reducing pollution coming from paper mills and landfills. The King book was easy to download, and the download took less time than a trip to the bookstore. Critics argued that the King book used the internet because at 66% pages, it was too short to be a standard printed novel. It was also free, so there was nothing to discourage natural curiosity. Some people in the industry estimated that 75% of those who downloaded the book did not read it.

1. form into small groups in the class to discuss the future of internet publishing.
2. consider the following questions as discussion guide:
 - What are the pros and cons of electronic publishing?
 - Should newspaper and book publishers convert to electronic publishing over

paper? (The wall street journal and others publish in both paper and electronic formats. is this a success?)

- Would you prefer this textbook and others in an electronic format?
- What business model should publishers use to make money publishing on the internet?