

follow this pattern, the commons will ultimately be destroyed. And, being rational actors, all owners are motivated to add to their flock:

*Therein is the tragedy. Each man is locked into a system that compels him to increase his herd without limit—in a world that is limited. Ruin is the destination toward which all men rush, each pursuing his own interest in a society that believes in the freedom of the commons (Hardin, 1968).*

In this exercise, the instructor needs four volunteers to participate. You will be asked to come to the front of the class and demonstrate the concept through a short exercise.

You should be familiar with the "Tragedy of the Commons". There are many good resources in the library, and you are encouraged to read Hardin's original 1968 article in *Science*, volume 162, pages 1243–1248, titled "The Tragedy of the Commons" before attending class.

### EXERCISE 2: IS BEING THE FIRST MOVER USUALLY ADVANTAGEOUS?

Henry Ford is often credited with saying that he would rather be the first person to be second. This is strange coming from the innovator of the mass-produced automobile in the United States. So is the first-mover advantage really a myth, or is it something for which every firm should strive?

First movers are typically considered to be the ones that initially introduce an innovative product or service into a market segment (in other words, first to market in a new segment). The notion subscribed to first movers is that being one creates an almost impenetrable competitive advantage that later entrants find difficult to overcome. However, history is replete with situations where second or later movers find success. If the best way to succeed in the future is to understand the past, then an understanding of why certain

first movers succeeded and others failed should be instructive. Accordingly, this exercise requires you to investigate a first mover and identify specifically why, or why not, it was able to hold onto its first-mover advantage.

#### Part One

This assignment can be done individually or in a team. Select an industry that interests you or your team. Research that industry and identify one or two instances of a first mover; research the introduction of a new offering into new market segments. For example, you might pick consumer electronics and look for firms that initiated new products in new market segments. Your choice of industry must be approved in advance by your instructor as duplication of industries is to be avoided.

#### Part Two

Each individual or team is to present their findings with the discussion centering on the following at a minimum:

- Brief history and description of the industry chosen (e.g., was this a fast-, standard-, or slow-cycle market at the time the first mover initiated its strategic action)?
- How has innovation of new products traditionally been accomplished in this industry: through new firms entering the market or by existing firms launching new offerings?
- Identify one or two first movers and provide a review of what happened. If the product or offering is still considered successful, describe why. If not, why not?
- What did you learn as a result of this exercise? Do you consider trying to be the first mover a wise competitive action to take? Is your answer dependent upon industry, timing, or luck?

## VIDEO CASE



### A FOCUS ON COMPETITIVE DYNAMICS: HYUNDAI SOUTH KOREA

With an objective "to sell more cars for less than the competition," consumers are flocking to Hyundai dealerships, causing the firm to recently experience an increase in its sales volume in the U.S. market. Auto executives both inside and outside the company recognize Hyundai's ability and desire to dominate the market through top-level quality. Durability, as evidenced by longer warranties and greater consumer awareness through major advertising, is foundational to Hyundai's strong rebound.

Be prepared to discuss the following concepts and questions in class:

#### Concepts

- Competitive behavior
- Competitive dynamics
- Multimarket competition
- Competitive response

- Strategic actions
- Late movers

#### Questions

1. How would you describe Hyundai's competitive behavior?
2. What kind of competitive dynamics might you expect from Hyundai and other automakers?
3. Is Hyundai involved in multimarket competition? Why or why not?
4. What impact will market commonality have on competitive responses in the auto industry?
5. What strategic actions and/or responses might occur as a result of your answer to question 4?
6. Can Hyundai be identified as a late mover? If so, why? If you determine that Hyundai is a late mover, what consequences should the company be aware of that result from being a late mover?