

Name:

Econ 101 Reading Assignment #4 – Profile of Sears Under Eddie Lampert by Bloomberg Businessweek

<http://www.businessweek.com/articles/2013-07-11/at-sears-eddie-lamperts-warring-divisions-model-adds-to-the-troubles#p1>

Note: It is only necessary to read up until the paragraph on page 4 that begins “As Sear’s sales declined, its business units found themselves fighting over a shrinking pile of money.” That said, if you continue reading, you’ll see a nice example of “the innovator’s dilemma,” which we discussed earlier.

Context: This article from 2013 profiles the retailer Sears, which has broken down its organization into smaller stand-alone units that compete with each other like firms competing in the market place. It will help us answer the question – “If markets are so great, why are there firms?”

1. How does the organization of Sears under Lampert differ from traditional retailing firms?
2. What does Lampert hope his organizational model will achieve?
3. How well does the system seem to be working?
4. If a Sears unit needs the help of another unit (for example, if the tools division needs IT services), how do they obtain it? In your opinion, what are the costs and benefits of such a system?
5. Give an example of a specific disadvantage the company’s organizational model has created.