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# Note to Instructors for Dealer Trade Group: High-Tech Venturing in a Low-Tech Industry

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Carter Crockett

**T**his case provides a rare insider's perspective on the situation of a high-tech company (Dealer Trade Group: DTG) attempting to upset the existing institutions, practices, and norms of the traditional auto wholesaling industry. Because DTG's business model is built upon online marketplace technology, many of its operations are foreign to established industry processes. As DTG potentially stands to revolutionize the vehicle wholesaling industry, the case illustrates challenges facing Carter Crockett as he attempted to balance the divergent interests of investors, employees, and dealers.

## Key Decision and Major Issues for Discussion

With a view toward what is best for Crockett and DTG itself, the case engages issues of: (1) who would be the best leader for a company like DTG and (2) when entrepreneurs should "pass the baton." This key decision as it stands in the case is complex because of mixed messages from the board and investors, who may not entirely trust Crockett but show no interest in finding a replacement for him. Todd Greenway, the vice president of sales, complicates matters further. Whereas Greenway and Crockett were initially convinced of the crucial need to work together to reconcile their backgrounds, later events indicated that Greenway's relative importance had grown while Crockett's had diminished. Confronting Greenway for his disrespectful and manipulative behavior is problematic because he is largely responsible for DTG's sales performance. How to deal with DTG's board, investors, and Greenway are important issues in the case; discussion around them can constitute arguments for or against Crockett's possible resignation.

The case also shows how a venture with a novel business model entering an established industry can meet with inertia, ineradicable social practices, networks, and institutions, all of which may frustrate strategies for the venture to achieve its objectives. Thus, from a strategic management perspective, fit between a high-tech business model and a low-tech industry is a second issue for discussion.

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Finally, the case illustrates how an entrepreneur's personal style can facilitate or hinder an entrepreneurial career at different stages (i.e., discovery, start-up, incorporation, growth) of the entrepreneurial process. For example, the creativity and autonomy expressed during prestart-up activities can eventually strain stakeholder and management relationships during later stages. In the case, Crockett thrived during early stages but struggled with various challenges after DTG was a going concern. Crockett is an example of someone engaging in entrepreneurial activity despite limited personal resources, which typifies a classic definition of the entrepreneur (Kirzner, 1973, pp. 44–45).

## Potential Audience

The case is effective for university instruction in entrepreneurship, management, strategy, or career courses at the undergraduate or graduate level. Many graduate students aspiring to pursue entrepreneurship will relate to the experience of working in a large company before striking out on an entrepreneurial career. Undergraduate and graduate students will appreciate the high-tech aspects of DTG's business model.

## Suggested Teaching Approach

The instructor can begin the discussion by asking students, "Should Crockett leave?" and then follow up with "What would need to change for him to be effective in his role at DTG?" The instructor might point out that many students seriously considering entrepreneurial careers will encounter some of the same challenges as Crockett. The case's illustrations of interpersonal relationships can spur students with entrepreneurial aspirations to discuss in detail how they would handle the challenges of working simultaneously with partners, investors, and employees.

The instructor can use the information about DTG's competitive environment to drive discussion of strategy formulation and implementation. For example, "What specific challenges can arise when a high-tech business model is embedded in a traditional, low-tech industry?"

Questions addressing specific aspects of the case will support class discussion. Some of these include:

1. How would you have handled disagreements with Hayworth and the board (e.g., choosing a location for headquarters, planning the social event)?
2. What would you have done about Greenway's behaviors if you were in Crockett's position? Were the eventual problems detectable in the beginning?
3. How much value do experts (like Jenkins) really add to a venture's strategic decision making? How is expert input solicited and acquired?
4. What types of people fit better in large organizations versus entrepreneurial ventures? Does Crockett exemplify such characteristics? What about Greenway? How trainable are such characteristics?
5. Did Crockett rely too much and too fast on Greenway? How did DTG employees from the auto industry perceive Crockett?
6. What kinds of people should occupy leadership positions in entrepreneurial ventures? Was Crockett such a person? What about Greenway?

7. What would have been some ways to manage the diverse group of employees at DTG (e.g., introverted technology developers, extroverted car salespeople, pragmatic administrative personnel)?
8. What challenges emerged as DTG became more established?

A final question to drive discussion might be “What are the key lessons this case offers for your own entrepreneurial career?” The question helps students use the case to contemplate the benefits and risks of entrepreneurship in their own lives.

Alternatively, several general topics can be presented to students for open-ended discussion and debate. This can be an alternative teaching approach to the specific discussion questions previously presented. Some general topics related to the case include:

1. How does an entrepreneur know when it is necessary to step down or pass control to someone else? What kind of system (e.g., board voting, contract, self-reflection) might be effective for making such a decision?
2. What are the relative merits of industry versus high-tech experience when leading a high-tech venture in a low-tech industry?
3. How can an entrepreneur earn respect and trust from veteran employees and customers of an industry with which he/she is not familiar?
4. How should new ventures engage existing norms in traditional industries?
5. What are some ways to ascertain if the principal investor has too much power or if the entrepreneur has too little independence in an entrepreneurial venture? What are possible outcomes in either scenario?

Peripheral topics from the case include:

1. Whether or not to leave a secure job to pursue a high-risk entrepreneurial opportunity;
2. Whether to make DTG’s website available to dealers or keep it behind the scenes for use by employees;
3. DTG’s decision to target business to business (B2B) wholesale customers instead of retail ones;
4. Whether the opportunity was researched adequately;
5. The reasons for automobile auctions dominating the wholesale industry;
6. Crockett and Hayworth’s response to the bursting of the dot-com bubble;
7. Whether DTG’s Advisory Board of industry veterans constituted the right mix;
8. The degree the headquarters location was an important strategic decision;
9. Positive and negative ramifications of hosting a company morale-boosting event prior to achieving profitability.

### **Supplementary Readings**

The following readings highlight and analyze the nature of the challenges facing Crockett and DTG. Some of them (Evans & Thomas, 1999; Kaplan & Sawhney, 2000) were instrumental to Crockett as he experienced the events described in the case.

1. Dai, Q. & Kauffman, R.J. (2002). Business models for Internet-based B2B electronic markets. *International Journal of Electronic Commerce*, 6(4), 41–72.

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3. Evans, P. & Thomas, S.W. (1999). *Blown to bits: How the new economics of information transforms strategy*. Cambridge, MA: Harvard Business School Press.
4. Kaplan, S. & Sawhney, M. (2000). E-hubs: The new B2B marketplaces. *Harvard Business Review*, 78(3), 97–103.
5. Kirzner, I.M. (1973). “The entrepreneur.” In *Competition and entrepreneurship* (pp. 30–87). Chicago: University of Chicago Press.
6. Mahadevan, B. (2003). Making sense of emerging market structures in B2B e-commerce. *California Management Review*, 46(1), 86–100.
7. Ratnasingam, P. (2005). Trust in inter-organizational exchanges: A case study in business to business electronic commerce. *Decision Support Systems*, 39(3), 525–545.

### **Role of the Authors**

Patrick J. Murphy is assistant professor of management and member of the entrepreneurship faculty in the Kellstadt Graduate School of Business at DePaul University. His research program emphasizes the nature of entrepreneurial discovery. He teaches courses in entrepreneurship and management and consults actively in both areas. Carter Crockett is the protagonist in the DTG case. His search for answers to issues inspired by his experience with DTG led him to academia: He earned a PhD at Robert Gordon University in Aberdeen, Scotland before joining the faculty at Westmont College as assistant professor of economics and business. He lectures on entrepreneurship, marketing, business ethics, and management. His research focuses on the moral legacies of entrepreneurs and the organizational cultures they create.

The authors met while participating in the doctoral consortium at the Babson Kauffman Entrepreneurship Research Conference in 2003. Carter told Patrick that he would like to create a case study based on his entrepreneurial experience but found it impossible to be objective. They decided to work together. Carter had a great deal of material, including lengthy journals, notes, presentation slides, financials, marketing and advertising materials, online demonstrations, pictures, and formal memos. Patrick drew from this information and wrote the case over several months, sending follow-up inquiries and numerous drafts to Carter, who responded with answers, reactions, input, and additional case data.

### **REFERENCE**

Kirzner, I.M. (1973). *Competition and entrepreneurship*. Chicago: University of Chicago Press.

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