

## **Flat World Knowledge and the College Textbook Market: A Revolution?**

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### **SYNOPSIS**

In 2007, after raising nearly \$1.5 million in seed money, Eric Frank and Jeff Shelstad quit their jobs and founded Flat World. Together they had nearly 30 years of combined experience working for three large textbook publishers: Pearson, McGraw-Hill, and Cengage. Their objective was to create a company that published open textbooks (i.e. textbooks that could be accessed electronically at no cost) in addition to selling educational supplements and learning aids. Eric and Jeff believed that the college textbook market was dysfunctional in a number of respects. They believed that Flat World's business model addressed these dysfunctions and had the potential to disrupt the industry status quo. In this case, Eric reflects on the company's business model and wonders whether or not the company is doing all it can to develop the capabilities it needed to survive.

### **LEARNING OBJECTIVES**

The objectives of this case are:

1. To summarize and discuss the structural characteristics of the college textbook market.
2. To explain why the college textbook market has not produced the positive outcomes generally associated with properly functioning economic markets (i.e. lower prices and optimal allocation of resources).
3. To contrast Flat World's business model with standard industry practices.
4. To Flat World's impact on the problems in the college textbook market.
5. To analyze the level of innovativeness of Flat World's business model and explain why its model is (or is not) revolutionary.
6. To evaluate the degree to which Flat World is developing capabilities and/or acquiring resources that will make it difficult for competitors to copy its business model.

### **APPLICATION**

This critical incident is written for courses in strategic management. It is also appropriate for entrepreneurship courses.

### **KEY WORDS**

business models, innovation, competitive advantage

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