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The FORTUNE Preview Guide

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“America’s Most Admired Companies”

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COURSE CONNECTOR



“America’s Most Admired Companies”
MARCH 19, 2007

	ECONOMICS	ENTREPRENEURSHIP	ETHICS	FINANCE/ACCOUNTING	HUMAN RESOURCES	TECHNOLOGY	INTERNATIONAL	LAW	MANAGEMENT	MARKETING	OPERATIONS MANAGEMENT	ORGANIZATIONAL BEHAVIOR	STRATEGY
“Speech Impediments,” pp. 35-36		■	★		■					■			
“Giver’s Remorse,” pp. 61-64			★	■	■			■					
“Steve Jobs’ Bad Bet,” p. 67				■		■		■					★
“The Inside Story of a Wall Street Battle Royal,” pp. 74-86	■		■	■			■	★				■	■
“America’s Most Admired Companies,” pp. 88-94	■	■			■	■	■		■	■		★	
“America’s Best Car Company,” pp. 98-104					■	■	■			■	■	★	■
“Simply Irresistible,” pp. 107-112		■		■	■					★	■	■	■
“The List of Industry Stars,” pp. 115-122						■				■		★	
“What Is Your True North?” pp. 125-130				■				★					
“Is This as Good as It Gets?” pp. 134-146	★			■									
“Spoils of Warcraft,” pp. 151-156		■		■	★				■	■			
“The End of Garbage,” pp. 158-166	★	■	■		■	■				■			■
“The Richest City in the World,” pp. 168-176	■	■		■			★		■				■

★ = Primary theme discussed in the article ★ = See summary with questions, below ■ = Additional relevant themes

ARTICLE SUMMARIES AND QUESTIONS

“America’s Best Car Company,” pp. 98-104: Toyota didn’t have the most auspicious start in the U.S. 50 years ago, when its first import, the Toyopet Crown, was pulled from the market in just three years’ time. A less determined company might never have returned after such a humiliation. Instead, Toyota not only came back with a better car then, but also has produced one successful model after another in the decades since. Now ranked No. 3 on FORTUNE’s annual listing of America’s Most Admired Companies – the only foreign enterprise to crack the top 20 – Toyota has become as much a fixture on the American landscape as baseball and apple pie. How did the company do it? Certainly, it has helped that Toyota hasn’t had to deal with retiree obligations and union contracts to the same extent as the “Big Three” American automakers, GM, Ford, and Chrysler. The company has also benefited from timing, in that it had small cars ready to move when the oil shocks of the 1970s hit. But what’s really put Toyota on top is its ability to read what the American people want – a modest, affordable, trouble-free product.

In this article, students read about Toyota’s history in the U.S., and how it has become the world’s top automaker.

Discussion Questions:

1. Why is the Toyota Tundra the riskiest launch in the company's history? What does the author mean when he says that the model, if successful, could make Toyota "more American"? Do you agree? Explain.
2. How did Toyota earn its reputation as the "Teflon car company"? Give some examples of how the company has endeavored to protect its image among consumers.
3. What is Toyota's biggest fear, as revealed inadvertently in a comment made by then-chairman Hiroshi Okuda in 2005? How does it threaten the company? Can Toyota reasonably do anything to prevent it? Explain.

"Simply Irresistible," pp. 107-112: Plenty of the most informed minds in business and retail thought Apple's 2001 decision to open stores was a prescription for failure of the painful, expensive kind. They couldn't have been more wrong. Apple, ranked No. 5 on the 2007 listing of America's Most Admired Companies – its first time among the top ten – has come a long way since the dawn of the 21st century. It was then that CEO Steve Jobs announced his intent to make the leap into retail. To defy those early naysayers, he went on a hunt for some of the best retail executives he could find. He convinced Mickey Drexler of the Gap to join Apple's board, and hired Ron Johnson, then a merchandising chief at Target, to run Apple retail. The team has turned Apple Stores into nothing less than a phenomenon. Their 174 minimalist, customer-centered shops generate annual sales of \$4,032 per square foot, and that's before the release of the iPhone. If sales of the iPhone are anywhere near expectations, the typical Apple Store could be selling, in absolute terms, as much as a Best Buy, with just a fraction of the selling space.

Students take a closer look at what makes Apple's retail shops so outrageously successful.

Discussion Questions:

1. What was the best piece of advice Mickey Drexler gave Apple CEO Steve Jobs in the development of Apple Stores? How did it help Jobs and his team?
2. Describe Jobs' "ambush the customer" strategy. Who does it target? Has it been effective? Why or why not?
3. How has Apple changed people's expectations of what retail should be about? What elements of the Apple Store experience have other retailers sought to imitate?

"The End of Garbage," pp. 158-166: Can you imagine a world without garbage, where everything that is thrown away gets turned into something else? This seemingly improbable concept, known as zero waste – producing, consuming, and recycling products without throwing anything away – has surprisingly been adopted as a goal by a number of cities and towns in the U.S. and abroad and companies ranging from sole proprietorships to FORTUNE 500 corporations. Naturally, getting to a wasteless world will require extraordinary efforts by pretty much everyone on the planet, which is why thinkers such as entrepreneur Paul Hawken, consultant Amory Lovins, and architect William McDonough have called the movement the Next Industrial Revolution. But while it remains a long way off, it's probably not as long as you might think. The changing economics of waste disposal, technical advances, and grass-roots activism have combined to push the movement into the earliest phases of operation. The desire of big companies to gain good PR by appearing environmentally friendly certainly has a hand in making the zero-waste dream come true, but as with anything else, market incentives are the prime mover. As Wal-Mart's David Redfield says, "Trash is cash."

Students examine how businesses, municipal governments, and disposal companies are working to create a waste-free world.

Discussion Questions:

1. Why is it still cheaper in many instances to throw things away rather than recycle them? How will the economics of recycling change over time to make it more profitable?
2. Why does Jared Blumenfeld, director of San Francisco's environmental department, call waste a "design flaw"? How have companies like BASF, Milliken, Steelcase, and Nike worked to repair this flaw?
3. According to John Casella, chief executive of Casella Waste Systems, what is the foundation of the trash industry? Why is it vulnerable? Identify some steps Casella has taken to move his company

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