

## Harvard business review on advances in strategy

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### Abstrak

MANY OF THE PIONEERS of Internet business, both dotcoms and established companies, have competed in ways that violate nearly every precept of good strategy. Rather than focus on profits, they have chased customers indiscriminately through discounting, channel incentives, and advertising. Rather than concentrate on delivering value that earns an attractive price from customers, they have pursued indirect revenues such as advertising and click-through fees. Rather than make trade-offs, they have rushed to offer every conceivable product or service. It did not have to be this way?and it does not have to be in the future. When it comes to reinforcing a distinctive strategy, Michael Porter argues, the Internet provides a better technological platform than previous generations of IT. Gaining competitive advantage does not require a radically new approach to business: it requires building on the proven principles of effective strategy. Porter argues that, contrary to recent thought, the Internet is not disruptive to most existing industries and established companies. It rarely nullifies important sources of competitive advantage in an industry. It often makes them even more valuable. And as all companies embrace Internet technology, the Internet itself will be neutralized as a source of advantage. Robust competitive advantages will arise instead from traditional strengths such as unique products, proprietary content, and distinctive physical activities. Internet technology may be able to fortify those advantages, but it is unlikely to supplant them. Porter debunks such Internet myths as first-mover advantage, the power of virtual companies, and the multiplying rewards on network effects. He disentangles the distorted signals from the marketplace, explains why the Internet complements rather than cannibalized existing ways of doing business, and outlines strategic imperatives for dot-coms and traditional companies.