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Can Competing Frames Co-exist? The Paradox of Threatened Response

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Response to environmental change is at the heart of firm sustainability. In the case of disruptive technology, previous research describes this challenge as a problem of commitment. Because disruptive proposals do not fit the criteria considered in the existing resource allocation process, they are denied organizational commitment. The following research seeks to address the phenomenon where incumbents do commit substantial resources, but then force those commitments around their existing business rather than find new markets. The analysis draws on extensive multi-level, longitudinal field data collected from a single revelatory case of a newspaper company as its management responded to the Internet. The conceptual framework for the study links the resource allocation and threat rigidity literatures. The data show that threat framing helps build impetus and commitment for disruptive projects that would otherwise stall. However, this same threat-induced action invokes a set of rigidities that prove maladaptive in the face of disruptive change. The research suggests that the role of structure goes beyond resource allocation. Structural independence creates strategic de-coupling of threat and opportunity framing, allowing the simultaneous management of otherwise inconsistent frames.

Keywords: Strategic change, threat, opportunity, resource allocation, framing, disruptive technology

Introduction

Recent research in strategic management has yielded new insight by framing the innovation challenge as one of organizational commitment (Christensen and Bower, 1996; Christensen and Rosenbloom, 1995). These scholars were able to link resource dependency literature (Pfeffer and Salancik, 1978) with our knowledge of the resource allocation process (Bower, 1970; Burgelman, 1983) to identify what has been called disruptive innovation. A defining feature of disruptive technology is that it under-performs on the metrics traditionally considered in an incumbent firm's resource allocation process. Accordingly, managers fail to make resource commitments to exploit the innovation, continuing to favor projects that sustain the core business. Overtime, and despite its initial shortcomings, the new innovation moves up-market disrupts the established business.

Increasingly, however, many firms are learning to recognize the threat of the disruption and have been able to respond with aggressive commitment. Unfortunately, and despite the newfound resources, energies invariably focus on the old business model and the traditional resource base (Tripsas and Gavetti, 2000). The response is to aggressively replicate the core business, rather than create a new vehicle for growth. Why do firms respond so rigidly when they commit to a disruptive business? Is there something in the nature of their motivation that drives this behavior?

Theoretical Background

Responding to external change in any form is a fundamental requirement for the sustainability of established firms. The need for strategic change can occur with shifts in markets, technology, and regulation. Much of the literature on innovation has focused on the relationship between external change and a firm's existing capabilities, work processes, and organizational routines (Nelson and Winter, 1982; Teece, Pisano, and Shuen, 1997; Leonard-Barton, 1992). The empirical evidence suggests that incumbents often fail to make the necessary changes (Tushman and Anderson, 1986; Hannan and Freeman, 1984; Meyer, Brooks, and Goes, 1990). In retrospect, firms often misread what is happening or respond using mechanisms that are inadequate or maladaptive.

Disruptive Technology and The Problem of Commitment

The case of disruptive technology relates to the way managers actually secure commitment to new innovations in the resource allocation process (Bower, 1970). Commitment is defined in this paper as the willingness to commit resources around an investment decision. Resources include both financial and operational means, as in the individual allocation of time and attention of operating managers throughout an organization (Noda and Bower, 1996). Resource allocation systems are built to screen out proposals that do not fit the financial and operating criteria required to sustain the core business. Disruptive technology initially under-performs on these criteria because of three unique attributes. The technology:

a) lowers product performance along traditional metrics, but finds an untapped need with a new set of applications,
b) finds a broader set of new and initially different customers, who value these attributes and applications,
c) creates a significant change in the underlying business model of the firm, often lowering gross margins or changing the basic drivers of firm profitability (Christensen and Bower, 1996; Christensen, 1997)

The problem for incumbent firms is that when disruptive proposals are considered, analysis reveals the new opportunity as inferior when compared with other potential opportunities that sustain the existing business. In well-run companies, the resource allocation process is *designed* to prioritize projects that improve product performance, serve leading customers, and sustain the existing business model (Bower, 1970). Unfortunately for the incumbent firms, the very business that is denied resource commitment eventually improves and attacks the established market. One possible way around this challenge is to position a disruptive technology as an eventual threat to the firm. By recognizing the threat to the core business, managers can suspend the traditional screening criteria and marshal resources around the new technology. Indeed, many management scholars encourage creating a sense of threat as an effective catalyst (Kotter, 1996; Hurst, 1995). But what are the other behavioral consequences of threat-induced action?

Insights from the Threat Rigidity Literature

Asserted above, changing the framing of an issue can create changes in behavior. Frames are defined in this paper as the "underlying structures of belief, perception, and appreciation" through which subsequent interpretation is filtered (Schön and Rein, 1994: p.23). A considerable body of research from the social psychology literature examines the role of cognitive frames on behavior. Experimental research has demonstrated how different decision frames can produce different behavior around otherwise identical alternatives (Kahneman and Tversky, 1984). Two common management frames are threat and opportunity (Dutton and Jackson, 1987; Mintzberg, Raisinghani, et al., 1976; Nutt, 1984). Issues framed as threats tend to produce a series of very specific behavioral responses. First, there is a *willingness to commit substantial resources.* Research in decision theory has shown that individuals are more willing to bet aggressively when faced with a potential loss than with a potential gain (Kahneman and Tversky, 1984; Mittal and Ross, 1998). At the group level, Staw and Ross revealed that commitments escalate with the threat of losing situations (1981). Threat framed decisions also create a *contraction of authority.* Staw, Sandelands, and Dutton show how a contraction of authority leads to restriction of information and a reduced set of considered alternatives (1981). Herman found that crisis reduced the number of decision makers to the top of an organization (1963). Finally, threat framed decisions lead to a *focus on existing resources.* Dutton and Jackson argue that threat motivates behavior around controllable resources, which limit the discovery of alternatives (1987). The combined result of these behaviors is described as the threat rigidity phenomenon, where threatened behavior results in the aggressive replication of familiar patterns of response.

Threat framing often creates the opposite set of behaviors than those prescribed by the opportunity oriented corporate venturing literature. For example, threat framing implies aggressive commitment of resources, but the corporate venturing literature advocates sequential staging of commitments to allow the risks around a new business to emerge (McGrath, 1995; Sykes and Dunham, 1995). While threat framed response creates a contraction of authority, the corporate venturing literature asserts the importance of distributed learning by those with direct operating responsibility (Abetti, 1997; McGrath, 1995). Finally, threat framing creates a focus on existing resources, which is anathema to the venturing literature's emphasis on creating new resources specific to new opportunities. The very definition of an entrepreneurial organization is one that "pursues opportunity, *regardless of resources currently controlled* (italics added)" (Stevenson and Jarillo, 1990, p.23). Thus, not only are threat frames associated with rigidity producing behavior, but they present a mirror contradiction to many of the prescriptions in the opportunity oriented corporate venturing literature.

The behavioral patterns associated with threat framing combine to produce the replication of an individual, group, or organization's best-known response. In many crisis or renewal situations, this may be appropriate. Refocusing on what you do best, returning to your dominant and best-known processes may help resolve the crisis (Hurst, 1995; Kotter 1996). However, if the best-known response conflicts with the behavioral requirements of a new environment (Prahalad and Bettis, 1986; Leonard-Barton, 1992), responding in a threat frame intensifies dysfunctional behavior (Staw, Sandelands, and Dutton, 1981). Thus, trying harder under the same rules of operation is actually the worst thing a firm can do. To paraphrase Santayana's definition of a fanatic, it is like someone who hits a dead end, then doubles his effort without changing his direction.[1]

The Paradox of Threat-Induced Action

The resulting behavior creates a strategic response paradox: absent threat, response to disruptive opportunities is inadequate; but with threat, the fully funded response is maladaptive. How can managers resolve this paradox? If it were possible to sequence competing frames, managers might activate threat framing in the resource allocation and then use opportunity framing in the venture's management. Figure 1, while over-simplified, helps explain each framing combination and associated behavioral outcomes.

The argument implied by this framework is that the framing contingency in the upper right-hand quadrant enables high commitment <u>and</u> high flexibility. Threat framing motivates resource commitments in resource allocation. Opportunity framing allows the venture's managers to focus the newly acquired commitments around the distinct opportunity posed by the disruptive technology, rather than reactively trying shore up the existing organization's position. However, the resource allocation process is not a one-time event, but a continuous process that extends throughout the life of the venture (Noda and Bower, 1996). Thus, if threat framing is the required catalyst in the resource allocation process, it is also likely to be perpetuated in the way the venture is managed. Simultaneously managing conflicting frames when the instigation of one is likely to block the emergence of the other is a critical balancing act, and learning to do this is vital to the success of the business. Previous research has suggested that separating a new business plays an important role in creating new capabilities and routines (Christensen, 1997; Clark and Fujimoto, 1991; Tushman and O'Reilly, 1997). This research expands the discussion to consider the role of structure on the framing process itself. This paper is an exploratory study into the phenomenon of competing cognitive frames and their role in the response to new technology. I explore the paradox of threatened response through inductive theory building. A series of related questions were taken to the field: *How do threat and opportunity frames influence the resource allocation process? What are the behavioral consequences of these frames on the way new ventures are managed? Can competing frames simultaneously co-exit?*

Methodology

Given the exploratory nature of the study, a single revelatory case was selected because it presented "an opportunity to observe and analyze a phenomenon previously inaccessible to scientific investigation" (Yin, 1994). In the current research, I use the revelatory case for two specific reasons. First, the response paradox, summarized as the simultaneous need for two competing frames, has previously gone unrecognized. Not only has the phenomenon not been carefully examined, the process of response spans multiple levels of an organization, evolves over time, and requires in-depth, multi-level observation. Secondly, the research site allowed a tremendous level of research access. The data from the research case extend from 1990 to 2001 and the researcher was given in-depth access to historical company documents, business plans, financial results, and company personnel. As a condition of access, confidentiality has been preserved. The research site, a large metro newspaper in newspaper holding company will hereafter be called *The Beacon A* and its parent company will be referred to as The Beacon Company. The Beacon Company is one of the largest public U.S. newspaper publishing firms, owning more than 10 different newspapers in medium to large metropolitan markets and a collective readership in the millions. *The Beacon A* is a large metro newspaper with daily circulation of over 250,000 readers. The paper's readership represented a technology-oriented, cosmopolitan demographic.

Data Collection

Three main sources of data were collected in this research, including: interviews, archival data, and direct observation. The researcher conducted 21 in-depth, one to two hour long interviews at The Beacon Company, including the Chairman, publisher of the newspaper, head of Internet operations, both the print and online functional managers, and other line managers across multiple functions (Appendix 1). Also, 16 different archival documents were collected, including business plans at each stage of the venture's development (including the original proposals), internal company memos, strategy documents, and other communications. Finally, the researcher conducted direct field observations for such events as print and online sales calls, planning meetings, and newsroom story development. In total 15 discrete field events were observed. Field interviews notes from direct observations were recorded and transcribed within 24 hours of each event. Yin suggests: "With triangulation, the potential problems of *construct validity* also can be addressed because the multiple sources of evidence essentially provide multiple measures of the same phenomenon" (1994, p.92). To avoid errors of retrospective bias, researcher bias and other risks to validity, efforts were made to triangulate across each of the sources of data. All data were recorded within a case study database and a case study protocol was followed. In addition to the field data, over 100 public documents were analyzed, including press releases, annual reports, analyst research reports, and industry articles.

Data Analysis

The Bower-Burgelman model of resource allocation was used to analyze the data (Bower, 1970; Burgelman, 1983). The Bower-Burgelman model makes the assumption that investment decisions are part of a complex, multi-level process with three discrete phases. The first phase is *definition*, which defines the economic and technical characteristics of a new investment. Once defined, proposals go through a process of evaluation by middle management. These managers decide whether to sponsor and lend support to these proposals in a process of building *impetus*. *Commitment* occurs when resources are deployed around the investment. These can be financial, but they can be operational as well, including things such as a manager's individual time and effort. Contextual factors influence the process of resource commitment. The s*tructural context* includes the processes of control, reporting relationships, measurement and reward systems, and other structural mechanisms that impact behavior. The s*trategic context* reflects attempts of managers "to link autonomous strategic behaviors at the product/market level into the corporation's concept of strategy" (Burgelman, 1983, p. 66).

Research Setting

The Internet as Disruptive for the Newspaper Industry

Inside the newspaper organization, journalists felt that the Internet demonstrated a low level of editorial integrity. Outside the newspaper organization, readers were initially unsure of the reliability of the information collected from the Internet. Both constituencies also considered the new media to be unsophisticated—full of unedited or user-generated content, and often rushed to production without significant editorial review. However, heavy users of the Internet valued the new media for things not traditionally associated with the printed product: the ability to search, build interactive communities, research, access breaking news, and discover other interactive opportunities.

The early users and advertisers that adopted the Internet were different than traditional print readers and advertisers. For example, the leading advertising customers in print are local department stores, grocery chains, and retail clients. As the Internet developed, these large advertising customers were some of the last to embrace the Internet. Similarly, the early users of the Internet were a much younger, technology-oriented demographic than the mainstream traditional print readers.

The underlying online business models were also notably different. For example, many early sites offered free subscription. This was partially possible because the marginal costs of production and distribution were much lower than a printed newspaper. However, online models also relied much more heavily on *new* sources of revenue like demographic targeting. These sources of revenue were not consistent with a print business model built on a single production cycle delivered through mass distribution mechanisms.

The Internet as a Threat to the Newspaper Industry

Despite its failure on the traditional performance criteria, a growing number of external analysts started to see the potential threat of the Internet to the newspaper industry. Some analysts went so far as to describe the industry as threatened with extinction.[2] The argument was three-fold. First, they predicted a fundamental loss of audience. Time and usage studies showed that people were likely to decrease the amount of time with other media because of increased Internet usage.[3] Second, it was expected that audience decline would impact print advertising revenues. Finally, classified ads appeared particularly vulnerable. In October 1998, a highly circulated research report predicted a $4.7 billion displacement of the $18 billion classifieds market from print to the Internet by 2003—a 26 percent market reduction in newspapers' most profitable business within five years.[4]

Analysis of the Revelatory Case

The Bower-Burgelman model is used to analyze the process of commitment at *The Beacon A* across three distinct periods of development in a way similar to the longitudinal analysis of Noda and Bower (1996). Period 1 describes a process where a single senior manager proposed a series of experiments to learn about the online business. His personal credibility and involvement helped secure financial commitment to the venture. Unfortunately, the core operating organization then rejected the business in the day-to-day decision-making processes associated with the allocation of individual time and attention. This period is entitled "All Dressed-up and Nowhere to Go" (1990-1995). The second period, described as "Going Nowhere in a Hurry" (1996-1998), covered the time when both financial and organizational commitment to the Internet intensified substantially. Unfortunately, the company rigidly replicated its core business and product onto the web.

In the final period of analysis, the rigidity began to relax as the venture finally started to evolve with the new market. The Internet received increased autonomy from the print organization, culminating with its the formal separation from the newspaper. This period is entitled "Ownership Has Its Privileges" (1999-2001).

Period 1: "All Dressed-up with Nowhere to Go" (1990-1995)

Strategic Context

The Beacon Company began experimenting with various forms of new media long before the emergence of the Internet. The company had pioneered videotex, an early 1980's medium that sent slow-loading news text to a video screen through a dedicated telephone connection. As the online systems developed, there was a sense that the new technology might finally deliver on the promise of videotex. *The Beacon A* publisher declared: "It would be nothing short of criminal if the company that had the courage to launch videotex failed to seize the moment when the market turned."[5] The videotex investment had been made out of a desire to protect the print franchise from potential attacks from telephone companies and Yellow Pages competitors. A memo from the publisher evaluating the videotex experience stated that the newspaper had managed the project out of fear.[6] This time the company would try to influence the future "rather than worrying what new technologies will displace" the newspaper.[7] The publisher of *The Beacon A* described,

> We lost over $60 million on videotex. We recognized the potential threat in 1978, launched, and didn't change strategy once until 1986 when we shut it down. We learned from the videotex experiment that there really wasn't much of an appetite [among readers] for an 'electronic' newspaper.[8]

Any future effort to launch a new media venture "required a series of small, very low-cost, isolated research initiatives."[9] Noting that the future of technology was still unclear, the publisher stated: “If the future is unanswerable (and it is), then our best strategy is to hoist a sail to catch the wind when it comes up.”[10]

Structural Context

The same memo called for a tight integration with the newspaper organization. The publisher wrote: “The power of the newspaper to provide thrust for the new services can be harnessed only if it achieves deep levels of integration with the newspaper. Structuring the experiment as an enterprise separate from the newspaper would be crippling if not fatal.”[11] Eventually an online manager was hired, but the operating activities of the business flowed entirely through the functional areas of the print organization (Figure 2). Thus, the print staff was ultimately responsible for the online content, online sales, etc. This structure remained generally unchanged throughout Period 1.

Definition and Impetus

The publisher’s experience with videotex allowed him to play an active role in defining the online business. He described important differences in the online product, pointing out, “One mistake early videotex projects made was that they tried to replicate, in condensed form, the print product. This experiment would not be a videotex system in that it would not attempt to replace the newspaper.”[12] The venture would also change the traditional business model. The sources of revenue would come from new types of services, including: auctions, interactive advertising, and direct-to-consumer marketing. Given that the original memos were written in 1990, the vision and ideas were quite progressive.

Commitment

In 1992, after nearly two years of dialogue with corporate, the publisher was able to use his personal credibility to secure corporate resources for the development of an online venture. The financial commitment was small, largely because of concerns over videotex-like losses. Nevertheless, the resources were commensurate with the publisher's strategic vision for experimentation and learning. However, despite the early financial resources, the process of commitment failed at the operational levels of the newspaper. This happened as operating managers failed to allocate their individual time and attention to the new venture. For example, because the early online advertisers were different than print, the existing sales force found little success selling online to their established advertising customers. An online sales representative at The Beacon Company later explained, "Print reps could sell the online product, but with varying degrees of success. Their margins were higher on other products that were easier for them to sell. Online was really just a novelty to them."[13]

In the newsroom, a similar devaluation of the online business occurred. A story from the publisher at *The Beacon A* illustrated the problem:

> I had trumpeted the new business to everyone and asked for their cooperation with the online group. One day I asked an online staff member how things were going and if the newspaper staff was helping out. He told me that he had recently asked for some help, and the response was, 'Get the hell out of here, I've got a *real* newspaper to get out.'[14]

In the operations intensive environment of a newsroom, it is difficult for someone to stop what they are working on and turn attention to an unproven product--especially when the daily demands of the existing business are all-consuming. Thus, despite a senior sponsor, a vision for the business, and the financial resources to launch a site, the publisher was unable to generate the needed operational commitment. The new business was "All Dressed-up with Nowhere to Go" (Figure 3).

Period 2: "Going Nowhere in a Hurry" (1996-1998)

Strategic Context

During 1996 and 1997 The Beacon Company began to refocus on the newspaper business. Holdings in radio and cable were divested in an effort to refocus on the print newspaper business. The company spent more than $1.5 billion acquiring several large metropolitan newspapers, making it one of the largest newspaper publishers in the United States, and particularly sensitive to fluctuations in the overall industry. By 1996, the Internet was beginning to be viewed as a competitive threat both inside and outside the newspaper industry. The fact that the company had been involved in other new media projects and that *The Beacon A* was located in a technology-oriented market also heightened awareness of a potential digital displacement of print media. The publisher, despite early calls for experimentation, now described a heightened sense of urgency and concern, "I live in terror that some big thing's going to happen that I don't see coming."[15] There was a sense that the impact of the Internet was out of their control, despite everything the company was doing. The publisher worried, "What if we do every damn thing we can think of and execute flawlessly and we still don't make it? We can slow it down, but we can't stop it."[16] This sense of threat was not lost on the corporate leadership who saw *The Beacon A* as a leading indicator of other newspapers within the group.

Structural Context

Whereas the earlier period saw low corporate involvement, now corporate took much greater control over the paths taken. A corporate new media group was formed to provide strategy and planning for all of the newspapers. The CEO of the company asked the publisher of *The Beacon A* to head the new division. The vice-president of technology and operations at The Beacon Company's Internet division explained,

> It was very centralized in the beginning, which was very uncharacteristic, because the culture is very much to let each newspaper run its own business. We had a basic business model for every site. We gave them money. We told them they could hire people, but we told them exactly how to do it.[17]

In fact, sample budgets, marketing plans, and checklists were distributed to all of the publishers.[18] But, despite the active involvement of the corporate Internet division, the operations of the new venture remained tightly integrated within the functional organization of the print newspaper. The role of the corporate group was to provide advice and develop strategy, but the operations of the new business were woven into the organization of the print newspaper. The online general manager at *The Beacon A* continued to have primary reporting responsibility to the new local publisher and functional responsibilities continued to reside with the print operations.

Definition and Impetus

While the source of definition in the Period 1 was generally the individual publisher, corporate management was increasingly involved in the definition process in Period 2. As the Chairman and CEO described, "We traditionally let them run their own things, but when it came to the Internet we absolutely intervened."[19] The corporate office now became much more involved in defining what the venture would be and how it needed to be done. The other major difference in the definition process during this period was that the Internet was now largely perceived as a threat. The growth of the Internet in *The Beacon A*'s market had caused both the publisher and the corporate management to become increasingly concerned that the pace and implications of what was happening had changed. The publisher of *The Beacon A* described how early efforts to develop the venture as an opportunity gave way to fear of an impending crisis,

> Well, we tried to look at this as an opportunity. Then the problem was, can you grow the opportunity as fast as the core is under attack? The answer was yes, maybe, ultimately, if you can act fast enough and find enough ways to expand that business. But there is this real painful period in the middle where you might be losing faster than you are gaining.[20]

The focus had become fear of losing the old business, not anticipation for building the new. The CEO described a transition, "When we started out, it was really more experimental. But as it developed, I think it was primarily viewed as delivering the newspaper in a different way, and in that sense it was defensive."[21]

Commitment

Threat became an unprecedented catalyst for accelerated resource commitment, both financial and operational. In 1995, company-wide forecasts showed modest spending, in line with earlier experiments. That spending was assumed to peak at $20 million by 1997, with 25 percent EBITDA margins. However, actual results showed significant losses. But rather than pull back in the face of missed goals, the company pushed even harder. By 1998, expenses had grown nearly four-fold. More notable, the commitment of operating managers increased dramatically. In period 1, managers had been asked to prioritize the Internet, but their operational demands made this very difficult. However, defined as a threat to the future of the organization, commitment expanded rapidly. One sales manager described, "Look, it didn't make any sense for us to try to sell this stuff, but we were made to feel that if we didn't work on it, it might come back to haunt us."[22]

The Newspaper Replicated

Despite all the money and effort, the product, business, and strategy were "going nowhere in a hurry." The mid-1990s website was really just a longer version of the printed newspaper. Content features such as site customization and community building that had been discussed as early as 1990 were largely ignored. Rather, most of the content was focused around the format of the print newspaper. And despite the fact that off-the-shelf search technologies were widely available, the site did not provide a search feature until the late 1990s. Earlier ideas for multiple streams of revenue were also under-developed. The company did not experiment with new revenue opportunities, like demographic advertising, e-mail marketing, and classified services, all of which were common in other entrants. The real irony was that in a period when the organization would not commit substantially to the Internet, there was an abundance of new and novel ideas around the content and commercialization of the business. Then in a period with intense financial and organizational commitment, the ability to experiment and learn was severely reduced. The result was an aggressive replication of the newspaper product and business model. This process of replication is summarized in Figure 4.

Period 3: "Ownership has its Privileges" (1999-2001)

Strategic Context

During the period of rapid expansion from 1996-1998, the emphasis had been on defending the existing business. In the period from 1999-2001, senior management started to feel that the Internet should be allowed to attack the paper or even go a different direction altogether. The CEO described the shift:

> I think that if the people in the Internet business don't feel that there are any restrictions on basically what they can do, that they're not going to be held back, then we're going to have a better business. They can take the best of the newspaper, but they'll have to pay for it. And they'll chip away at the newspaper. The newspaper can't do anything about it.[23]

With the change from a newspaper-centric model, comparisons to competitors other than newspaper companies became much more direct. In an interview with the original head of new media, the researcher pointed out that the company's sites had user traffic among the highest in the newspaper industry. The manager quickly responded, “We're a giant among the pigmies. Our real competition is the pure Internet companies like Yahoo."[24] The CEO of The Beacon Company concurred in an interview:

> I don't want to make it sound like we are this big success, because I'm disappointed in online in many ways. Some have argued that the industry has made it through and done quite well. I would argue that the industry is abysmal. *The Beacon A* doesn’t look at the newspapers as our peers, we look outward and realize we’ve got a lot left to do.[25]

Structural Context

The pace and aggressive scale of investment had made it hard for managers to initially recognize that integrated structure constrained strategy. However, repeatedly internal experience demonstrated the problems of being integrated with the newspaper. The most influential example of this was through an unplanned experiment in the sales organization. A partner company had developed a business directory product that it was posting on *The Beacon A* website through a licensing arrangement. The partner hoped that the newspaper sales force could sell the product. The print sales force made it a priority and dedicated four print sales reps to the product. Unfortunately, they had very little success promoting it to traditional print advertising customers. The problem was not just that interest was low, but that the cycle and selling process of quarterly visits to print advertisers was different. The business directory required high selling volume, and in this sense was more similar to a Yellow Pages product.

In 1997, frustrated by the lack of success, the directory company asked *The Beacon A* if it could hire its own sales reps to promote the product. *The Beacon A* agreed, but reserved the right to buy the new organization for an option price of $1, essentially guaranteeing control if the effort took off. The directory company then hired four outside sales reps--the same number as in the print sales division. Referred to as “The Agency,” they opened an office 15 miles north of the *The Beacon A* and started selling at the end of the first quarter. By the end of that year, the differences were startling. Despite over a year lag, the Agency's closings per sales rep were nearly triple the print group. In January 1998, management at *The Beacon A* decided to exercise their $1 option. Part of the deal was that the print sales force do "nothing to jeopardize the current structure."[26]

The sales group kept is offices and separated management structure. Once acquired, The Agency started looking for other online products to sell. The first addition wasn't even part of a formal decision in the print sales organization. The online sales manager described,

> Classified Ventures [an online classified product] came along and the print reps weren't sure what to do about it . . . We saw the product and said 'hey, we can sell this.' So we just started selling it. Pretty soon we had so many accounts that they had to formally turn it over to us. The print folks call us the 'online raptors'--we just suck everything up that comes in our path.[27]

By 2001, The Agency employed nearly 50 people and sold all of the "Internet only" ads at *The Beacon A*.

The structural integration that had been so strong from the launch of the venture through 1998 began to slowly loosen. Online budgets were separated from the newspapers' print operating budgets and separate targets were established for online. *The Beacon A* also looked increasingly to outside experience in its hiring process. The online sales manager pointed out, "Since 1998, most of the people who we hired joined to work in the Internet business. They are not recycled newspaper people anymore. I think it is a problem for people who come from newspapers, because the new business demanded a new set of standards."[28]

In 1999, senior management at The Beacon Company began discussions to more formally separate their Internet businesses from the newspapers. Some of this was driven by the excitement around Internet IPOs. Interviews with The Beacon Company management revealed that while this was a consideration, it was not the dominant motivation. They believed that separating would give the Internet the autonomy needed to develop a market that was considerably different than the newspaper market. When reminded about his original vision to integrate, the publisher and former head of the New Media division explained, “That was probably ‘Mea Culpa.’ The thinking was so much around the newspaper that we wanted to leverage [our newspaper expertise] and bring the organization with it. It just didn’t work.”[29] The Vice President of Human Relations noted:

> We needed online to be separate so this organization could figure out what was in its best interest. And the print organization could figure out what was in their best interest. Then let them decide what and where the points of integration would be. You can’t know before, you just have to let it emerge itself. Set up a structure and let the organizations figure it out themselves.[30]

The company formally announced its decision to set up a separate Internet unit in early 2000. Direct responsibility for the Internet was pulled away from the newspapers and given local, independent autonomy. The functional managers reported to their respective online general managers, not their print functional equivalents. Other positions that did not even exist in print were identified and developed, particularly in the area of partnerships and business development (Figure 5).

Definition and Impetus

With a changed structure and evolving strategic positioning, the definition process could occur in a much more iterative way. More importantly, this could occur at lower operating levels of the organization, which meant that those defining and lending impetus to proposals were much more tightly involved in the actual technical and market factors. One example was the launch of a separately branded, technology oriented website. The head of new media described the discovery:

> When we started tracking browsers we realized that tons of our traffic was coming from India. For sure these users were not coming to the site to check the local weather or estimate commute times. They were interested in the technology information we provided.[31]

The venture management soon gave the site its own branding and page impressions soared. This process is notable because it originated with the observations of the line management and then moved through an upward process of impetus building and then commitment.

Commitment

Within the separated organization, threat motivation was no longer required to build impetus and commitment. Like the case of the separately branded website, the context allowed for the identification of the opportunity; then a commitment could be secured because the idea was consistent with the incentives, structure, and economics of the separate environment. Simultaneously, and despite the evolution in the new venture, the context in the print organization remained unchanged. *Financial* commitment from the parent remained because threat to the print franchise continued to be the primary motivation. However, *operational* commitment was now isolated in the new venture. The process of commitment now spanned two organizations—financial commitment from a threatened print organization and operating commitment from a separated organization focused solely on the independent opportunity of the new business (Figures 5 and 6).

The Newspaper Evolved

The independent venture context now allowed experimentation to occur at the operating levels of the new venture in a much more emergent, even experimental process (Figure 6).

The venture began to develop separately branded content in categories from technology to travel to education. Also, editorial content and buyer information was independently built around classified databases in ways that had never been done in the newspaper. In 2000 and then again in 2001, The Beacon Company made substantial investments in outside online classified companies, further separating the operations of those businesses as independent revenue streams. The company evolved its business model in other ways, including e-mail marketing, demographic targeting, and other directory services, all sources of revenue not traditionally part of the print newspaper business model. *The Beacon A* turned profitable in 2000, but was learning to find sources of revenue and develop underlying business models that showed considerable evolution from that which had worked so well in its parent's past.

Discussion

Analysis would suggest that managers can overcome the problem of commitment to disruptive technology when they recognize the potential threat and motivate commitment based on fear of the eventual displacement. In other words, threat can be a powerful catalyst. However, this threat-motivated behavior often leads to rigidity around the core business. The paradox is thus summarized: absent threat, response to disruptive opportunities is inadequate; but with threat, the fully funded response is maladaptive. By iterating between case data and the theoretical literature we can gain deeper insight into the phenomenon of threatened response. Figure 7 applies the case data from each period at *The Beacon A* to the possible framing combinations between the resource allocation and corporate venture management activities of the company.

Without Threat Framing, Resource Commitment Stagnates

In Period 1, theory on resource allocation would have predicted that the new business would be denied resources because it failed on the traditional resource commitment requirements (Christensen and Bower, 1996). However, the personal credibility of the publisher created the impetus to secure initial financial resources (Bower, 1970). Nevertheless, and consistent with the theory, the plan to experiment and develop the new market was frustrated as managers at the operating levels of the organization starved these efforts of time and attention, in favor of focusing on the demands of the core business and leading customers. Framed as an opportunity, commitment was low and the business did not develop (see lower right quadrant of Figure 7).

The Behavioral Consequences of Threat Motivation

In Period 2, threat framing became the dominant feature of response. *The Beacon A* significantly increased its commitment to the new business, but also aggressively replicated its core business model. Consistent with the literature, three distinct features about the nature of threat-motivated commitments lead to this rigidity producing behavior. First, commitments were deployed aggressively in large, single-stage commitments. Few formal mechanisms to evaluate and learn after each stage of capital infusion were put in place. Unlike Period 1, there was now a deep *willingness to spend* (Mittal and Ross, 1998; Kahneman and Tversky, 1984), but those resources were deployed aggressively with very little staging. As the losses grew, rather than carefully evaluating what had been learned, more resources were deployed. Second, senior managers, though very involved and committed, also created an intense *contraction of authority* (Dutton and Jackson, 1987; Herman, 1963). Corporate managers assumed authority and control over those employees who were assigned to the Internet. For example, rather than relying on the line managers, senior editorial staff wanted to review and revise content that was posted to the web. Third, the increased involvement of senior print managers forced decision-making to *focus on the existing resources* of the newspaper franchise (Mittal and Ross, 1998). The senior management spent relatively little effort asking about the unique qualities of the Internet and how that might change the way the product was developed or the way money was made. Thus, commitment was a mixed blessing. Significant amounts of financial and human resources were available for the development of the venture, but those resources were focused around aggressively defending the existing business.

The Challenge of Competing Frames

Why don't firms simply change frames--start by framing the issue as a threat, then re-frame it as an opportunity? The literature is full of suggestions for managers to manipulate the framing of strategic issues (Mintzberg, Raisinghani, et al, 1976; Nutt, 1984; Dutton, 1992; Kahneman and Tversky, 1983; Papadakis, et al, 1999). Despite the inherent appeal, several factors make the simultaneous manipulation of frames extremely difficult. First, we know from the cognitive psychology literature that frames tend to perpetuate themselves. At the individual level, schematic theory suggests that categories and labels, while powerful for memory and recognition, also reinforce the label or category (Rommetveit, 1968; Alba, 1983, Rosch 1975). For example, Cantor and Mischel (1977) found significant bias toward conformance to a prototype once labeling had occurred. Alba and Hasher in their analysis of the encoding process found that "only the information that is relevant and important to the currently activated schema will be encoded" (1983: p. 203-204). Interpretive theory shows that the initial interpretation of organizational meaning shapes future interpretation through a process similar to the encoding process described in schema theory (Weick, 1995; Daft and Weick, 1984). Indeed, the phenomenon of the self-perpetuating frame appears robust at multiple levels of analysis.

The second reason re-framing is so difficult relates to the very nature of the resource allocation process itself. Resource allocation is not a one-time event, but an *iterative process*. Noda and Bower (1996) demonstrated that initial premises of plans shape the metrics, context, and choice of management throughout the life of a venture. Thus, the early framing of a project is perpetuated throughout the subsequent stages of development. This is partially because the framing is reflected in the way projects are measured. But it also reflects the tendency for considerable overlap in personnel across the budgeting and planning process. Their early views of the new business often continue to shape the development of the venture as they remain involved.

Previous research on disruptive technology would suggest that creating a separate organization helps the venture to avoid the traps of resource allocation (Christensen, 1997; Christensen and Bower, 1996). However, the research presented in this paper moves the theory beyond resource allocation. Separate structure allows strategic de-coupling of competing frames. Rather than "re-framing" in the sense of starting with a threat and then progressing toward an opportunity, structure allows the *simultaneous* management of competing frames by isolating the effects of two very different resultant behaviors. This de-coupled state occurred at *The Beacon A* in Period 3 because those funding the venture continued to be motivated by the *threat* to their core organization, while those managing the venture were allowed to frame the new business as an *opportunity* and construct its planning processes accordingly (Figure 7). Note that the context and structure of the parent organization actually remained intact (Figure 5) while a completely separate structure and context that could support the new framing was developed. This structural mechanism allowed competing frames to *simultaneously* co-exist in the same company, but to develop in separate organizations.

Implications and Conclusions

The research presented in this paper expands the current literature and opens opportunities for further investigation. Three distinct contributions stand out. First, the identification of the response phenomenon bridges the threat rigidity literature and research on disruptive technology. Because the threat rigidity literature has largely examined threat as an exogenous variable (Staw, Sandelands, and Ross, 1981; Dutton and Jackson, 1987), it has missed this response paradox: threat, despite its rigidity producing attributes, is also an important source of motivation and organizational commitment. Recognizing this challenge, and managing it appropriately, has important implications for the sustainability of the firm. This points to a second contribution. If the cognitive frame required to fund a disruptive technology becomes a source of dysfunctional behavior, a frame de-coupling mechanism becomes essential. The identification of structure's role in facilitating the *simultaneous* management of competing frames is unique. The concept of frame manipulation, though often advocated in the literature, has lacked an underlying theory as to how competing frames can actually be managed at the same time. Third, the current research moves the theory of disruptive change beyond resource allocation to the crucial role of management cognition and framing. Threat can motivate resource commitment, but the way in which those committed resources are deployed differentiates response. Previous research on disruptive technology has focused on the allocation of resources (Christensen and Bower, 1996) and largely ignored the implications of management cognition.

The current paper also opens opportunity for further inquiry. First, the process of commitment should be expanded to other research sites using the Bower-Burgelman model and analytical replication (Yin, 1994). There is also an opportunity to expand the analysis to a much larger sample using survey instruments. One of the benefits of the current study is that it helped sharpen the underlying constructs of threat and opportunity framing as they are manifest within an organizational setting. This understanding can be used to develop measurable constructs required for formal comparisons in a large sample survey study. Finally, the issue of external validity must be examined. The current data creates a clear argument for separation, but there are also case examples in other industries facing external threats where integration has worked. Note that in this research, the Internet was disruptive to the newspaper market and business model. However, the *same* technology may be in one instance disruptive and in another sustaining, depending on how it interacts with the firm resource allocation process and external markets. Further cross-industry studies on structural relationship should be conducted. Nevertheless, it is hoped that the findings of the current study have helped clarify and explain the phenomenon of response and its implications for future research and practice.

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Figure 1

Figure 1: Response to Disruptive Technology

		Framing in Corporate Venture Management	
		Threat	Opportunity
Framing in Resource Allocation	Threat	High Commitment Rigid Plan	High Commitment Flexible Plan
	Opportunity	Low Commitment Rigid Plan	Low Commitment Flexible Plan

Figure 2

Figure 2: *The Beacon A* Organization Chart 1992-1995

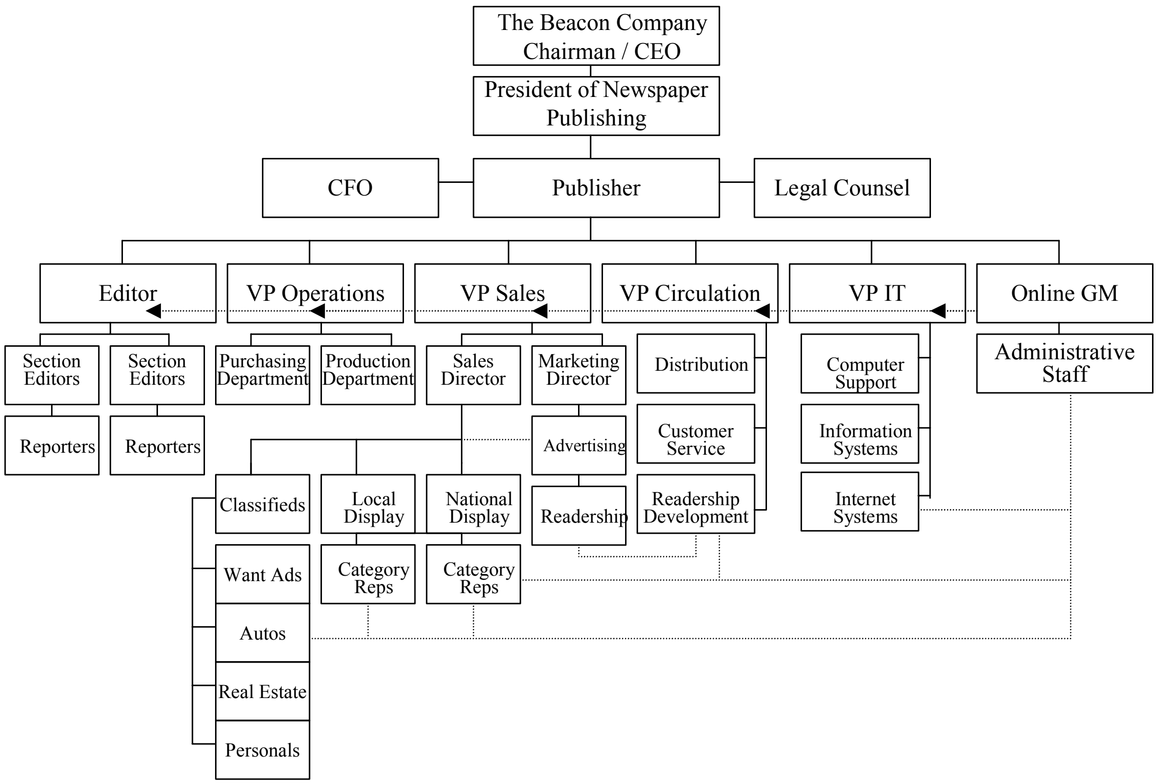


Figure 3

Figure 3: Analysis of Commitment
Period 1: “All Dressed-up and Nowhere to Go” (1990-1995)

Structural Context : Integrated with the financial and operational demands of the print organization

Strategic Context : Take advantage of new media, newspaper as bridge to future, learn and create a series of experiments

Level	Definition	Impetus	Commitment
Top	New media investments should not repeat the losses of videotex	Confidence in publisher’s credibility and focus to keep costs low	Corporate provides funding for low cost experiments
Middle	A structured set of experiments, new utility / community content, new sources of revenue	Publisher’s interest lends credibility and momentum to project	Daily operating demands make it difficult even for the publisher to focus on the new business
Bottom	The Internet is not really part of daily operating considerations	The Internet is not really part of daily operating considerations	Daily decision rules cause managers to prioritize time and effort to print responsibilities

Figure 4: Analysis of Commitment
Period 2: “Going Nowhere in a Hurry” (1996-1998)

Structural Context: central Internet group, but operations still integrated with financial / operational concerns of print organization

Strategic Context: The company is exposed as a pure newspaper business, and subject to threats to that business

Level	Definition	Impetus	Commitment
Top	The Internet is the threat facing the company and we must defend the franchise	CEO’s concern causes accelerated momentum	Corporate approves sustained funding, despite growing losses
Middle	The Internet is the threat facing the newspaper and we must defend the market	CEO’s concern causes accelerated momentum at newspaper	Publisher commits funding for increased spending
Bottom	Our business may be replaced by new competition from the Internet	Senior management is focused and talking about the threat of the Internet to our future survival	Fear for the future of newspaper, time and attention are given at the operational level

Figure 5: *The Beacon A* Organization Chart 1999-2001

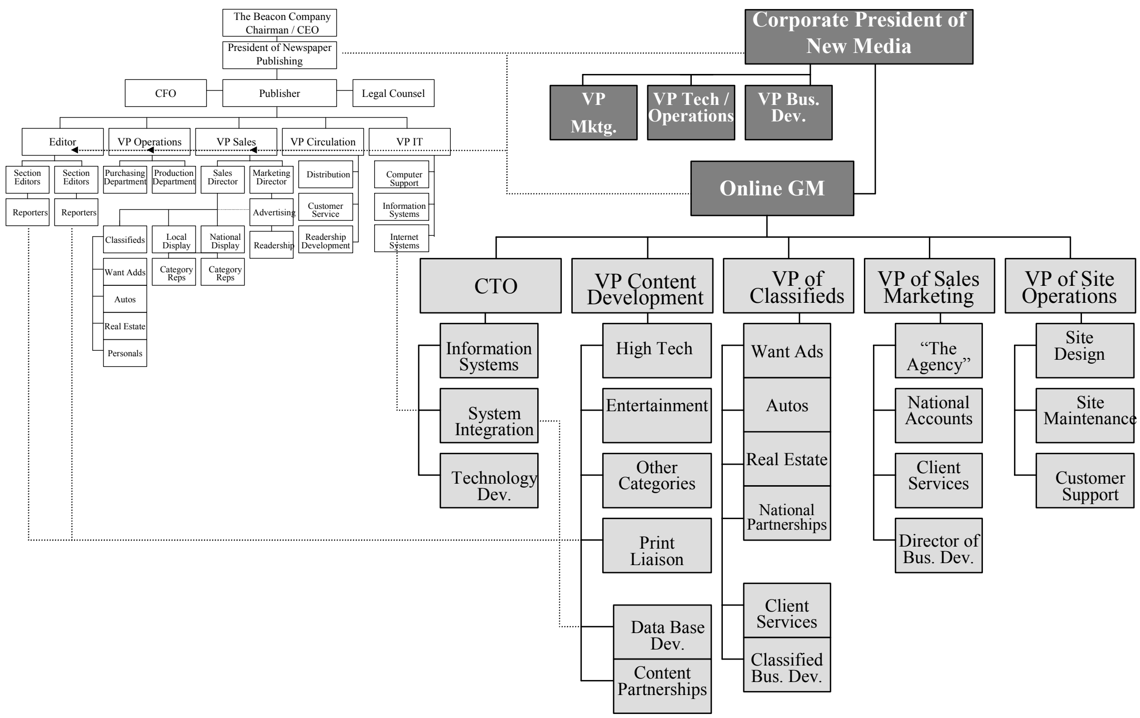


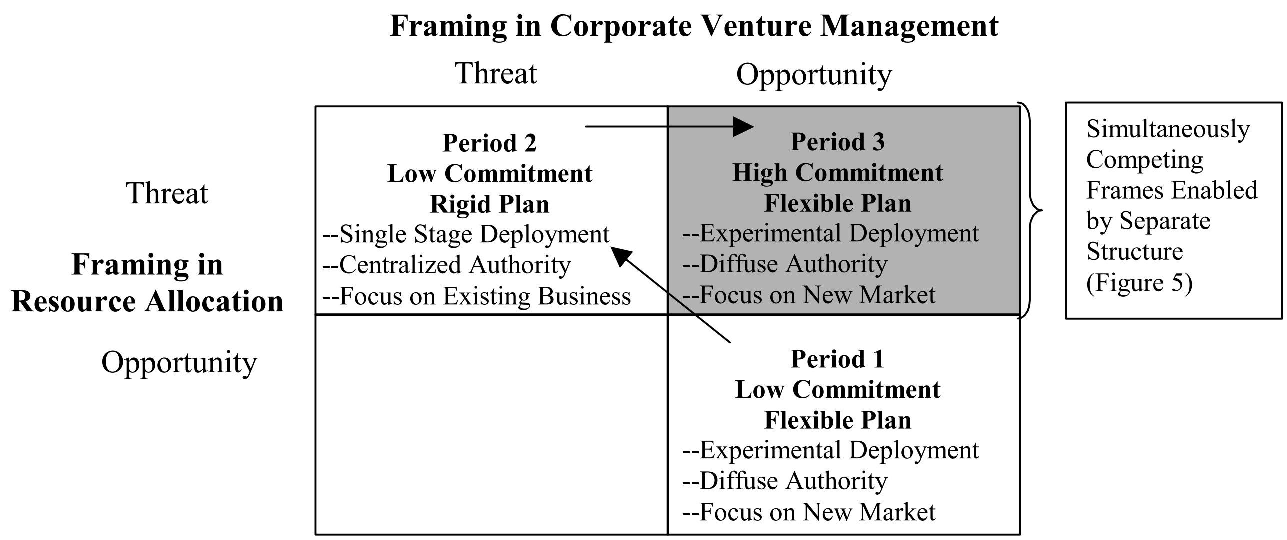
Figure 6: Analysis of Commitment
Period 3: "Ownership Has Its Privileges" (1999-2001)

Structural Context: Separate organization with separate financial targets and controls, no obligation to consider the print product

Strategic Context: Strategy will evolve considerably from the print product, Internet companies become our benchmarks

Level	Definition	Impetus	Commitment
Top	The Internet is a separate opportunity from the print business	Ideas that help us learn should be encouraged	Financial commitment given to fund a series of new experiments
Middle	The Internet can be different from the print product	Experiments help us learn, we should try these ideas and adjust as we go	Learning by doing: middle managers spend time implementing new ideas
Bottom	Ideas such as: separately branded vertical web site, utility focused content development, customization, etc.		Learning by doing: operational staff spend time on these new ideas, which helps generate more ideas

Figure 7: The Evolution of Commitment and Strategic Process at *The Beacon A*



Appendix 1
Data Collection at The Beacon Company

<table>
<tr><th>Level in Organization</th><th colspan="3">Specific Types of Data Collection
(Researcher on Site from 2/00-4/01))</th></tr>
<tr><td>Corporate Level</td><td colspan="3">• 3 Interviews: Corporate Management (including CEO/Chairman)
- Evolution of motivations concerning commitment to the Internet business
- Internet implications for the print newspaper business
- Interaction between online and print organization
- Structural differences, coordination challenges and opportunities
- Cultural, management, and business plan differences
- Financial expectations and accountability
• Direct Observation: Interaction with venture executives, planning meetings
• Archival Data: Proposals, internal memos, and communication with new venture</td></tr>
<tr><td rowspan="4">Newspaper Level</td><th>General Management</th><th>Sales and Marketing</th><th>Editorial Staff</th></tr>
<tr><td>• 3 Interviews
- Evolution of motivations concerning commitment to the Internet business
- Internet implications for the print newspaper business
- Coordination challenges
- Cultural, management, and business plan differences</td><td>• 3 Interviews:
- Coordination challenges and opportunities
- Culture
- Incentive system
- Sales cycle
- Customer profile</td><td>• 2 Interviews:
- Coordination challenges and opportunities
- Culture
- Story development cycle
- Content profile</td></tr>
<tr><td colspan="3">• Direct Observation: Story creation, sales calls</td></tr>
<tr><td colspan="3">• Archival Data: Business plans and proposals, customer lists, sales collateral</td></tr>
<tr><td rowspan="4">Venture Level</td><th>General Manager</th><th>Marketing Manager</th><th>Editorial Staff</th></tr>
<tr><td>• 3 Interviews:
- Internet implications for the print newspaper business
- Coordination challenges
- Cultural, management, and business plan differences</td><td>• 4 Interviews:
- Coordination challenges and opportunities
- Culture
- Incentive system
- Sales cycle
- Customer profile</td><td>• 3 Interviews:
- Coordination challenges and opportunities
- Culture
- Story development cycle
- Content profile</td></tr>
<tr><td colspan="3">• Direct Observation: Story creation, sales calls</td></tr>
<tr><td colspan="3">• Archival Data: Customer lists, sales collateral</td></tr>
</table>

Endnotes

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