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DISCUSSANT COMMENTS

COMMENTARY ON *FRONT AND BACKSTAGES OF THE DIMINISHED ROUTINIZATION OF INNOVATIONS, AN ENTREPRENEURIAL PERSPECTIVE ON THE FIRM-ENVIRONMENT RELATIONSHIP,* AND *CROSS-BOUNDARY DISRUPTORS*

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The papers by Bartunek, Trullen, Immediato, and Schneider (Front and backstages of the diminished routinization of innovations: what innovation research makes public and organizational research finds behind the scenes), Smith and Cao (An entrepreneurial perspective on the firm-environment relationship), and Burgelman and Grove (Cross-boundary disruptors: powerful interindustry entrepreneurial change agents) address the topic of change. The specific foci of these papers are quite different. While commonalities among the papers are certainly identifiable, highlighting the value of these writings is perhaps better achieved by focusing on their unique contributions to the change literature rather than by seeking to identify points of theoretical overlap within the broad domain of change. With this belief in mind, this commentary reviews several of the principal contributions of the three papers to the change literature. Promising research directions pertaining to the topic of change that build directly on observations made in the papers are then discussed. Copyright © 2008 Strategic Management Society.

PRINCIPAL CONTRIBUTIONS OF THE BARTUNEK *ET AL.*, SMITH AND CAO, AND BURGELMAN AND GROVE PAPERS TO THE CHANGE LITERATURE

In regard to the Bartunek *et al.* paper, two of its contributions to the change literature are especially noteworthy. First, the paper offers insights into *where to look* within organizations for possible predictors of what drives innovations through their evolutionary life cycles. In particular, Bartunek *et al.* highlight the importance of three factors that cause innovations to evolve (or fail to evolve) in organizational settings and thereby become differentially valuable to those organizations over time. These specific factors include (1) changes in structural context variables that can affect the routines associated with an innovation; (2) differences in the perspectives, communication patterns, and power relationships of those responsible for creating and implementing the innovation; and (3) the subtle and often unnoticed morphing that occurs over time with respect to the innovation concept and its purpose. In essence, Bartunek *et al.* are proposing that we incorporate these three novel—or at a minimum, underemphasized—*backstage*

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considerations in our models of evolutionary change among innovation initiatives.

A second principal contribution of the Bartunek *et al.* paper to the change literature is its identification of fundamental dynamics that underlie the migration of value from organizations that create knowledge-based innovations to markets that benefit from those innovations. Specifically, Bartunek *et al.* observe that the commercialization of successful knowledge-based innovations by organizations can lead to their calcification within those source organizations, yet these same innovations may be readily adapted by customers as they interpret and idiosyncratically utilize the acquired knowledge within the contexts of their specific organizations. As such, the Bartunek *et al.* research provides an additional perspective on the matter of how innovators' abilities to garner value from their product-market offerings are challenged in the context of weak appropriability regimes (Teece, 1986). Moreover, the paper highlights the developmental role of customers in being able to extract unique value from standardized product-market offerings (Christensen and Raynor, 2003).

The Smith and Cao paper also contributes to the change literature in several important ways. For example, their research cogently advances the notion that firms can be much more proactive in shaping their environments than might be inferred from traditional writings on the firm-environment relationship. The specific insight of the Smith and Cao paper in this regard is the identification of entrepreneurial action as the vehicle that allows organizations to assume proactive postures vis-à-vis their environments, and thereby shape the contexts within which they operate. The particular black box illuminated by Smith and Cao's paper is the matter of how markets are created by proactively shaping the belief systems of market participants. Thus, while other scholars have usefully explored the dynamic of market creation from a broad, strategic perspective (e.g., Kim and Mauborgne, 2004; Vandermerwe, 2000), Smith and Cao highlight the importance of individual perceptions and beliefs about a market's existence and attributes as determinants of a firm's success with new product-market offerings. As such, Smith and Cao's paper contributes to the growing body of literature which highlights the importance of belief systems and cognitions to entrepreneurial actions and the process of new market creation (e.g., Sarasvathy and Dew, 2005).

A second principal contribution of Smith and Cao's paper is the insight that the three dominant perspectives on the matter of how firms relate to their environments—that is, the ecology perspective, the adaptation perspective, and the entrepreneurial perspective—are not inherently contradictory but, rather, reflect the nature of the firm-environment relationship as viewed over different time horizons and from the perspective of different units or levels of analysis. While distinctions between various paradigmatic views of the firm-environment relationship have often been emphasized (see Scott, 1998), their points of commonality are seldom stressed. Smith and Cao break with tradition by emphasizing how and where the three perspectives on the firm-environment relationship are complementary. In emphasizing the potential complementarity of the perspectives, Smith and Cao's observations may productively renew the dominant conversation within the firm-environment relationship literature by giving scholars a well-considered rationale for embracing multiple theoretical lenses when seeking to understand how firms relate to their environments.

The Burgelman and Grove paper contributes significantly to the technological change and industry evolution literatures through its advancement of the cross-boundary disruptor concept. As defined by Burgelman and Grove, a cross-boundary disruptor is 'a powerful entrepreneurial change agent whose strategic actions materially affect the equilibrium in an adjacent or neighboring industry.' The cross-boundary disruptor concept represents a valuable theoretical insight in that existing models of industry evolution are largely focused on matters pertaining to sustaining or disruptive change *within* an industry (e.g., Christensen and Bower, 1996; Cooper and Schendel, 1976; Cooper and Smith, 1992). By contrast, relatively little theoretical attention has been devoted to understanding the processes and mechanisms through which industry boundaries evolve. This is where Burgelman and Grove's insights add significant value. Their observations on the company and industry conditions favorable to cross-boundary disruption constitute important propositions to be explored in studies of the new competitive landscape (Bettis and Hitt, 1995).

A second key contribution of the Burgelman and Grove paper is their recognition and discussion of the cross-boundary disruptor paradox: 'Those who are strong enough to mount an attack on another industry (not in the sense of portfolio diversification through acquisition) because their strategic position and competencies and capabilities in their home industry naturally drive them toward converging with the other industry rarely are aware of the opportunity to do so.' Interestingly, two of the company-level conditions Burgelman and Grove discuss as favoring a company's pursuit of cross-boundary disruption—namely, resource richness and limited growth opportunities in the core business—are also recognized as important drivers of internal corporate venturing activity (see Burgelman and Valikangas, 2005). Nonetheless, companies' frames of reference for engaging in internal corporate venturing seem to be existing industry structures. Perhaps companies are prone to define entrepreneurial opportunities in terms of existing industry domains as a means for tempering the risk inherent to internal corporate venturing. Moreover, the scale of the entrepreneurial initiatives needed to disrupt the strategic dynamics within an adjacent industry and alter industry boundaries may be beyond what most companies would consider as part of their *exploratory* venturing programs.

PROMISING RESEARCH FOCI SUGGESTED BY THE BARTUNEK *ET AL*., SMITH AND CAO, AND BURGELMAN AND GROVE PAPERS

The insights offered in the Bartunek *et al*., Smith and Cao, and Burgelman and Grove papers might be usefully advanced by focusing on a few promising research questions. With respect to the Bartunek *et al.* paper, how can managers best assure that their organizations are *change ready* in regard to the ability and willingness of those organizations to modify their proven product-market offerings or larger business strategies? The phenomenon described by Bartunek *et al*., whereby the Society for Organizational Learning exhibited an inability to sense a need for change and act upon that need in a timely fashion, is a common occurrence in once-successful organizations. Indeed, fundamental change in organizations often occurs only in response to the perception of a serious threat (Kotter, 1995). Some organizations exhibit a remarkable ability to continuously renew themselves by not holding on to old strategic recipes that, while once successful, have outlived their usefulness. Anecdotal insights into how this might be accomplished can be found in the writings of, for example, Jack Welch, former CEO of General Electric (see Welch and Byrne, 2001) and Andy Grove, former CEO of Intel (see Grove, 1996). Nonetheless, there is a paucity of large-scale, empirical studies from which the best practices of strategic change management might be inferred.

A research question of potentially great significance that builds from the Smith and Cao paper is what are the unique strategic challenges associated with the pursuit of entrepreneurial actions—new product-market entry events—that significantly shape the environments in which the new entries occur, and how can these challenges be successfully met? An important point to recognize with respect to this question is that an entrepreneurial act can alter a firm's relationship with its environment by (1) placing the firm within an established environment that is only new to the firm and little altered by the firm's entry; (2) placing the firm within an established environment that is new to the firm yet significantly impacted by the firm's entry; or (3) placing the firm within new market space that its entry helped identify. As such, firms alter their relationships with their environments, in part, by choosing the domains in which they will operate, but those domains may be variously well defined at the time of the firm's entry. Entrepreneurial acts that enable firms to capture value from existing markets may pose very different challenges than entrepreneurial acts through which firms create new markets. The latter, for example, may require entrepreneurial firms to take substantive and symbolic actions to establish the legitimacy of those markets and signal their attractiveness (Aldrich and Fiol, 1994; Zimmerman and Zeitz, 2002). In short, while entrepreneurial acts necessarily represent new entry, the success of these acts will variously depend upon a firm's ability to alter existing belief systems among market participants and a firm's ability to build new belief systems among prospective market participants. Research that yields insight into these unique challenges is much needed.

Finally, a potentially important research question suggested by Burgelman and Grove's paper is how can managers recognize opportunities for cross-boundary disruption given the paradox that industry boundary-redefining entrepreneurial opportunities are easily overlooked? Answering this question will require an understanding of the circumstances that create the cross-boundary disruptor paradox. Perhaps managers who seek growth by moving their companies into adjacent industries are conditioned by their experiences to conceive of adjacent space (Zook and Allen, 2003) too narrowly. A result could be that entrepreneurial opportunities in yet-to-be-defined industry spaces are not thought of as *close* to the

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firm, despite the fact that those spaces may be favorably shaped by the firm. In short, as suggested by both the Smith and Cao and Burgelman and Grove papers, a high priority position should be given to strategic entrepreneurship research that explores how firms can successfully employ entrepreneurial actions to proactively shape their environments.

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