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TOWARDS THE PHENOTYPE OF THE BARBARIAN FIRM

An original conceptual framework to explain success in today's business environment

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Abstract

The purpose of this thesis is to identify the phenotype of successful firms that operate in today's dynamic business environment. Academia has proposed many theories that, from different points of view, would explain the success of certain companies over others. However it seems that these frameworks and theories either are not fully applicable in the current dynamic high velocity environment or focus exclusively on the genotype of successful firms. Employing a multiple cases study in the multimedia industry, the successful phenotype is recognized in the so-called Barbarian Firm (BF). The concept of BF derives from the interpretation of the sociological thoughts of the Italian writer Alessandro Baricco. The managerial translation of his thoughts allowed for the development of a tentative conceptual framework of the phenotype of the BF, which is characterized by three observable interconnected traits: BFs show a proactive attitude to attack well-established products or business models that have remained unaltered for long time and that can be substantially innovated (i.e. totems of the market); BFs perform lateral movements adapting to new technological advancements and interpreting new customers' behaviors acting as a technology broker and maintaining an agile organizational structure; BFs commercialize disruptive innovation products or services that present sufficient performances in the traditional products' dimensions but offer superior performances in other dimensions, such as simplicity, convenience and immediacy.

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List of abbreviations

AC	Absorptive Capacity
BF	Barbarian Firm
CD	Compact Disk
CEO	Chief Executive Officer
DCs	Dynamic Capabilities
DIs	Disruptive Innovation
DVD	Digital Versatile Disk
MP3	Moving Picture 3
RBV	Resources Based View
R&D	Research and Development
VHS	Video Home System
VOD	Video On Demand

1 Introduction

1.1 Setting the scene: A changing landscape

Business strategy has always been a highly delicate task to ensure the survival of firms and turn them into successful companies. However the success of a company at a certain point in time does not ensure that its' wealth will last forever (O'Reilly & Tushman, 2008). Such a statement acquires particular relevance in today's world where tough competition, complexity of the markets, fast pace of technology advancement and increased interconnectedness among players have transformed the business environment in a highly velocity environment characterized by rapid and discontinuous change in multiple dimensions, such as demand, competitors, technology, and regulation (Bourgeois and Eisenhardt, 1988).

On the one hand there are many examples that testify how big corporations being committed to strong strategic investments fail to recognize the changes in the external environments. Often these once-successful companies end up being acquired or disappear (e.g. Digital, Polaroid), are downsized and transformed (e.g. IBM, Kodak, and Ericsson) (Doz & Kosonen, 2008). On the other hand there are many successful stories of companies that from inception have invaded the market stealing market share from established competitors with a pace and speed that have never been seen before (Jin, Namwoon &Hong-Bumm, 2001). Even if such a phenomenon seems to affect many industries and markets, including for example the wine cooler market (Shankar, Carpenter & Krishnamurthi, 1998) and frozen food market (Geroski & Vlassopoulos, 1991), it is more easily visible in the technology and internet sector where the concepts of interconnectedness and speed of change are clearly identifiable. Take as an example the impressive diffusion of Facebook. The website was launched in 2004 and at its outset was accessible to Harvard students only. Given the enormous success it rapidly reached, the service was made accessible to everyone of age 13 and older from 2006. At that time the most visited social networking website was Myspace, which in fact was even more visited than Google's search engine on US territory (Cashmore, 2006). However in just two years Facebook overtook Myspace as the most visited social networking website and since then it has continued to increase the number of subscribers, counting more than 80 million active users as of July 2011 (Olivarez-Giles, 2011). The rise of Facebook caused the drastic downfall of Myspace, as shown by its decrease in market value that dramatically dropped from $ 580 million in 2005 to just $ 35 million in 2011 (Adams, Steel, & Vascellaro, 2011).

The success of Facebook shows another phenomenon that is taking place in today's business environment, which is defined by management scholars as "winner-takes-it-all competitions": very few best performers (sometimes only one) are able to capture a dominant share of the rewards and the contenders are relegated in small and often unprofitable niches. Often times just 5-10 % of the companies operating in a certain industry generate the entire shareholder value for that industry (Camphell & Hulme, 2001). This is particularly true for web-based companies, since the internet industry structure enlarges this effect (Noe & Parker, 2005). Consider for example the rise of Google Search, the search engine of Google. Google Search was not a first mover (there were already other search engine such as Yahoo!, Altavista, and Lycos among others). However in just a few years, it emerged as the only winner in this market, having more than 83 % market share as of August 2011 (Top search engine share trend, 2011).

1.2 Problem definition

The phenomena and the successful stories exposed above are just few examples that testify how the current business environment presents totally different characteristics in comparison to the ones that have been subject of studies by scholars. Indeed academia has proposed many theories that from different points of view would explain the success of certain companies over others. However it seems that these frameworks and theories are not fully applicable under the current setting.

Some theories stress the importance of exploiting the market power that a firm has acquired (Teece, Pisano & Shuen, 1997). On the one hand Porter's five competitive forces model (Porter,1980, 2008), argues that firms having a market positioning that is secure from competitive forces will eventually succeed. Particular attention is posed on the role of barriers of entry, which should protect incumbents from competition (Porter, 1980). However erecting protective barriers appears as a naïve strategy as testified by the increased skepticism toward this way of preserving competitive advantage (Jin, Namwoon & Hong-Bumm, 2001). Conversely Shapiro's theory of business strategy (Shapiro, 1980) tries to explain market competition with the use of game theory tools, stressing the importance of incumbents' strategic actions as deterrents for potential entrants. Once again the focus on entry barriers does not seem to correctly picture the current situation in the business environment which has witnessed the uprising of newly-born as market leaders. Such theories would eventually be valuable if the pace of change is predictable, the boundaries of industries clearly identifiable and the international competition limited (Bianchi, Di Minin & Frattini, 2011a). On the opposite the increased interconnectedness among actors, markets and industries has modified the magnitude of change in the business environment transforming it in a high velocity environment characterized (Bourgeois & Eisenhardt, 1988).

While the theories proposed by Porter and Shapiro focus their attention on the external environment as the critical variable that should be carefully assessed for strategy formulation, other strategic frameworks have put more attention on the firm-specific efficiency advantages. Arguably the most important one is the resource-based view (RBV) of the firm, which states that the success of a firm derives from a competitive advantage, which is built upon on scarce, idiosyncratic resources of the firms (Wernerfelt, 1984). Such resources can take different forms: among others, they can be human resources (Amit and Schoemaker, 1993), organizational routines (Nelson and Winter, 1982), organizational culture (Barney, 1986b), knowledge-based (Grant, 1996) and technology-based resources (Granstrand, 1998). Nonetheless the explanatory power of resources as source of competitive advantage has been questioned (Ray, Barney & Muhanna, 2004), especially when firms operate in fast-changing business conditions (Eisenhardt and Martin 2000). Therefore given the characteristics of today's business environment it seems that RBV cannot fully cast light upon the success of certain firms.

More recently several scholars (e.g. Teece et al, 1997; Dosi, G., Nelson, R. & Winter, 200; Helfat, Finkelstein, Mitchell, Peteraf, Singh, Teece & Winter, 2007, Teece, 2007a) have theorized that firm-specific resources are indeed a necessary but not a sufficient condition to ensure the success of a firm. In fact a firm may have unique resources but if these are not configured in the appropriate setting to respond to mutable conditions in the external environment, a competitive advantage will not emerge, restraining that particular company from being successful. Teece et al. (1997) introduced the term dynamic capabilities (DCs) to define the ability to arrange organizational competencies, routines and resources in a way that actively responds to changes in the external environment. The DCs framework seems to fits the current business environment better than the theories proposed above. In fact according to Eisenhardt and Martin (2000) DCs are especially valuable within dynamic markets, and as reported by Bianchi et al. (2011a) DCs have been associated with a set of firm-level characteristics and recurrent behaviors like agility, velocity, collaboration attitude, and ability to create and exploit connections (Helfat, Finkelstein, Mitchell, Peteraf, Singh, Teece & Winter, 2007) which seems to be peculiar attributes of successful companies such as Google, Proctor & Gamble and IBM (Huston & Sakkab, 2006; Harreld, O'Reilly & Tushman, 2007)

1.3 Phenotype and Genotype

The academic research conducted so far within the DCs framework is only limited to investigate firm's characteristics that would explain the success of certain companies. In this respect organizational routines (Nelson & Winter, 1982) and the role played by managers in configuring assets acquire a critical meaning (Cavusgil, Seggie & Talay, 2007). However, even if DCs framework seems the most appropriate theory to use to explain the success of firms in today's environment, DCs research is extremely limited when it comes to explain which are the observable behaviors and actions undertaken by successful firms to compete in the new highly-competitive, fast-changing scenario.

Comparing a firm to a living being and borrowing a terminology typical of the biology literature, one can say that, if the characteristics of a firms are thought to be the genes of the firm, then the majority of research has been focused on examine the genotype[1] of successful firms. But despite the abundance of literature on the genotype of firms, the specular concept of it, namely the phenotype[2] of a firm, has received much less attention by academia[3]. This fact is quite surprising because the "physical appearance" of firms should be carefully assessed and studied in order to determine the most successful companies who can better than others adapt themselves to an extremely dynamic environment and in turn are more likely to survive. If one compares the competition among firms within the new environment to the natural selection that takes place among animals, the importance of studying the

[1] Genotype is defined as "the genetic makeup of an organism as distinguished from its physical characteristics" (The American Heritage Science Dictionary 2005).

[2] Phenotype is defined as "the physical appearance of an organism as distinguished from its genetic makeup. The phenotype of an organism depends on which genes are dominant and on the interaction between genes and environment" (The American Heritage Science Dictionary 2005).

[3] The terms phenotype and genotype used with this figurative meaning were first proposed by Bianchi, Di Minin and Frattini (2011) in an article titled "Towards a phenotype of the amphibious company: an illustrative case from the chemical industry".

phenotype clearly emerge: while it is true that is the genetic heritage that confers to certain animals the advantage over others, the natural selection acts firstly on the phenotype. Take as an example the mutation of giraffe as examined by Darwin in its book "On the origin of the Species" (2009): once the giraffe did not have such a long neck, but with the increasing competition of other herbivorous animals in obtaining nutrients, just the giraffes with the longest necks could secure the nutrients and therefore were more likely to survive. In a similar way I believe that there is a need to improve our understanding and knowledge of the actions and behaviors undertaken by successful firms in the current business environment, which will be the most likely to survive and prosper.

1.4 Purpose and research question

Given the above, I think that the gap in current literature can be filled with a study of the phenotype of successful firms. Therefore the purpose of this thesis is to identify the behaviors of successful firms in current business environment and possibly to build a tentative theoretical framework that would better explain their success. I believe that such a study will bring new insights to theory and provide good practical guidelines for the understanding of management strategy as undertaken in today's business environment. Because of all the argumentation given above this thesis aims to answer the following research question:

Which is the observable set of behaviors of businesses that are successful in today's dynamic market environment?

Employing a multiple case study of multimedia firms that have successfully commercialized new products, I will try to answer the question making use of a sociological thought as the base upon which I will attempt to identify the intended firm's behavior. These sociological thoughts are provided by the Italian writer Alessandro Baricco[4] in his book titled "The Barbarians: An essay on the mutation"[5]. The idea is that this sociological perspective can be manipulated and in turn translated under a managerial light, leading to the conceptualization of a new framework called the phenotype of the Barbarian Firm (BF).

[4] See Appendix 1 for a brief biography of Alessandro Baricco

[5] The theory is introduced in chapter 4.

1.5 Delimitations

In order to specify in a more accurate way the scope of the thesis and avoid beforehand possible criticisms, there is a need to delimitate the breadth of this research by addressing three important issues, namely the use of the term success, the choice of the multimedia industry as the pitch of the analysis and the delimitation of the analysis to only multimedia firms.

First of all, being the aim of the thesis the investigation and identification of actions taken by successful businesses, the use of the term *success* has to be defined. When related to new products, the term success acquire different facets and its measurement can be done in several dimensions (Cooper & Kleinschmidt, 1987; Griffin & Page, 1993; Hultink & Robben, 1995). For example, according to Griffin and Page (1993), it can be evaluated along three categories, namely customer's acceptance measures (e.g. customer satisfaction), financial performance (e.g. break even time, margin goals), product level measure (e.g. development costs, product performance level). Given the fact that the analyzed companies operate in a dynamic and turbulent environment, the definition of success become even more difficult and ambiguous. Therefore I adopt a broad definition of the term, in which the successfulness of a company is principally determined by the degree and speed of diffusion of the products offered. In other words the selection of the companies is primarily based on the epidemic diffusion of these companies' products that have rapidly invaded the market gaining predominant positions in terms of market share.

The existing theories included in my study have principally researched the source of competitive advantage, partially neglecting the term success. Nonetheless I believe that the two concepts are overlapping, being one (i.e. competitive advantage) the cause of the other (i.e. success). Therefore in this thesis the successfulness of certain firm is intended to be the natural consequence of having obtained a competitive advantage over other firms. Thus I believe that the theories presented are not out of scope, rather are fully applicable.

Second of all, the case studies used as evidence for supporting the emerging framework are limited to the multimedia industry. The choice of such industry has been done taking into consideration a number of factors. I believe that the multimedia industry is the industry par excellence that pictures the current dynamic context, which is characterized by a high degree of change and volatile environmental conditions. For example new trends and technological advancement strongly influencing firms' behaviors determine radical changes in the industry structure (Datamonitor: Global Media, 2010) . Moreover forecasts on the development of such industry express the increasing relevance in terms of market value, which is thought to grow by almost 17% in the period 2010-2015 (Datamonitor: Global Media, 2010).

Third of all, the fact that the analysis is limited to one industry might give room for some criticism about the generalizability of the findings. However, considering the central role of the environmental variables (e.g. fast changing market conditions, interconnectedness) in the development of the emergent framework, the single-industry perspective allows keeping the contextual variables constant, excluding the effects that different environmental variables might have on the behaviors of firms in other industries.

1.6 Thesis outline

This thesis is organized in eight chapters. After the introduction and research question/problem, in chapter 2, *Theory,* I provide a review of existing literature and explain why such theories fail to answer the research question. Chapter 3, *Methodology,* presents the methodology adopted in this thesis and discusses validity and reliability issues. In chapter 4, *The barbarians: origin and traits*, I introduce the thoughts of Baricco as written in his book. Furthermore I provide a tentative managerial translation of his sociological ideas about the changes in the current society. This will lead me to the identification of the behaviors (i.e. barbarians' traits) that I believe can be recognized in the business environment. In chapter 5, *Case studies presentation*, the hard facts about the analyzed companies are presented. In chapter 6, *Analysis*, I discuss these findings, theorize about the connections between the barbarian traits and the observed behaviors in the case studies. In chapter 7, *Synthesis*, I provide a tentative theoretical framework of the actions undertaken by the BFs. Finally in chapter 8, *Conclusion,* I close the thesis with some reflections on the study and discuss possible managerial implications, future research and criticism of the study.

2 Theory

The theory section is intended to cover the main paradigms of management strategy that will be used as a base for my analysis. The aim of this section is to demonstrate that these theories, for different reasons, are not able to fully answer the research question. According to Teece et al. (1997), several theories have been developed with the intent of finding the source of success for firms. However many of these seem to bundle into few structured frameworks (Teece et al., 1997). Hence I decided to include four paradigms of business strategy: the Competitive Forces, the Strategic Conflict, the Resources Based View and the Dynamic Capabilities Perspective. The chapter is organized in five sections: in the first four I provide a general overview of each theory. In the fifth section I explain why these theories are not successful in providing extensive understanding of the actions taken by today's successful firms.

2.1 Competitive Forces

During the 80's the dominant strategy paradigm was the competitive forces framework developed by Porter (1980), which theorizes that the state of competition in a particular industry is the result of the interactions among five competitive forces, namely threat of new entrants, threat of substitute products or services, bargaining power of suppliers, bargaining power of buyers and rivalry among existing competitors (see Figure 1 below for a graphical representation). As a result "[...] the corporate strategist's goal is to find a position in the industry where his or her company can best defend itself against these forces or can influence them in its favor" (Porter, 1980, p. 35).

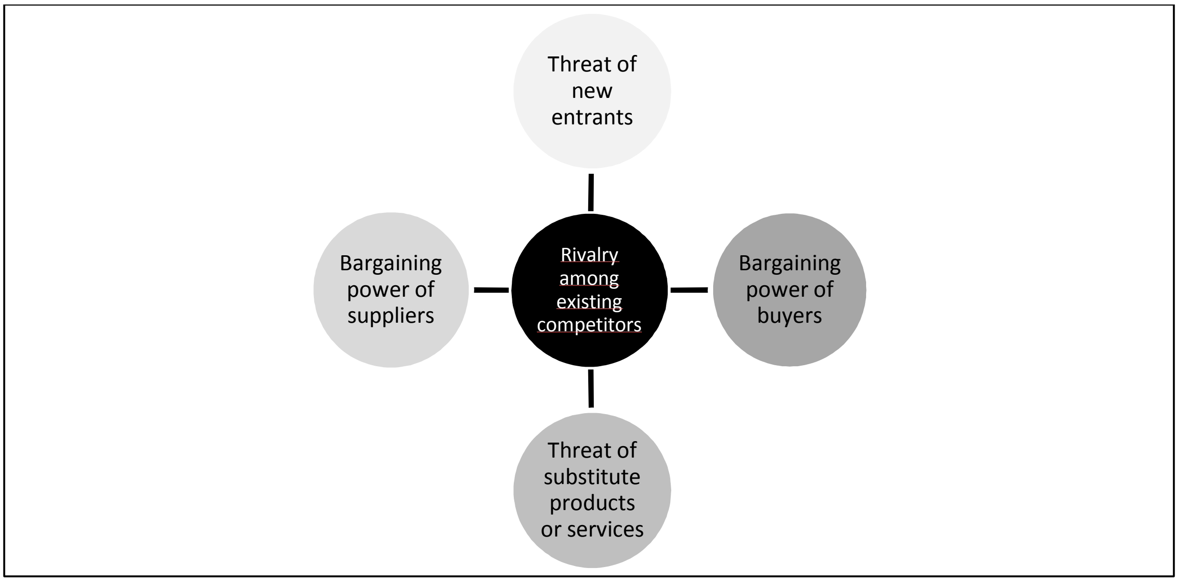

Figure 1. The five competitive forces. Source : Adapted from Porter (1980).

2.1.1 Threat of new entrants

When new players enter a particular market they bring in new capacity with hope of gaining market share to the detriment of existing companies (Porter, 1980). This threat is particularly dangerous when new entrants are companies that are simply diversifying from other existing markets and thus can make use of existing capabilities and cash flow (Porter, 2008). The magnitude of the threat of new entrants depends on two factors: (1) on the height of entry barriers and (2) on the reactions that new entrants can expect from incumbents (Porter, 2008, p. 81).

2.1.1.1 Entry Barriers

According to Besanko, Dranove, Shanley and Schaefer (2007, p.289): ‘‘Barriers to entry are those factors that allow incumbent firms to earn positive economic profits, while making it unprofitable for newcomers to enter the industry’’. Entry barriers might preclude firms from entering the market and restrict the process of allocation and dynamic efficiency (Dijkstra, Lutz & Kemp, 2010). Porter identifies seven major sources of entry barriers (Porter, 2008):

- *Supply-side economy of scale:* Existing companies can lower the cost per unit limiting the possibility of the new entrant, who has to enter the market on a large scale (hence with great investments) to avoid significant diseconomies (Scherer, 1973).
- *Demand-side benefit of scale:* Incumbents can benefit from what has been called network effect in the marketplace (Byungjoon, Choudhary & Mukhopadhyay, 2002),

which increases the utility of a product on the base of the number of customers using this particular product (Katz & Shapiro, 1985).

- *Customers switching cost*: they are the expenses which the buyer incurs when he/she changes supplier (Porter, 2008). Among others contractual commitments, learning a new system, search cost, inflexible and specialized information formats, purchase of durable products, loyalty programs, and network externalities are thought to be major sources of switching costs (Shapiro and Varian, 1998).
- *Capital requirements:* they can discourage potential competitors to enter the market especially when the investment is needed for unrecoverable expenditures in up-front advertising or R&D (Porter, 1980), or when the durability of the capital itself is high (Eaton & Lipsey, 1980).
- *Incumbency advantage independent of size:* Patents, benefits of the learning curve, easier access to raw material channels, strong brand recognition (Porter, 1980) are examples of sources of advantages for existing competitors.
- *Unequal access to distribution channel*: New entrants might find it difficult to obtain effective distribution channels because existing competitors have already tided up the more effective ones.
- *Restrictive government policy:* In some industry, such as liquor retailing or taxi services (Porter, 2008), government and regulators might restrict the number of firms in a market by requiring licenses and permits (Karakaya & Stahl, 1989).

2.1.1.2 Expected retaliation

Expected retaliation indicates the expected counter actions taken by existing firms when new entrants try to compete in a certain market. According to Porter (2008), potential entrants are likely to perceive highly expected retaliation when incumbents have antecedently opposed new entrants or when incumbents have abundant resources or cut price to retain market share or the industry shows low growth-rate.

2.1.2 Threat of substitute products or services

Substitutes are alternative products that provide a price or performance benefit and restrict the industry profitability (Scherer & Ross, 1990). An existing firm can lower the level of threat of substitutes by differentiating its product offers in terms of performance or marketing (Porter, 2008), or by pursuing a cost-leadership strategy (Scherer & Ross, 1990).

2.1.3 Bargaining power of suppliers

By charging higher prices, limiting quality or services, or shifting costs to industry participants, suppliers might exert strong influence on an incumbent's profitability (Porter, 2008). Given the critical role of suppliers and their increasing influence on gaining competitive advantage, it becomes fundamental for companies to implement an effective supply management (Asmus & Griffin, 1993).

2.1.4 Bargaining power of buyers

According to Chen (2008), who reviewed numerous definitions of buying power, "buyer power is the ability of a buyer to reduce price profitably below a supplier's normal selling price, or more generally the ability to obtain terms of supply more favorable than a supplier's normal terms" (p. 247). Such a power depends on the negotiating leverage of buyers relative to other industry participants (Porter, 2008).

2.1.5 Rivalry among existing competitors

The degree of competition within a particular industry strongly influences the level of profitability of that industry (Porter, 1980). It depends on two variables: the intensity of competition and the bases on which participants compete (e.g. price, product features, support services, delivery time, or brand image) (Porter, 2008).

2.3 Strategic conflict theory

The strategic conflict theory has its origin in a Carl Shapiro's article (1989) titled "The Theory of Business Strategy", in which the author, presenting various models of business rivalry, aims at explaining the competition between rival firms with the use of game theory. The underlying idea is that the strategic actions of a firm will influence the behaviors of competitors and eventually change conditions in the entire market environment[6]. Shapiro (1989) distinguishes between strategic and tactic decisions. On the one hand a strategic choice is a decision that bears on long-lasting commitments and that shapes the evolution of the variables of the game. On the other hand, a tactic choice is a short-term decision aimed at

[6] As defined by Teece, Pisano and Shuen(1997,p.511) the market environment is "all factors that influence market outcomes (prices, quantities, profits) including the beliefs of customers and of rivals, the number of potential technologies employed, and the costs or speed with which a rival can enter the industry."

responding to changes in the market environment. The crucial distinction is represented by the irreversible commitment (Teece, 1997). In fact, in contrast with the theory of the contestable market (Baumol, Panzar, & Willig, 1982), the theory of business strategy revaluates the importance of sunk costs as an indicator of irreversible commitments. It would be almost impossible to list all potential strategic behaviors that a firm can take. However in the following sections I provide some examples using an adapted classification from Shapiro (1989).

2.2.1 Investment in physical capital

Investments in physical capital can change the optimal future behavior of a firm (Shapiro, 1989). For example capacity investment (Dixit, 1980) can be seen as a strong commitment to compete more actively in the future. In fact if a company "[…] can commit to being large, competitors may resign themselves to remaining smaller" (Ghemawat, 1986, p.54). Therefore investments of a firm have long term consequences on the structure of the market (Spence, 1979) and assume the function of entry barriers as discouraging prospective entrants to actually start to compete in that market (Dixit, 1980).

2.2.2 Investment in intangible assets

Affecting long term planning of a firm, investments in intangible assets show a commitment observable to rival firms (Shapiro, 1989). They can take the form of R&D expenditures or investment in preemptive patenting, so to discourage potential competitors (Gilbert & Newberry, 1982). Research has also been focused on the role of cross-licensing agreements and on the consequences that such an activity has on the level of rivalry (Shapiro, 1985), and on the effects that patent races have on competition between firms (Katz & Shapiro, 1987).

2.2.3 Strategic control of information

Shapiro (1989) defines strategic control of information as the behaviors of firms that act strategically to influence the competitors' opinions about market conditions. The goals of this strategic decision may be various. First of all, control of information can be used as entry deterrence: since limit-pricing policies discourage potential entrants (Saloner, 1987), firms can lower the prices in order to make a potential entry unattractive (Milgrom & Roberts, 1982). Second of all, in conditions of imperfect information, a firm can build up a strong reputation through a predatory pricing with the goal of driving off rivals from the industry

(Saloner, 1987). Third of all asymmetric information can also influence the dynamics of competition in an oligopoly, intensifying rivalry in presence of uncertainty of demand levels (Riordan, 1985).

2.2.6 Contracting

Contracting activities are seen as strategic decision that embeds strong commitments (Shapiro, 1989), especially when contracts are signed in a highly competitive marketplace and when are clearly visible to other competitors (Ibid.). The strategic goals of contracting can exist to erect entry barriers; for example Aghion and Bolton (1987) argue that the ultimate goal of signing long-lasting contacts with customers is to discourage potential competitors to actually enter the market. Contracting can also be intended as internal contracting with managers. In this case incumbents can increase their profits implementing a compensation package for managers based on sale or profit (Vickers, 1985; Fershtman & Judd, 1987).

2.3 Resources Based View

As explained above, Porter's main argument is that industry characteristics are the principal variables in determining the firm's profitability. However it seems that the evidence supporting this argument is limited (Brahma & Chakraborty, 2011). On the contrary, several studies (e.g. Schmalensee, 1985; Cubbin & Geroski, 1987; Jacobsen, 1988) claim that the variance in profitability among firms is caused by idiosyncratic firm characteristics rather than industry factors. In this sense strategy formulation should take a different perspective, switching from the "market view perspective" to the resources based view (RBV). Instead of evaluating the opportunities in the external environment and then act accordingly, RBV states that a firm should build its sustainable competitive advantage on internal resources (Barney, 1991). Therefore RBV also differs from the theory of business strategy, which sees strategic investment as a way to deter entry and to increase prices above long-term costs level (Teece et al., 1997). On the opposite RBV explains the success of certain firms on the base of lower costs and better products in terms of quality or performance (ibid.).

Within the RBV two main trends of analysis have been defined. On the one hand some authors have focused their attention on the role of resources as core competencies for firms that seek diversification (Peteraf, 1993; Prahalad & Hamel, 1990; Wernerfelt, 1984). On the other hand some authors (e.g. Barney, 1991; Conner, 1991) have investigated the role of resources for the success of a firm that competed in a single-market product. Being single products the objects of the case studies analyzed in this thesis, I limit the discussion of RBV to the single-business stream of research. In the following sections I provide a more detailed description of the key concepts underlying the RBV (i.e. resources and sustainable competitive advantage.). Moreover I examine the RBV framework as theorized by Barney (1991), which is thought to be the most valuable framework to describe the functioning of the RBV (Priem & Butler, 2001).

2.3.1 Resources

According to Wernerfelt (1984),”by resources is meant anything which could be thought of as a strength or weakness of a given firm. More formally, a firm's resources at a given time could be defined as those (tangible and intangible) assets which are tied semi-permanently to the firm” (p. 172) and that allows the firm to achieve improved efficiency and effectiveness (Draft, 1983). Barney (1991) distinguishes between three types of resources: physical capital resources (e.g. technology, plants and equipment locations and access to raw material), human capital resources (e.g. training, experience, judgment, intelligence, relationship) and organizational capital resources (e.g. formal reporting structure, formal and informal planning controlling and coordinating system). More recently some authors have stressed the importance of knowledge particularly for its nature of being a difficult-to-trade-asset. Grant (1996) for example flags knowledge as the strategically most important resource of a firm.

2.3.2 Sustainable competitive advantage

According to Barney (1991, p.102):

“ *A firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefit of this strategy*.”

With current and potential competitors, it is indicated that a company should consider not only the firms that are operating in the same market at that moment, but also enterprises that might in the future enter this particular market (Baumol, Panzar, and Willig, 1982). The characteristic of sustainability does not imply that the competitive advantage exists for a certain time (Jacobsen, 1988), rather than competitors have unsuccessfully tried to imitate this advantage (Lippman & Rumelt, 1982).

For allowing a sustained competitive advantage to exist, two underlying assumptions within a particular market have to be verified (Barney, 1991). Firstly, firms within that market have heterogeneous resources. Secondly, these resources cannot easily be transferred between firms (i.e. must be immobile). In fact competitive advantage is built on particularly set resources that have to be valuable, rare, imperfectly imitable and non-substitutable (Barney, 1991). While these characteristics are not the only ones developed by academia, it seems that the majority of definitions resembles the one given by Barney (1991) (Priem & Butler, 2001)[7].

In the following Figure 2 the relationships among heterogeneity and immobility of resources, attributes of the resource and sustained competitive advantage are exemplified.

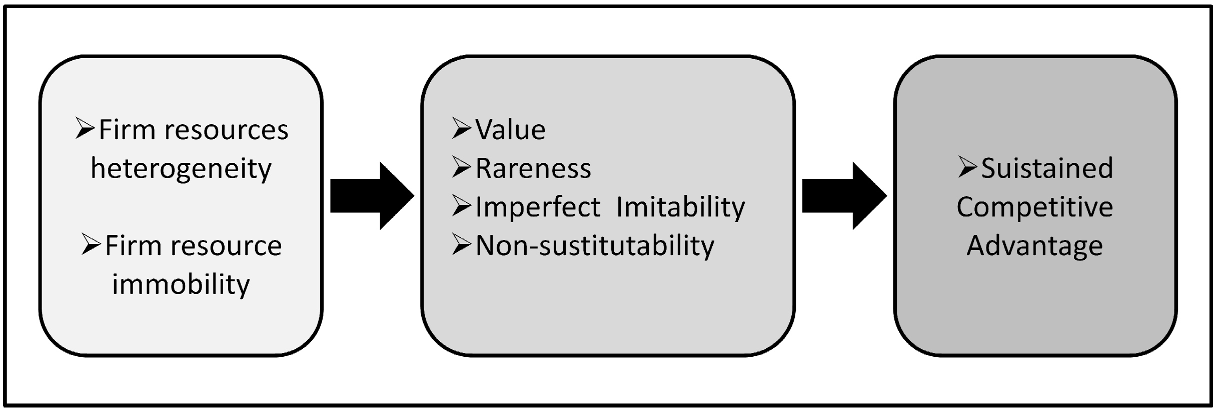

Figure 2. Relationship between resources and competitive advantage. Source: adapted from Barney (1991).

2.4 Dynamic Capabilities

Even if at its origin RBV was developed to be a sort of dynamic process that would have shown changes over time (Wernerfelt, 1984), its subsequent development has been very much thought under a static point of view (Priem & Butler, 2001). This lack of dynamism is recognized by Teece and colleagues (1997) who first introduced the concept of dynamic capabilities to explain the existence of competitive advantage over time. They argue that (p.509):

"The competitive advantage of firms is seen as resting on distinctive processes (ways of

[7] For example according to Amit & Schoemaker(1993) they have to be scarce, specialized and appropriable; for Combs & Ketchen (1999), resources have to meet three criteria, namely being valuable, rare and imperfectly imitable.

coordinating and combining), shaped by the firm's (specific) asset positions (such as the firm's portfolio of difficult-to-trade knowledge assets and complementary assets), and the evolution path(s) it has adopted or inherited."

The key aspect of dynamic capabilities is represented by the ability of arranging organizational competencies[8], routines and resources in a way that actively responds to changes in the external environment (Teece et al., 1997). In fact even if Penrose (1959) recognized the importance of capabilities (not just resources), and Richardson (1972) introduced a capabilities-based perspective, the majority of the literature of RBV has exclusively focused on the role of resources. On the opposite DCs stress the importance of adapting a firm's capabilities to the evolution in the business environment, especially when time-to-market and timing are considered crucial, when the pace of advancement in technology is high and when future competitions is difficult to forecast (Teece et al., 1997). Under such conditions the success of firms does not depend primarily on the optimization of processes in a known set of conditions or on enjoying economies of scale (Teece, 2007a). On the opposite, it entails a number of managerial activities aimed at encouraging the "discovery and development of opportunities; the effective combination of internally generated and externally generated inventions; efficient and effective technology transfer inside the enterprise and between and amongst enterprises; the protection of intellectual property; the upgrading of 'best practice' business processes [...]" (Teece, 2007a, p.1320). In order to adapt DCs to a constant-changing business environment and to be competitive and successful in the long run (Teece, 2007b), firms have to implement three kinds of activities: sensing opportunities and threats, seizing opportunities and reconfiguring assets (Katkalo, Pitelis & Teece, 2010). In the next section I provide a quick overview of these activities.

2.4.1 Sensing opportunities and threats

The identification of potential opportunities that the market environment might offer entails the scanning and examination of technology and market on a constant base (March & Simon, 1958; Nelson & Winter, 1982). Clearly an easily understandable activity which aims at monitoring the market and technology is represented by R&D (Teece, 2007a). However,

[8] According to Katkalo, Pitelis, Teece(2010,p.1177) "competences are a particular kind of organizational resource. […]Organizational competences enable economic tasks to be performed that require collective effort. Organizational competences are usually underpinned by organizational routines".

heavy investment in R&D does not ensure the success of a firm (Augier & Teece, 2009). Attention has to be paid also to the relations with customers, suppliers and collaborators (Teece, 2007b). In practical terms, the ability of sensing opportunities relies on the one side on the individual knowledge (Teece, 2007a), especially on the ability to understand customer decision making (Nonaka & Toyama, 2007) and on the other side on the organizational processes that can monitor customer needs and advancement in technology (Teece, 2007a).

2.4.2 Seizing opportunities

If an opportunity has been recognized, the next step entails the decisions about how to exploit it (i.e. seizing). The majority of the times seizing requires some kind of investments (Teece, 2007b), which at the beginning can be done in different directions[9]. The decision where to invest assets or technology is therefore a strategic move that will affect the firm and the market in the long term (Spence, 1979). For this reason the role played by managers is of utmost importance for assets selection and allocation (Augier & Teece, 2009). However in modern multinational corporations the manager/entrepreneur might not be an individual, but a function of the company (ibid.). Whether being individual or a function, Adner and Helfat (2003) introduce the concept of dynamic managerial capabilities as key variable for explaining the heterogeneity in firms' performances.

2.4.3 Reconfiguring assets

Once the technological and market opportunities have been accurately sized by managers and the assets have been correctly allocated, the firms have to follow the intended path of competence development (Teece et al. 1997), which is unlikely to be changed due to the commitment of a long term investment (Ghemawat, 1991). Nonetheless crucial to ensure the long-term successfulness of a firm, is the ability to reconfigure assets according to the changes that take place in the market and to the advancement in technology and in case to abandon unfavorable path dependencies (Teece, 2007a). Since changing routines is costly and might cause anxiety among individuals in the organization (Teece, 2007a), the role of management is vital for a successful reconfiguration (Augier & Teece, 2009).

[9] Teece (2007) argues that multiple competing investments are possible when the standard design is not settled yet

2.5 Limitations of the existing literature

Given the above literature review, it is possible to recognize how existing theories are inappropriate when it comes to explain the success of firms in today's business environment in phenotypical terms. The reasons for their inappropriateness are numerous and diverse.

Focusing on the external environmental conditions, Porter's framework stresses the importance of maintaining a strong market position that is sheltered from competitive forces (Porter, 1980, 2008). Even if Porter points out which are the desired strategies and actions (i.e. phenotype) that a firm might take to preserve its competitive advantage and thus its success (e.g. product differentiation, cost-leadership strategies), much of the theory is concerned with the role of the barriers to entry as a mean to protect a firm's business from competitors. Therefore, even though Porter's theory takes into account the phenotype of the firms, its approach was only applicable to a static environment, but not to a dynamic setting. In fact the increasing uncertainty about the effectiveness of entry barriers is testified by academia (e.g. Jin, Namwoon & Hong-Bumm, 2001), that often recognizes the fact that late entrants outperform established market players. This trend is not limited to a particular industry but on the contrary seems to be a widespread trend. (Shankar, Carpenter & Krishnamurthi, 1998; Geroski & Vlassopoulos, 1991).

The doubts raised by academia regarding the effectiveness of entry barriers seems to find confirmation in today business's environment which have witnessed the emergence of newly born firms as important market players. In fact the level of uncertainty and volatility that characterizes the current market situation has made it almost impossible for established firms to erect barriers that would preserve their privileged positions. Consider for instance the fall of Blockbuster as market leader in the home entertainment industry. The management of the Dallas's rental movie company thought to have built up a formidable entry barrier by having a terrific geographical presence with thousands of shops that would have retrained other companies to compete. However they failed to consider other ways to deliver movies, such as postal delivery or internet streaming. Netflix recognized this opportunity and in just few years caused the bankruptcy of Blockbuster (Siegler, 2011).

The theory of business strategy as depicted by Shapiro (1980) aims at explaining strategic problems highlighting the importance of interaction among rival firms and of expected action or counter action of established firms as deterrents for new entrants. As for Porter, Shapiro's perspective puts emphasis on the external environment, concentrating on entry barriers. However, as argued above, these protections against competitions do not seems applicable in today's business environment. Moreover, similarly to Porter, even if the author recognized a sort of dynamism in the market due to interaction among market participants, he is still convinced that actions taken by a firm can create a static market condition of which that particular firm can take advantage. Finally, Shapiro (1980) does not indicate which desired actions a firm should take. As expressed by the author himself, he compares the theory of business strategy to the evolutionary theory of the species, which says that animal species adapt themselves to their environment in order to survive (Shapiro, 1980). However if applied to a specific species the theory shows that animals apply very diverse tactics according to the environment in which they are in. In the same way the theory of business strategy identifies the goal of strategy and proposes some strategic decisions, but it does not suggest practical actions (i.e. tactic decision) (Shapiro, 1980). In this sense I argue that Shapiro's theory seems to be connected to the phenotype of successful firm in a way that can be considered abstract, but it does not provide extensive explanation about the behavior of successful firms.

While the theories proposed by Porter and Shapiro seem to share the view that profit stems from privileged product market positions (Teece et al., 1997), RBV concentrates its attention on internal firm resources as a way to explain organizational success. Its focus is strongly oriented towards the genotype of successful firms. As reported by Priem and Butler (2001a), many resources can be regarded as source of competitive advantage: information technology (Powell, 1997), organizational alignment (Powell, 1992), human resources management (Wright & Mc-Mahan, 1992), trust (Barney & Hansen, 1994), organizational culture (Fiol, 1991; Oliver, 1997), administrative skills (Powell, 1993) However, hardly any discussion is left to observable actions undertaken by those firms (i.e. phenotype). Moreover some criticisms have been raised against the validity of this theory. From a methodological point of view, Priem and Butler (2001b) believe that RBV is a tautological theory because "if valuable resources are defined as those increasing efficiency and/or effectives, and competitive advantage is defined as achieving increase in efficiency and/or effectives, a tautology exists" (p.58). From a practical point of view RBV seems both to lack to provide managerial prescription (Priem & Butler, 2001a) and to be quite obsolete when applied to the current business environment. In fact, as pointed out by Eisenhardt and Martin (2000), when firms operate under fast-changing business conditions, resources are not enough to explain the success of certain companies over others. Especially this last point is of great relevance for the purpose of the thesis since in today's dynamic business environment the fact that a firm possess valuable, rare, non-imitable and non-substitutable resources does not ensure a long lasting success. For example, with the advancement in technology, resources that seemed to be non-substitutable might become easily substitutable. Therefore RBV was applicable in a static context but its applicability is dramatically limited in a dynamic environment.

The DCs framework has both an internal and an external focus. In fact the successfulness of firms is thought to be a result of internal capabilities which have to be developed as a response to changes in the external environment. Therefore, stressing the importance of adapting assets to changing external conditions, DCs seems to be applicable to a dynamic context. However, similarly to RBV, DCs exclusively investigates the genotype of successful firms. Much of the discussion on DCs refers to organizational competencies, routines (Teece et al, 1997) and on the ability to sensing, seizing and reconfiguring assets by individuals within the organization (Teece, 2007b). In this sense DCs' researches indicate which are the genes needed to succeed in a turbulent environment but neglect a discussion about the observable phenotypical actions taken by successful companies in the external environment.

The following tables quickly compare and summarize the critics exposed above and identify the desired characteristic of the emergent BF framework.

Theory/Framework	Focus	Genotype/Phenotype	Environment
Porter's Competitive Forces	External	Phenotype	Static
Shapiro's Theory of Business Strategy	External	Abstract Phenotype	Static
RBV	Internal	Genotype	Static
DCs	Internal but fit with external environment	Genotype	Dynamic
Barbarian Firm	Internal but fit with external environment	Phenotype	Dynamic

Table 1: Summarizing table of the theories. Source: Developed by the author.

Similarly to the DCs steam of research the BF study stresses the importance to find the perfect fit with the dynamic external environment, but focus on the phenotype of firms. While DCs authors are mainly interested in understanding the genes and the nature of successful firms, investigating what a company *should be,* my research is addressed to shed light on the observable behaviors of successful firms, examining what a company *should do*. Taking such perspective I expect to be able to individuate the actual decisions and action taken by successful firms and in turn provide useful managerial implications.

3 Methodology

In this chapter the research methodology used for answering the research question is presented. In the first section I examine the theory-building research approach used for developing the new theoretical framework. Subsequently the methodology is described using an adapted framework developed by Bryman and Bell (2011), which includes the choice of the research approach, research strategy, research design and research method. Moreover in this section the research quality (i.e. validity and reliability) is also discussed.

3.1. Theory building

Having shown in the theoretical part that existing theories are not capable of answering the research question, or at least do so in an inadequate way, one effective way to fill the research gap is to adopt a theory-building research approach. According to Wacker (1998) a "good theory-building research's purpose is to build an integrated body of knowledge to be applied to many instances by explaining who, what, when, where, how and why certain phenomena will occur" (p.371). In the case at hand, the research's purpose is to build up a conceptual framework that, identifying the phenotype of successful firms, would explain the source of success for companies that operate in turbulent and dynamic markets.

3.2 Research approach

When choosing the perspective for conducting a social science research it is important to define the relationship between theory and empirical findings (Bryman & Bell, 2007). It is common to distinguish between *induction* and *deduction* perspectives (Alvesson & Sköldberg, 2009). On the one hand, following an inductive approach, data are gathered from a number of single case studies and theory is built up accordingly (Saunders, Lewis & Thornhill, 2009). On the other hand, a deductive approach proceeds from a theoretical framework that is then verified by data (Saunders et al., 2009). However these two methods represent two extremes, which are often rejected by scholars as exclusive methods of research (Hanson, 1958). In fact, both approaches might be misleading: induction embeds the risk of quickly formulating a general rule from the simple collection of single facts, while deduction, even if less risky than the former, seems to presuppose what is to be explained, avoiding explanation through authoritarian statement (Alvesson & Sköldberg, 2009).

For the reasons explained above, I adopt a hybrid approach that combines both the inductive and deductive approaches and that has been defined as *retroduction* (Hanson, 1958), *abduction* (Alvesson & Sköldberg, 2009) or *iterative approach* (Bryman & Bell, 2011). Similar to deduction the starting point of abduction is represented by empirical research. However, similarly to induction, during the analysis of empirical data previous theories are constantly used and challenged in order to gain inspiration for the formulation of new theory. In this sense, abduction is the best approach to employ for the purpose of the paper for two reasons: it allows the development of a new framework based on empirical evidence and it permits to criticize existing theories suggesting an alternative explanation.

Such an approach is also consistent with the theory-building purposes that I am trying to achieve. The adoption of an abductive approach allows to proceed to the collection of data and development of the analysis while at the same time continuously referring back to each other (Bryman & Bell, 2011).

3.3 Research strategy

Authors of business researches are used to distinguish between two main research strategies, namely quantitative and qualitative research strategies. While some authors consider the distinction among the two to be ambiguous or even "false" (e.g. Layder, 1993), some others believe that this classification method is still useful when conducting business research (e.g. Bryman & Bell, 2011). As shown in Table 2, there are many parameters used to distinguish between quantitative and qualitative research (Bryman & Bell, 2011).

Quantitative Research	Qualitative Research
Number	Words
Theory Testing	Theory Emergent
Structured	Unstructured
Artificial Setting	Natural Setting

Table 2: Comparison of quantitative and qualitative research strategy. Source: Adapted from Bryman & Bell, 2011

According to this classification, the strategy adopted in this paper is indeed a qualitative strategy. In trying to answer the research questions, even if numerical data could have been available for the companies under study, I chose not to make use of them, due to the fact that the purpose of the thesis is to build a new theoretical framework (theory-building), a task that preferably requires the use of qualitative data. Therefore no theoretical framework precedes the collection of data (theory testing). On the opposite, the new theory emerges from the data collected through the case studies (theory emergent). The fact that theory stems from data does not allow me to clearly structure the research because of the risk of missing out an important relationship that could have been seen just after data are collected and analyzed. Rather the research shows an unstructured fashion, which empowers me with the possibility of continuously enhancing the emergent theory.

3.4 Research design

With the term research design I refer to the framework that is adopted in order to gather the data needed. According to Bryman and Bell (2011), several research designs can be employed, namely experimental design, cross-sectional or social survey design, longitudinal design and case study design.

Experimental design is quite rare in business research due to high level of control on variables that is required (Bryman & Bell, 2011). In the case at hand, experimental design would not be an option since the study covers events that have taken place over several years, making it impossible to control them. Social survey design refers to the process of collection of data on more than one case at a specific point in time (Bryman & Bell, 2011). The data should be preferably quantitative or at least quantifiable. This method is not suitable as well, because of the time limitation and the quantitative type of data. Longitudinal design is used for mapping change in business and management research (Bryman & Bell, 2011). It entails drawing on "phenomena at vertical and horizontal levels of analysis and the interconnections between those levels over time" (Pettigrew, 1990, p.269). Nonetheless it requires a huge investment in terms of both cost and time. Considering the scope of this master thesis, it is out of the scope of this paper to make use of this design.

The case study approach is one of the most used research designs in business research (Eisenhardt & Graebner, 2007) and it is extremely useful when dealing with complex social phenomena (Yin, 2009). In fact, case studies allow the understanding of real-life phenomena especially when the "boundaries between phenomenon and context are not clearly evident" (Yin, 2009, p.18). Given the fact that the phenomenon in this study is extremely complex as it entails the considerations of many variables both endogenous (i.e. actions taken by successful firms in the multimedia market) and exogenous (i.e. characteristics of today's business environment, such as velocity, interconnectedness, speed of change), a case study approach suites the situation at its best. A case study method is also preferred when the researcher has little or no control to behavioral events (Yin, 2009), which is undoubtedly the case in this research. Since secondary data is the exclusive source of information[10], I cannot exert any influence on the data gathered but limit my intervention to collect qualitative information from worldwide known newspapers and magazines.

Moreover case study design is particularly suited when trying to answer questions of *why, what* and *how* (Voss, 2002; Marshall & Rossman, 2006), The reason for that can be explained by the fact that in trying to answer such questions researches are dealing with operational links that have to be traced over time, not frequencies and incidence (Yin,2009). Having stated that the research question underlying this paper is "What is the observable set of behaviors of businesses that are successful in today's dynamic market environment?", a case study represents the correct approach to follow. A case study is also a powerful tool for theory development purposes (Voss, 2002). Theory building from case studies is "[...] a research strategy that involves using one or more cases to create theoretical constructs, propositions and/or midrange theory from case-based, empirical evidence" (Eisenhardt & Graebner, 2007, p.25). Since the purpose of this paper is to build up a new theoretical framework that would depict the phenotype of successful firms, it seems that a case study design embraces exhaustively the purpose of this thesis.

Case study research designs can be both *single-* and *multiple-case study* (Yin, 2009). On the one hand, a single case study approach permits for in-depth investigation but at the same time it limits the generalization of the findings (Voss, 2002) and it has the risk of misjudging a single event or exaggerating easily available data (Leonard-Barton, 1990). On the other hand, while requiring more resources in terms of time and costs, a multiple-case study design brings up more compelling evidence making the entire study more robust (Herriott & Firestone, 1983). Especially for theory building purposes, it seems that multiple-case study is preferred by academia. Eisenhardt (1991) for example believes that a multiple case study design allows the researcher to clarify whether an emerging pattern is limited to a single case or is

[10] See section 3.5 for more information on Research Method.

consistently replicated among several cases. For these reasons I decided to make use of a multiple case study in answering the research question.

According to their designs, case studies can also be distinguished between *holistic* and *embedded* (Yin, 2009). Holistic case studies take into consideration just the global nature of an organization, whereas embedded case studies involve more units of analysis. Since the purpose of this thesis is to investigate the actions taken by successful multimedia firms, a holistic design seems to be the best choice. In fact there is no need to pay attention to subunits of the organizations, but rather to the overall phenotype that the organizations as a whole are showing in the external business environment. The following table (Table 3) summarizes the four possible designs that a researcher can choose from when selecting a case study design. For the arguments explained above I decide to choose type 3.

	Single Case Study Design	**Multiple Case Study Design**
Holistic design	Type 1	Type 3
Embedded Design	Type 2	Type 4

Table 3: Research designs. Source: Adapted from Yin, 2009.

3.4.1 Cases selection: Sampling

In qualitative research the majority of case selection is performed using a *purposive sampling* (Bryman & Bell, 2011), which is a non-probability form of sampling in which the researcher chooses the cases that are relevant to the research question to be answered. One of the main forms of purposive sampling is called *theoretical sampling* which means that "[…]cases are selected because they are particularly suitable for illuminating and extending relationships and logic among constructs" (Eisenhardt & Graebner, 2007, p.27). Theoretical sampling is the appropriate method that has to be used to select the cases when the purpose of the research is to develop theory (ibid.). Since this thesis has a theory-building purpose, I adopted a theoretical fashion as form of sampling. As stated in section 1.5 the decision to include case studies of firms which only belong to the multimedia industry is twofold. On the one hand multimedia is the industry par excellence that expresses the current dynamic context characterized by a high degree of change and volatile environmental conditions. Therefore it provide the perfect ground to study the phenotype of firms that compete in highly turbulent environment. On the other hand limiting the analysis to one industry only allows to keep constant the environmental variables. Giving the fact that the environmental setting has an important role in the development of the emergent framework, the single-industry perspective excludes the effects that different variables' magnitude in other industry might have on the behaviors of firms.

Another issue when dealing with multiple case study design is the number of cases to be included in the study (Yin, 2009). The choice to limit the case studies to three is principally due to limited amount of time and resources. Even if the generalization of the results and consequently the robustness of the developed theoretical framework would have been probably enhanced with more cases considered, given the scope of this master thesis, I decided to consider exclusively three cases in the multimedia sector.

Finally the sampling of the cases can be done according to the results that a researcher expect from the cases (Yin, 2007). Cases should be selected so that they either predict similar results (*literal replication*) or predict contrasting results but for predictable reasons (*theoretical replication*). When the number of cases is 2 or 3, a literal replication selection method is preferred (Yin, 2003). Therefore, given the fact that three cases are included in my thesis, I employed a literal replication approach.

3.5 Research method

Research method refers to the technique employed to gather data (Bryman & Bell, 2011). According to Yin (2009), there are six research methods that can be employed in case study designs, namely *documentation, archival records, interviews, direct observation, participant observation* and *physical artifact*. In this paper the method adopted entails the collection and analysis of documentation and archival records through a method defined as *historical analysis*. According to Marshall and Rossman (2006) historical analysis is a method of discovering, from records and accounts, what happened in the past. The documents that were considered in this paper are newspaper, journals and magazine articles, industry reports as well as other publicly available documents (e.g. annual reports).

The choice of using such a method for collecting data is partially due to the unfeasibility of using other methods. Even if the interview approach is one of the most important sources of case study information (Yin, 2009), it was not practicable for the scope of this research. In fact it would have been extremely costly to get in touch with insiders of the organization under study: since the aim of the paper is to define the phenotype showed by these firms, the most knowledgeable people about these topics in the organization would be the top management. Clearly it is beyond the scope of a master thesis and the available resources to get in touch with general managers of multinational corporations. For the same reason, direct and participant observation was not feasible. Moreover observations are extremely costly in terms of hours invested by the human observer (Yin, 2009). Again, given the limited time for conducting this research, observations as a method of investigation has been excluded. Finally, the physical artifact approach is mainly used in anthropological research and has less potential relevance in most typical kinds of case studies (Yin, 2009). Therefore it has been excluded a priori.

Nonetheless the selection of the historical analysis method was not only guided by the unfeasibility of other methods and thus be considered as a "second class" method. On the contrary historical analysis embeds several advantages. Historical analysis is a preferred method when the extent of control over behavioral events is limited (Yin, 2009). Since, as already stated, I do not have any influence on the events under study, historical analysis suits perfectly the situation. Moreover, while interviews might be biased due to poorly articulated questions or be inaccurate due to poor recall of events by the interviewees, documentation is exact (as it contains names, references and details) and has a broad coverage in terms of time and settings (Yin,2009).

3.5.2. Data collection and analysis

The major sources of documents I made use of in my thesis are newspapers and periodicals. All the documents were gathered in LexisNexis Academics, a web-based database. Using keywords and advanced search tools, I collected hundreds of articles that were published in the periodicals indexed in the database mentioned above. Afterwards a first screening of the collected articles was performed. This allowed me to eliminate those articles in which the companies were just mentioned, but did not provide any useful information for the subsequent analysis. The majority of the selected articles have been published in well know and long respected newspapers and periodicals such as New York Times, Washington Post, Times, Los Angeles Times and Brandweek. Other sources of documents are represented by reports on companies' profiles and industry outlooks provided by Datamonitor and Business Insight, leading business information companies specialized in industry analysis, as well as Bain & Company, a leading consulting firm. Moreover I also made use of case studies from

Harvard Business School, Richard Ivey Business School and IBS Center for Management Research, which provide a comprehensive view of the development of the companies and products under study. Once the articles were collected I created three Adobe Acrobat (.pdf) files, one for each case. This procedure allowed me to have easier access to the information executing keyword search.

3.6 Research quality

Being a logic set of statements, a research design's quality can be assessed making use of certain logical tests (Yin, 2009). The two most important logical tests when evaluating case study research are *validity* and *reliability* (Voss, 2002). In the next paragraph the validity and reliability are discussed both from a theoretical perspective and applied to this research.

3.6.1 Validity

According to Bryman and Bell (2011), validity might be considered the most important criterion for assessing quality in business research. It "[…] is concerned with the integrity of the conclusions that are generated from a piece of evidence" (p.42). Academia distinguishes among three types of validity (Voss, 2002; Yin, 2009; Bryman & Bell 2011), namely *measurement* or *construct validity, internal validity* and *external validity*. Construct validity makes sure that operational measures are appropriate for the concept under study (Yin, 2009). However, since this criterion is primarily applied to quantitative research (Bryman & Bell, 2011), it is voluntarily excluded from this paper.

3.6.1.1 Internal validity

Internal validity refers to the concept of causality (Bryman & Bell, 2011). It seeks "to establish a relationship, whereby certain conditions are believed to lead to other conclusions, as distinguished from spurious relationships" (Yin, 2009, p.40). In other words, if it is argued that x leads to y, is it sure that it is x that leads to y or it might be another cause that is creating this apparent relationship? (Bryman & Bell, 2011). Therefore applying the internal validity test to this paper would imply the verification of the causal relationship between the success of certain firms (Y) and the barbarian traits that they are showing as their phenotype (X). One way for achieving internal validity is to make use of an analytic technique known as *explanation building* (Yin, 2009), which is an iterative process that allows the research to verify the evidence found for one case against the initial theoretical statement, finding new evidence for other cases and then comparing it once again against the initial statement. Being a new theoretical framework developed on the base of three case studies, the BF framework is exactly following such a technique. In fact the initial idea about the framework was revised many times during the analysis of the collected data. In such a way I was able to build up a much more complete theory based upon abundant empirical evidence.

3.6.1.2 External validity

External validity refers to the extent to which the conclusion of a study can be generalized beyond the research context (Yin, 2009; Bryman & Bell, 2011). While external validity is thought to be a viable test for quantitative research for many academics (Yin, 2009; Bryman & Bell, 2011), the discussion whether external validity is workable for qualitative studies is still open. In fact, on the one hand some authors believe that external validity is not applicable to the qualitative case study approach because of the impossibility to know if the finding obtained in a particular organization at a specific time can be generalized to other settings (Bryman & Bell, 2011; LeCompte & Goetz, 1982). On the other hand, some authors argue that the generalization of a qualitative case study design is possible depending on which epistemological point of view is taken (Alvesson & Sköldberg, 2009). If with generalization is meant the "expansion of the empirical area of application within a certain domain […] in a perspective that accept non-observables in form of patters and tendencies "(Alvesson & Sköldberg, 2009, p21-22) then its applicability holds true for qualitative case study. In easier words, this means that if generalization indicates that the finding was the same in *all possible cases*, then generalization would not be applicable to qualitative research, whereas if generalization indicates the expansion of the finding to *similar cases*, this test is appreciable also for quantitative research. In a similar fashion Yin (2009) acknowledges the fact that external validity has always been a problem for doing case studies. However he argues that a viable method to obtain external validity for case studies is to rely on *analytical generalization* (contrary to *statistical generalization* typical of survey research): in order to generalize a theory, the results of a case study (which are consistent with the proposed theory) have to be replicated (*replication logic*) in a second or even in a third case study, so that the results provide strong support for the theory.

In this paper the adopted definition of generalization is the one proposed by Alvesson & Sköldberg (2009) and the method used to gain external validity is the analytical generalization. The reasons for this choice of perspective are twofold: first, the purpose of this paper is not to propose a framework that would fit all the companies operating in a business environment characterized by high degree of change and interconnectedness, but to provide a theoretical framework for understanding and explaining why only certain firms (BFs) are successful even competing against well- and long-established companies. Second this kind of generalization is appropriate for gaining theory from case studies (Yin, 2009), which support the theory-building purpose of this thesis.

3.6.2 Reliability

The concept of reliability is described by academia in an ambiguous fashion. In fact authors have discordant opinions about the meaning of this quality test. On the one hand, according to LeCompte and Goetz (1982), reliability is concerned with the question of whether the results of a research can be replicated. On the other hand, Yin (2009) explicitly states that reliability is not concerned with replication, but instead it aims at minimizing the errors and bias in a study by making sure that "[…] if a later investigator followed the same procedures as described by an earlier investigator and conducted the same case study all over again, the later investigator should arrive at the same findings and conclusions" (Yin, 2009, p.45). Since the concept of reliability as described by LeCompte and Goetz is very similar with the external validity definition provided in the previous paragraph, I adopted Yin's definition of reliability in order not to repeat an already given argumentation.

I believe that reliability is strongly verified for this paper. In fact concerns about reliability are particularly strong when the methods used to gather data are interviews or observations (Yin, 2009). Due to the particular nature of these data collection techniques, the findings obtained are subjective. On the contrary, in this case, the method used is historical analysis of publicly available documents, so that a later researcher can access the very same information an earlier investigator accessed.

4 The Barbarians: Origin and traits

The aim of this chapter is to introduce the concept of BF. Having shown in section 2 that existing theories are partially inadequate to explain the success of today's firms because either they avoid a discussion about the phenotype of these firms or they do not recognize the dynamism that characterizes the current business environment, it is necessary to tackle the problem taking a different point of view. As a myopic person need to wear glasses in order to see properly, to answer the research question it is required to wear glasses with a particular pair of lenses, which are provided by the writer Alessandro Baricco (2006) in his book titled "The barbarians. An essay on the mutation". In my opinion looking at the business phenomena wearing these "barbarian lenses", it is possible to identify the phenotype of the successful firms which are labeled as BFs.

In order to provide the reader with a full understanding of the proposed concepts, firstly I point out the main ideas at the roots of the book written by Alessandro Baricco. Secondly I briefly summarize the book, highlighting the most important passages, which will be used as the starting point from which the emerging framework is then conceptualized; thirdly I explain which sociological events pointed out by Baricco can, in my opinion, be translated under a managerial perspective, so to identify certain BF's characteristics.

4.1 The idea behind the book

At the roots of the work of Baricco, there is the idea that the current western cultural society is experiencing a mutation, which goes far beyond a regular generational change. The magnitude of the change is so extreme and the consequences of it so important, that it seems as if a barbarian invasion is taking place. Baricco states that "those that are called barbarians are a new species, which have the gills behind the ears and have decided to live under the water" (Baricco, 2006, p.9). It is important to clarify that he refers to the barbarians not as people belonging to a different society, but people of our society who are changing the current status quo with their new, barbarian behaviors. As the title of the book reminds us, it seems like a mutation is taking place.

The main cause of this mutation is given by the terrific *technological advancement* that has changed completely the way in which people make experience. The concept of experience has dramatically changed: while in the past the process of experience entailed a *deep, time-consuming* activity of studying books and papers to find out the meaning of things, nowadays such a goal can be achieved in much faster way, for example with few clicks on the computer. It might be argued that the knowledge acquired through the web has a lower quality, but that is not important for the barbarians. They prefer to be *fast* and *superficial* rather than slowly digging into the meanings of things. The new concepts of experience is characterized by the willingness of limiting one's knowledge to the surface of the concepts and by the obsession of rapidly moving on as if the *gesture* in itself is much more important than the meaning of it. For instance in the past the gesture of reading books was a *complex* activity that required a profound knowledge of the language and of the analyzed content because the literature style in which the books were written was extremely elaborated. Today this gesture has lost all these nobles characteristics, and people enjoy reading books that cover much frivolous contents and are written in a *simple* and *immediate* language. The barbarians have also questioned the meaning of certain traditions that have been respected by their predecessors. For example the tradition of drinking wine was an exclusive privilege of few Italian and French aristocrats, but in today's globalized world such a tradition has become accessible to everyone. Baricco states that contrary to their predecessor that were used to idolize certain *totems*, the barbarians have *attacked* those totems taking away from them their sacred acceptation. The following table (Table 4) summarizes and contrasts the main concepts and attitudes that were typical of the past generations with the ones of the barbarians.

Concepts	**Past attitude**		**Barbarian attitude**
Experience	Time- consuming, Deep	**Technological Advancements**	Superficial
Gesture	Complex		Immediate, Easy
Pace	Slow		Fast, Rapid
Totem	Object of worship		Attack to the totem

Table 4: Comparison between past attitudes and barbarian attitudes. Source: Developed by the author

In sum the principle proposed by Baricco can be summarized as follows:

Because of the technological advancements, the barbarians have attacked certain totems of the past society modifying the concept of experience, which switched from a time consuming activity whose gesture was complex and slow paced, to a superficial activity whose gesture is immediate, easy and fast paced.

4.2 The Barbarians. An essay on the mutation: A brief summary

The essay of Baricco was published in instalments in the most-read Italian national newspaper "La Repubblica" in 2006. For the purpose of this thesis I do not provide a full detailed chapter-by-chapter summary of the book. Rather I present the most significant passages of the book, explaining the main theoretical concepts that in the next section will be translated into a managerial perspective emerge.

The book describes the barbarian invasion starting from the "more peripheral villages" (i.e. areas of culture where the invasion is easier to be recognized because it has started quite some time ago) and then moving to the "empire building" (i.e. the maximum expression of the mutation that is taking place). While going through this journey Baricco points out the causes, characteristics and conditions that are making the invasion possible.

4.2.1 The sack of the villages

The first "village" discussed is the wine culture. The ritual of tasting good wine has been for centuries the privilege of few French and Italian aristocrats who respected the sacred and complex gesture of drinking wine as a *totem*. In other parts of the world people were used to drink other kind of beverages (e.g. beer, super-alcoholics or such). However after the Second World War, the Americans brought back to the U.S. the good memory of tasting wine. Some Americans started to produce wine in California with the goal of copying the good French wine. Clearly it was not possible to reproduce the very same taste, and in fact that was not the purpose. The flavor of the wine needed to be adapted to the American taste. Baricco states that Americans were like "aspirant readers who have never read a book" (Baricco, 2006, p.28). By saying that, he means that Americans were not knowledgeable about wine and they would have never thought that a particular kind of wine has to match a particular food and atmosphere. Instead the taste of the wine should be easy to match, so that the wine can be drunk in any occasion and should give pleasure from the very first sip transmitting all its organoleptic characteristics. Baricco calls this kind of wine “the Hollywood wine”: “A wine without the soul. The wine describes the rise of a new process that, maintaining the gesture, seems to lose profundity, complexity, richness” (Baricco, 2006, p.30). This kind of wine has become widely produced and commercialized. Nowadays there are many countries in which the “Hollywood wine” is produced (e.g. Australia, Chile, Argentina, Mexico, Yemen etc.). And the consumption of it has changed its historical trend: today it is consumed more volume of wine in the United States than in Italy and almost as much as in France (Wine Institute Website, 2010).

Baricco tries to find out the conditions that have made it possible for “the Hollywood wine” to become so popular. He recognizes that one of the most important conditions is given by *the technological advancement*. In fact the invention of the air conditioning has allowed producing wine in places where the climate conditions are not suitable for the fermentation of wine[11]. He also notices that the spread of “the Hollywood wine” is due to a linguistic revolution that makes the access to the *gesture* of tasting wine much easier and immediate. In the past there were very few knowledgeable people about wine. Then the wine critic Robert M. Parker[12] started to rate wine on a 100-scale, and it became much easier for consumer to buy wine: “Before they [consumers] had to enter a wine shop asking for a particular kind of wine, specifying the producer, the production zone and the year. Now people enter a shop and ask for 95/100. Much easier” (Baricco, 2006, p.35). In this sense the Hollywood wine is *simple and spectacular*. For the barbarians the *experience* of buying and drinking wine became a value in itself because it is *superficial* and do not require a *deep* knowledge of the product. Summarizing the attack of the barbarians to the “village” of the wine Baricco states: “Because of a particular technological innovation, through a new modern simple language, a group of people acquire the access to a gesture that before was bar to them making it more spectacular, immediate and amazingly successful” (Baricco, 2006, p.38)

The second “village” described by Baricco is the football culture. He applies the same concept as derived from the wine example in order to verify whether the conditions that have made the “Hollywood wine” popular could be applied to the commercialization of football as well.

[11] The most critical step in producing a good wine is the fermentation phase. The climate should be extremely stable without thermal shock. The air conditioning is the technology at the base of the artificial fermentation. (Baricco, 2006).

[12] Robert M. Parker, Jr. is one of the major U.S. wine critic He invented a wine ratings on a 100-point scale. He is renowned among American wine buyers. His judgments strongly influence the prices for newly released Bordeaux wines.

He found out that in fact the same perspective is applicable for the football. Actually thanks to the *technological advancements* in the digital TV, the *gesture* of watching football that was the privilege of few fortunate people that could go to the stadium, ended up to be in the hand of private broadcasters that enhance the spectacular traits of it, conforming it to the easy TV language, obtaining in this way an astonishing commercial success. Moreover, similar to the wine example, he argues that the barbarians have launched an attack to another *totem*, which was an object of worship. In the past football games took place just on Sundays, when people were used to listen to radio and few fortunate people were able to go to the stadium to watch their favorite team. Today football games are accessible to everyone who has a digital TV. People do not watch only the games of their favorite team but potentially can watch games of hundreds of teams at any time, basically every day, live or recorded.

4.2.2 The empire building

As already stated Baricco recognized a series of principles that have led to the barbarian mutation: *because of the technological advancements, the barbarians have attacked certain totems of the past society modifying the concept of experience, which switched from a time consuming activity whose gesture was complex and slow paced, to a superficial activity whose gesture is immediate and easy and fast paced.* This paradigm finds its highest expression in Google, which Baricco called the *empire building* of the barbarians. Typing any word in Google anyone can, in few seconds, have access to all the fields of knowledge she/he wants. The gesture of enriching the experience becomes an extremely fast and easy task and consequently the totems lose its typical sacredness. The idea that the understanding and the knowledge of a concept is achieved when going deep into the concept itself is not valid anymore. It is substituted by the belief that the essence of the things can be found on the surface and are therefore superficial. Baricco finds even more striking the very principle on which Google is built on: "the value of an idea is not given by its intrinsic characteristic, but by the trajectories suggested by millions of people" (Baricco, 2006, p.85)[13]. The process of learning is represented by quickly surfing many trajectories as indicated by others.

[13] While previous search engines used to rank pages based on frequency of appearance of the searched term in a web page, Google's search engine is based on an algorithm that ranks webs pages analyzing how many links points to that page and assuming that web pages linked from important pages should be important as well (Brin & Page, 1998).

4.2.3 The Great Wall

Eventually the author comes to the conclusion that it is not possible to avoid the ongoing mutation. He states that in the past different civil societies have tried to avoid the invasion of other societies, but they actually failed. He provides the example of the Great Wall in China as the icon of the relationship of each society with the fear of an invasion. Baricco believes that the main purpose of building the Great Wall was not to protect China in a military way. In fact it would have been impossible to guard thousands and thousands of kilometers. Rather the Great Wall has a conceptual meaning: it defines where the Chinese society and culture ends and where the barbarian one starts. In this way the Great Wall is a mean to define China's identity, not to defend the empire from the barbarians. However, as the invasion of China by the Mongol Kublai Kahn highlighted the inappropriateness of the Great Wall, so our current society should not fight the barbarians. On the opposite we should recognized that a mutation is taking place and try to model it to our favor.

4.3 Barbarian traits: A managerial perspective

According to Baricco a series of unstoppable events are currently changing the society. Being a philosophical writer, he is not interested in the economical side of this mutation. Rather he presents his ideas taking a sociological perspective. However I believe that some of his thoughts can be translated under a managerial point of view, as to indentify some barbarian traits that trace back to strategic actions undertaken by successful firms when operating in today's environment. Given the current state of the society, in which past traditions and ways of behaving have lost importance, Baricco recognized that the new barbarian men shows certain behaviors that better adapt to the new status quo. In a similar fashion, looking at the business environment through the "barbarian lenses", I think it is possible to recognized that the successful firms in today's environment make strategic decisions and show business behaviors that are radically different from the traditional way of doing business. They do so to create a better fit with the changed business environment, which has become much more dynamic and turbulent than it was in the past. I flag these successful firms as the BFs because their observable behaviors and actions (i.e. their phenotypes) resemble those of barbarians as depicted in Baricco's essay. In the next sections, with the support of existing strategic and managerial theories and concepts, I provide a tentative description of these behaviors. I voluntarily divide the description of the phenotype of the BF in three main parts, namely *invasion*, *warfare* and *weapons*. The chapter ends with a table that summarize the main concepts that will be then explored in real life examples with use of a multiple case study (see chapter 5 and 6).

4.3.1 Invasion: The attack of the totem

Baricco illustrates that the barbarians do not respect the traditions that have been for a long time taken for granted. The cases of the widespread diffusion of tasting wine and the commercialization of football testify the fact that the barbarians have attacked sacred totems, which where objects of worship for their ancestors. In a similar way, when selecting the target, BFs might be that attack traditional ways of doing business or long-lasting, well-respected products (e.g., the so-called "business classics"), which are embedded in the community's culture and therefore can be flagged as *totems* of a market. Companies offering such totem products often rely on entry barriers as way to protect their business.

A parallelism can be drawn from the discussion that Baricco provides on the Great Wall. Similar to the Chinese dynasty that relied on the Great Wall to protect the empire; these firms believe that erecting entry barriers is an effective way to defend their products. However, as for China, the Great Wall turned out to be a useless mean of defense from a military point of view, so might entry barriers be misleading for incumbents, making them believe to be protected from competitions. In fact some scholars have recognized both that entry barriers might not be so effective in protecting competitive advantage (e.g. Yip, 1982) and that they might even discourage corporate innovativeness (e.g. Zahra, Nash, & Bickford 1995). Being convinced of having built up safe nests, incumbents might be excessively depended on current customers, trying to exploit the maximum from them and losing the opportunities to innovate their products (Christensen & Bower 1996; Hamel & Prahalad, 1994).

Since these totems have long remained unaltered and there is enormous room for radically innovating them, BFs perceive that there is a business possibility. BFs propose new products that offer a completely new value proposition. However incumbents might believe that these innovative products do not compete with their established totems because the target market erroneously seems a different one (Debruyne, Moenaert, Griffin, Hart, Hultink & Robben, 2002). In fact BFs may target niche markets because the likelihood of new product success is dramatically higher than in mainstream markets (Hultink, Griffin, Hart, & Robben, 1997). However as the market developed and customer's preferences changes, a niche market may become an important market and BFs might endanger the incumbents' businesses. Take as an example the failure of incumbents in adapting to the developments of the disk drive industry (Christensen, 1997): leading companies did not properly oppose new entrants because they did not consider them as potential competitors, they were exclusively focused in satisfying existing customers' needs, and were solely looking at current established competitors. Existing companies often overlooked competition from new entrants because rely exclusively on their current businesses and products, they do not accept the changes in mutable environment and eventually incur in inertia (Levinthal & March, 1993). Incumbents present an imbalance between the two activities that have been defined as exploitation and exploration (March, 1991) and do not posses what has been defined by academia as *organizational ambidexterity* (Duncan, 1976): an ability to effectively manage the conflicts between today's operations and business setting and tomorrow's opportunities and changing environment (Gibson & Birkinshaw, 2004).

BFs' products seem to better capture the new trends and adapting to the new barbarian needs. In this respect the concept of *corporate entrepreneurship* might contribute to explain their success. Corporate entrepreneurship has been defined as process by which individuals inside organizations pursue opportunities without regard to the resources they currently control (Stevenson, Roberts, and Grousbeck, 1999). It has been recognized as an important mean to stimulate and sustain corporate competitiveness (Duobiene, 2008), especially when firms operate in a dynamic and heterogeneous business environments (Miller & Friesen, 1984, Covin & Slevin, 1990). BFs successfully couple their marketing strategies with an entrepreneurial visionary perspective, discovering opportunities to attack the totems. They do not just exploit current states of the market, but they actively explore new paths.

4.3.2 Warfare: Lateral movement on the surface

Baricco explains how the barbarians are not interested in going deep to discover the profound meaning of the things; rather they prefer to stay on the surface quickly switching to another experience. They value more the velocity than the depth. Similarly BFs have a particular way of fighting. Their strategic priority of acting is represented by the ability to perform lateral movements when the market conditions suggest so. Rather than committing themselves with heavy vertical investments and therefore suffer from organizational inertia when the volatile market condition changes, they prefer to stay broad so to better respond to alterations in the turbulent external environment. Academia has described this attitude of remaining prompt to transformation as *strategic agility* (Doz & Kosonen, 2008a, 2008b, 2010). Strategic agility indicates the firm's flexibility and the attitude to change direction when signals from the external environment suggest doing so (Doz & Kosonen, 2008a). Traditionally companies have responded to changes through strategic planning and evaluating different possible scenarios (Doz & Kosonen, 2008b). Nowadays the speed and the complexity of the external market conditions have made strategic planning insufficient. Firms need to respond to mutable conditions not only on the product level but also and particularly on the organizational level adopting different business models (Doz & Kosonen, 2008b). Strategic agility seems to be a characteristic of the phenotype of BFs since they are able to recognize trends in the business world and quickly transform their strategy accordingly, thanks to a strong leadership unity that allows for fast decision making and to high resource fluidity that permits BFs to rapidly reorganize processes (Doz & Kosonen, 2010).

Baricco identifies the maximum expression of the realm of the barbarians in Google. He is shocked by the fact that people who are looking to the meaning of things rely on the trajectories designed by other people, who in reality might not provide the most precise and appropriate answers compared to an encyclopedia. In fact Google has not developed the answer, but has just linked the knowledge of millions of peoples in very effective way. In a similar way, the actions and behaviors of BFs are aims to connecting dots and creating new trajectories, linking different pieces of knowledge that are disseminate in various parts of the market. In this way existing conceptions seem cutting edge and creative ideas because they change form, merge with other ideas to meet the needs of different users (Hargadon & Sutton 1997). In this sense BFs' strategy resembles the one of a *knowledge and technology broker*: their product or service innovations do not stem from revolutionary innovations or entirely new technology but rather from combination of existing ones (Hargadon, 2005). The success of BFs does not derive from heavy R&D investments, which would cause the entire organization to be slow in adapting to a continuous changing business environment (Hargadon, 2003) and in turn might increase the risk of incurring in organizational inertia and sclerosis (Hannan & Freeman, 1977). Instead, they are able to detect and creatively assemble existing technology while remaining strategically agile. BFs seems to have business models that rely on *open innovations*, in which the development costs of innovation are minimized by making use of external technology (Chesbrough, 2003). An example is given by the planetary success of the Nintendo Wii, which clearly won the console war against Sony Playstation 3 and Microsoft Xbox 360[14]. Nintendo simply took an existing, well-known piece of knowledge (MEMS accelerators[15]) and used it to do something completely new in the home video-game console industry enlarging the customer base beyond the normal target of videogames. Open innovation can not only refer to the technology employed but also to the adopted business model. Through licensing fees, joint ventures and spinoffs, companies are able to develop new products or services reducing significantly R&D expenditures (Chesbrough, 2007; Chesbrough & Schwartz, 2007). For example Millennium Pharmaceuticals exemplifies the open co-development business model (Chesbrough & Schwartz, 2007): at its foundation the company did not have enough resources to invest in the 10-years drug's development process needed to get the approval from the Food and Drug Administration. Thus it focused only on the early stages of the drugs' development and licensed its products to consolidated pharmaceutical companies, which were testing and commercializing the final products.

The ability to effectively merge and combine existing technology might originate from a phenotypical attitude typical of the BFs: the *absorptive capacity (AC).* AC identifies a company's aptitude to recognize external information and translate them into new products (Cohen & Levinthal, 1990). Often times such a capability is built on prior existing knowledge and is therefore path dependent. In this respect some authors (e.g. Cohen & Levinthal, 1989) believe that the development of AC is related to the level of R&D investments. Others (e.g. Lane & Lubatkin, 1998) argue that AC is not a function of R&D investment, but depends on the inter-organizational setting. Whatever source of it, AC enables BFs to acquire knowledge which is the base of their success (McEvily & Chakravarthy, 2002; Grant 1996).

4.3.3 Weapons: Disruptive innovation

As pointed out by Baricco, with the invasion of the barbarians the concept of experience loses its old characteristics. The time-consuming activity of studying aimed at becoming knowledgeable about a certain concept (e.g. fine French wine tasting) is not perceived as an appealing experience by the barbarians. They have a preference for a superficial experience that immediately satisfies their senses (e.g. Hollywood wine). The dimension of profundity,

[14] As of April 2011, Nintendo Wii controlled almost 47% of US market share for videogames hardware , in contrast with 35% of Microsoft Xbox360 and 18% of Sony Playstation 3 (Source: NPD sales figure, 2011).

[15] MicroElectroMechanical (MEMS) are that detect acceleration. They have been used in automobile airbags, hard disk's head ,digital cameras washing machines (Source: PC Mag Website)

which was the "core" characteristic of the experience as intended by the old generation (i.e. difficult and long process needed for acquiring deep knowledge), loses importance and it is substituted by other dimensions, such as superficiality, immediacy and easiness. The characteristics of the products or services offered by the BFs seem to resemble the new traits of barbarian experience. BFs do not offer products that provide the best experience along those attributes that were considered "core" by customers, but they provided superior performances in other dimensions. Take as an example the Nespresso concept: the espresso made with Nespresso coffee is not superior on the quality level when compared with a barista espresso and the price is not lower ($ 0.55 per cup plus $ 130 for the machine) (Levine, 2011). A cup of Nespresso made from capsules is less tasty and more expensive that the home-made coffee prepared with an old Gaggia coffee machine. Nonetheless, in the saturated coffee market, Nespresso dominates the only fastest-growing part of it represented by the single-serving coffee made at home (Levine, 2011), while Gaggia, which affirms to have invented the coffee machine that made espresso a worldwide-know product, is experiencing a downsizing (De Riccardis, 2007). The reason for that can be found in the fact that customers do not value the once-core quality characteristic of the coffee anymore, but have substituted it with other desired attributes such as the easiness, immediate use of the product.

Therefore, an important part of the phenotype of the BFs is represented by the products that they commercialize. The preferred weapons used by BFs when attacking the totems are products that comply with the new set of values. As such BFs' products or services seem to find theoretical support in the concept of *disruptive innovations (DIs)*. The term DIs was firstly introduced by Harvard Business School Professor Clayton Christensen (1997) to indicate the products or services of certain newly entered firms who, thanks to particular technological innovations, apply a new set of values, create new markets and eventually cause the failure of leading firms. The theory of DIs, as depicted in Figure 3, states that being too focused on existing customers, incumbents heavily invest in technologies to offer state of the art products that perform better along those characteristics that are considered crucial for current customer, so that they can be sold at a higher price (Scott & Christensen, 2005). The innovations that they propose can be either incremental or radical, but the flaw in their innovation process remain the same: they bring to the market products that exceed customer needs. Examples of innovation that are implemented by incumbents can include airplanes that fly faster, cellular phones' batteries that last longer, greater PC memory etc.

Alternatively, through the offer of disruptive products, BFs can enter the market from the bottom of the market offering products or services that perform sufficiently well along the core performances but offer superior performances in other dimensions that are overlooked by incumbents. BFs start to offer products either in a niche of the market or create a completely new market and eventually they are able to reach an impressive product diffusion, often causing market leaders to downsize their business and ultimately to fail (Scott & Christensen, 2005).

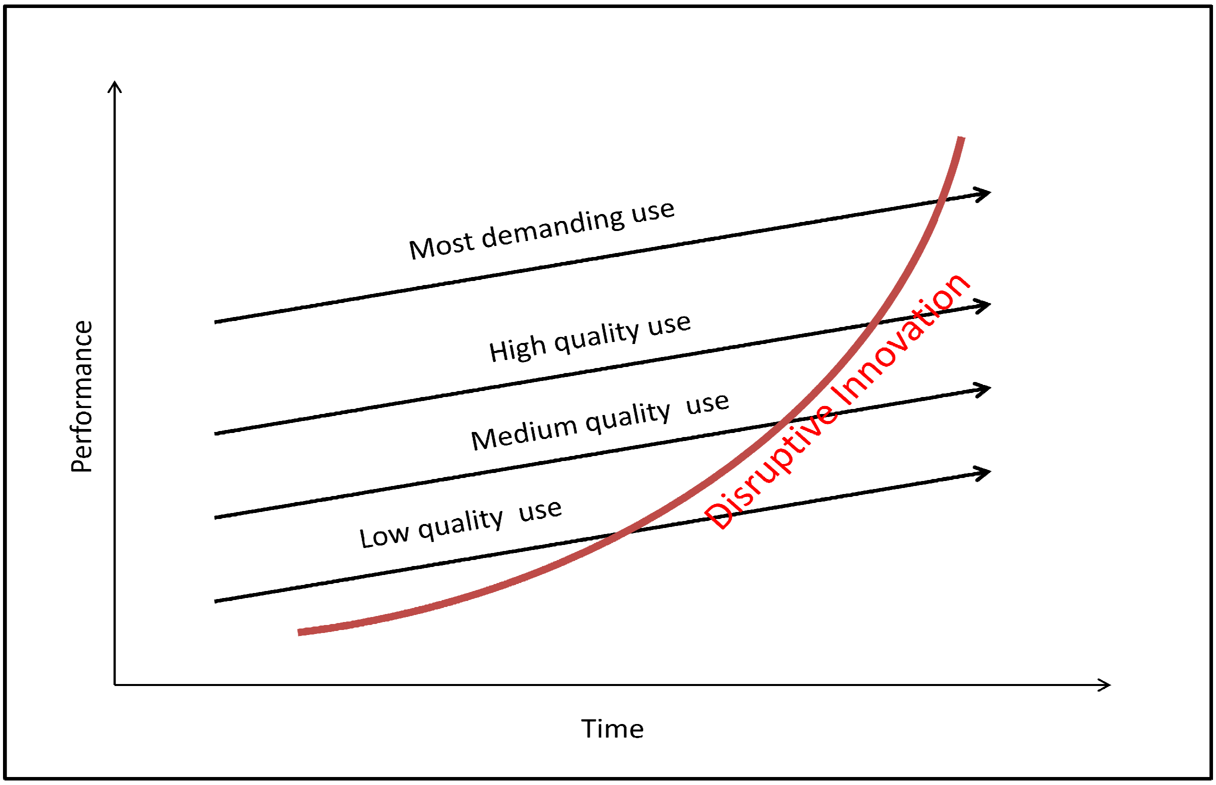

Figure 3: Disruptive innovation. Source: adapted from Scott & Christensen (2005).

As reported by Markides (2006), at its origins, the concept of DIs was thought to be only related to technology (Christensen, 1997). Then the concept has been broadened to comprise product and business model's innovations (Christensen & Raynor, 2003). The disruptive products seems to be the ones of which BFs are making use. Indeed technology innovations are part of the DIs used by BFs, but the BFs' products are well received by the customers not only because of the technological advancements that they incorporate, but also because they offer a completely new set of values, changing the concept of a customer's experience. In fact, like all DIs (Christensen, 1997), BFs' products or services usually offer lower performance in these core features. However, as the market matures, this performance becomes absolutely sufficient and customers direct their choices towards other criteria: simplicity, convenience, ease of use, price, so to stress the personal experience and co-creation. BFs recognize the change in customers' preferences and through the offer of innovative products that reach an immediate diffusion are able to rapidly obtain great market share.

4.3.4 The barbarian phenotype

The barbarian traits that have been discussed in the previous paragraph are summarized in Table 5.

Phase	Barbarian Traits	Attributes	Supporting Theories
Target Identification	- Attack to the totem	- Compete with long unaltered product -Opportunity to innovate - Weak incumbents counter action and less competition	- New product launch strategies - Corporate entrepreneurship
Warfare	- Fast pace - Lateral movement	- Co-development of technology -Combing existing technology in innovative ways	- Absorptive capacity - Strategic agility - Technology brokering - Open innovation
Weapons	- Superficial experience - Immediate gesture	- Products offer other performance dimensions: simplicity, immediacy, convenience, portability, fashion	- Disruptive innovations

Table 5: Summarizing table of the barbarian traits. Source: Developed by the author

Thanks to their ability to monitor the development in the external environment and capture important pieces of information, BFs carefully choose the target market to attack by identifying those areas where there is a lack of innovation and where there is a possibility to obtain an immediate large success in terms of product diffusion. They can do so, because of their phenotypical characteristics that seem to be connected with the concept of corporate entrepreneurship. In doing so BFs are not subject to organizational inertia since they maintain a remarkable strategic agility, which allows them to capture environmental changes and rapidly adapt to them. Such agility stems from the fact that BFs act as technology brokers and rely on open innovations. BFs assemble existing technologies in innovative ways translating them into products. Such products are represented by disruptive innovations, which do not offer superior performances in the core characteristics but perform well in other dimensions such as easy to use and immediacy.

It is important to state that the concepts pointed out so far are the result of my personal interpretation of the sociological thoughts expressed by Baricco and of a paper written by Bianchi, Di Minin and Frattini (2011b) in which the phenotype of the BFs is first theorized. The theories that I mentioned have the exclusive purpose to confer soundness to the theory building approach of this thesis, clarifying that the study of the BFs is not born from scratch but found partial theoretical support in previous developed thoughts and theories. In the next two chapters I explore the phenotype of successful firms in the multimedia industry and verify if the actions undertaken by these firms resemble the ones of the BFs expressed so far. Hereby I examine whether it is possible to support my analysis with the theories mentioned in this section.

5 Case studies presentation

The purpose of this chapter is to present the cases that I use to gather evidence for supporting the emerging theory. The cases subject of this study are three: Netflix's movie rental services, Apple's iTunes Store and Metro International's free newspaper. It is important to state that while Netflix and Metro International are companies that offer a single product, Apple commercializes a wider range of products including electronic devices (e.g. iPod, iPad, iPhone, Mac, Apple TV) software applications (e.g. iOs , Mac Os) and deliver digital content through the iTunes Store. However for the purpose of this thesis I analyzed exclusively the Apple's iTunes Store because the scope of the research is limited to the multimedia industry and therefore exclude by definition any discussion about hardware and software industries. For each case I provide a general description of the company or product, describe the market conditions when these companies/products entered the market and explain which strategies they adopt to compete against incumbents.

5.1 Netflix

5.1.1 Introduction

Netflix was co-founded in 1997 by Reed Hastings, a successful entrepreneur who had already founded a software business, and Marc Randolph. The company entered the movie rental industry with the world's first internet store to offer DVD rentals delivery by mail. Subsequently, in 2007, beside the regular home mail delivery, it reinvented its distribution of products offering Video on Demand (VOD) services through which customers can stream the desired movie or TV show on their TVs/computers via internet. As of June 2010 Netflix offer includes over 100,000 DVD titles and a library of over 17,000 titles that can be streamed online (Datamonitor: Netflix, 2010).

Netflix is thought to be one of the most successful dot-com company ventures (Black, 2002). Indeed, the company reached an impressive success both in terms of financials and product diffusion. In the financial year 2009 it had revenues of $1,670.3 million, which represented an increase of 22.4% over 2008 (Datamonitor: Netflix, 2010). As of December 2010, Netflix is the world's leading internet subscription service for TV shows and movies with 20 million subscribers (Netflix, 2010). The astonishing diffusion of Netflix's VOD service is confirmed by Sandvine's Global Internet Phenomena Report, which stated that in spring 2011 Netflix accounted for almost 25% of internet aggregate traffic in the United Stated (Hardawar, 2011).

5.1.2 Outlook of the market

When Netflix entered the market, the movie rental market was dominated by Blockbuster Inc, which in 1998 had almost 30% of the market share ("The Media Business", 1999). Blockbuster was following a strategy based on capillary diffusions of stores to expand its geographical presence in order to reach the highest number of potential customers. Blockbuster expanded its business with a strong inorganic growth acquiring rental chains in all major countries worldwide. This brick-and-mortar type of strategy led Blockbuster to have nearly 8,000 stores, 20 million renters a month and 40% of the U.S. market for home video rentals in 2001 (Walker, 2002).

Blockbuster kept focusing on expanding its store locations thinking that mail delivery was a losing strategy because of two reasons: the difficulty in controlling the inventory and the fact that watching a movie was thought to be an impulsive not planned customer decision that can be better satisfied if customers can easily reach a store where to rent a movie. Therefore it did not regard Netflix's mail delivery service as a potential threat and kept focusing on expanding its networks of stores. Just when Netflix' diffusion reached a warning level, Blockbuster actually started to offer a mail delivery service. Blockbuster launched its home delivery service in August 2004. However this decision was made too late, as Netflix had already acquired enough brand recognition and customer loyalty to prevent Blockbuster to earn significant market share (Siegler, 2011).

5.1.3 Strategy

5.1.3.1 Product

Regarding the mail service Netflix limited its offer to DVDs without providing any offer of VHSs' rental, which at that time represented the vast majority of total movie rents. In fact when Netflix was founded the diffusion of DVDs was still in an embryonic stage. The financial success of incumbents in the movie rental market was mainly driven by VHS's rental. For example Blockbuster reported that just 7% of total revenue for the fiscal year ending

December 2000 stemmed from DVDs. Nonetheless Netflix limited its product offer exclusively to DVDs rentals for two main reasons. First of all, the management thought that competing in this segment would be easier. Hasting framed the market selection in the following words: “We were targeting people who just bought DVD players. At the time our goal was just to get our coupon in the box. We didn’t have too much competition. The market was underserved, and stores didn’t carry a wide selection of DVDs at the time.” (Shih, Kaufman, & Spinola, 2010). Second of all, DVD’s technology had great potential in terms of commercial diffusion. Therefore building up strong brand recognition from the very beginning provided Netflix with a great advantage before competitors would have started to offer DVD’s rentals (Thompson, 2003). This prediction turned out to be true. In fact according to the market research company IDC, in 2002, already a fourth of United States households owned a DVD player (Flynn, 2002a). The revenue of movie rental companies dramatically steered from VHS to DVDs.

Concerning the VOD service, a similar pioneer approach can be recognized. Netflix started to offer VOD movie rentals in January 2007 (Pegoraro, 2008) when indeed there were already some players such as Movielink or RealNetworks but the service was still far from being a mainstream mean used to watch movies. The limited diffusion of the VOD service was due to two main limitations: firstly, the limited possibility to connect the computer to the TVs. In fact with the diffusion of high definition TVs household were unwilling to pay extra for movies that could not be watch on their TVs. Secondly, the catalog of movies was still limited because the studios were skeptical to provide contents to VOD websites as they feared that copy write infringements would have been more probable than for DVDs. However, when the VOD reached a deeper market penetration and thanks to the already-established relationships with the film studios, Netflix was able to capture great part of the market because it could leverage an important customer base that it had already acquired through the DVDs rental service.

5.1.3.2 Pricing and revenue model

The revenue model consists of a subscription based model: paying a monthly flat fee customers can order a certain number of DVDs per time according to their pricing tiers and keep them as long as they want, without incurring late-fees (Walker, 2002). With regards to the VOD service, Netflix applied a flat rate as well, allowing subscribers to enjoy an unlimited number of movies on their computer and TVs. Such a subscription model was adopted after having recognized that the pay-per-rental model that was adopted at the outset, turned out to be unsuccessful. In fact when compared to other companies (e.g. Blockbuster) that were offering pay-per-rental at the same price level, the service of Netflix was much slower due to the fact that DVDs had to be delivered home (Shih et al., 2010). Customers greatly valued the subscription model especially because of the abolition of late-fees which made the service much more flexible and easier to enjoy. The new pricing model had in turn impressively enhanced customer loyalty. As expressed by Neil Hunt, Netflix's chief product office:

"*Pricing had been a discussion point for a long time. Our original model didn't work—we needed to overcome the shipping delay. It just wasn't a high enough value product to overcome the delivery waiting time. We spent a lot of money to market to and attract new customers, and they wouldn't be repeat renters. We were spending $100 to $200 to bring in a customer, and they would make one $4 rental. There was no residual value" (Shih et al., 2010, p.4).*

5.1.3.3 Recommendation system

Netflix's online interface proposes to subscribers recommendations about the movies that most likely would suit their preferences. The company created a software called CineMatch that with the use of algorithmic calculation provides recommendation to users on the base of user's past rentals, other customer recommendations and user's preferences as expressed in a survey which customers are invited to complete when first entering the website. This recommendation system not only made the customer's selection of movies much easier and accurate, but also remarkably simplified the company's inventory (Chatterjee, Carroll & Spence, 2009). CineMatch automatically excludes from the recommended movies those that were out of stock, which most likely are the new releases. In this way, Netflix achieved a double purpose: it keeps customer' satisfaction high avoiding the frustration of placing an order of a movie that in reality cannot be delivered because it is out of stock and they do not have to invest huge amounts of money to purchase a large number of box-office hits, which are the most expensive movie to buy, but it can rely on a wider number of titles from independent labels, which requires a lower investment. Take as an example the enormous success that "Talk to Her", an Almodovar's movie, had in terms of rents: in the first six months from its launch this relatively unknown movie was rented more often than the "Daredevil", a box-office hit starring Ben Affleck (Thompson, 2003). Thanks to the success of the CineMatch and of the inventory management system, new releases represented less than

30% of Netflix's total rentals in 2006, whereas they counted for more than 70% of total rental for traditional rental companies (Shih et. al, 2007, p.4).

5.1.3.4 Partnerships

Netflix does not pay up-front for the DVDs and distribution rights of the VOD movies to the studios. Instead it managed to sign revenue-sharing agreements with more than 50 studios. Basically every time a movie is rented, Netflix pays a sort of royalty that varies according to the popularity of the movie, so that for the most acclaimed titles Netflix pays $1.25, while niche titles cost $0.50 or less (Chatterjee et al., 2009).

Furthermore since Netflix started to offer the VOD service, several partnerships have been made with the goal of developing a system that would allow customer to stream their movies directly on the TVs. For this purpose, in 2007, Netflix entered a partnership with LG Electronics to develop a set-top box for consumers to stream movies from the Internet to HDTVs, and in 2008 with the collaboration of Roku, a firm that produces digital media streaming technology, introduced "The Netflix Player". The number of partnerships continued to grow including deals with Microsoft (to offer the possibility of watching movies on the Xbox), LG Electronics, Panasonic, Sanyo, Sharp and Toshiba just to name few (Brandweek: Netflix ups, 2008; Stone, 2008; Datamonitor: Netflix, 2010).

5.2 iTunes Store

5.2.1 Introduction

iTunes Music Store is a product of Apple Inc. that was first launched on the US territory in April 2003. It is an on-line store that sells digital content including songs, music videos, audio books, podcasts, games, and movies. At first it was only compatible with Apple devices such as Macs, MacBooks, iPods, iPhones, and subsequently become accessible also for standard PCs. According to NPD Group on April 2008 it became the largest music seller in the US overtaking Wal-Mart with over 50 million customers and a stock of more than four billions songs (Apple, 2008). In 2010 iTunes Store had around 68.7% in global music download market (Business Insight: The digital music, 2010). The success of iTunes Store seems to be unstoppable. By July 2011 it had sold more than 15 billion downloads and reached a customer base of over 160 million in 23 countries including the US, UK, France, Germany, Australia, New Zealand, and Japan (Business Insight: The digital music, 2010). The success of iTunes is also confirmed by its financial performance that has been characterized by a steady growth over the past years with a year-to-year increase of 22.6%[16].

The impressively strong position of iTunes in terms of market share acquires even more relevance for future developments given the fact that global digital music revenues are predicted to more than double from 7.4 billion dollars in 2010 to 20.1 billion in 2015 (Business Insight: The digital music, 2010).

5.2.2 Outlook of the market

When Apple launched iTunes Store in 2003, half of the population of the US used to buy music in the form of compact discs (CD's) with a frequency equal or superior to one time per year. Customers used to buy recorded music primarily in mass merchandisers stores (e.g. Wal-Mart, Target), which accounted for roughly 65% of total music retail sales (Mark & Crossan, 2005). However the market for recorder music was experiencing a decline in terms of total sales as testified by the calculation provided by Bain & Company (2011) based on the Recording Industry Association of America (RIAA)' statistics (see Figure 4 below), which estimates that global music industry turnover shrank from a level of 13 billion dollars in 1999 to less than 5 billion in 2009.

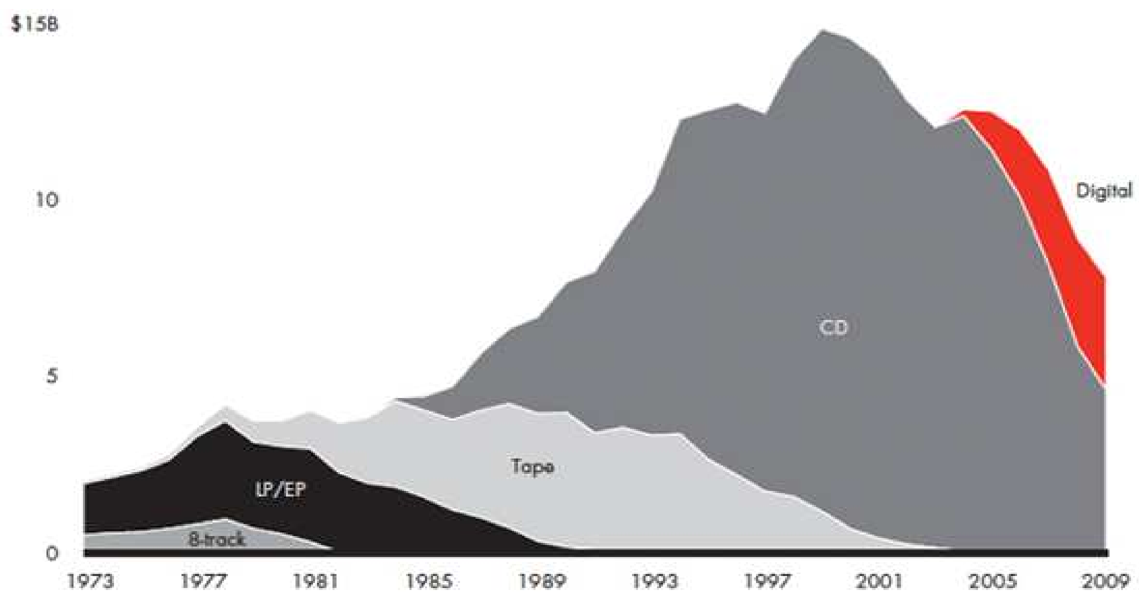

Figure 4: Global music industry turnover 193-2009. Sources: RIAA year-end shipment statistic; Bain Analysis.

The management of the major record labels expressed their concerns on the fact that digital music was strongly eroding retail sales. Such concerns arose due to the fact that a large part

[16] See Appendix 2

of downloaded music was not purchased legally, but illegally (Mark & Crossan, 2005). In fact there were two kinds of online services: the free to share (illegal) and subscription based service (legal) (Sarvani & Mukund, 2003). On the one hand the free to share services allowed users to share music files over the web making use of the peer-to-peer technology, an application architecture that permitted to connect different computer systems and transfer files within their network. This system was enjoying a high level of popularity because the service was completely free and offered a relative high number of songs that satisfied even the music enthusiasts. The most used and famous service at that time was Napster, which, after having been launched in 2000, reached the record of 1.6 million users in 2009 (Sarvani & Mukund, 2003). Napster was sued by the RIAA for having violated copywriting agreements and eventually was shut down. Nonetheless its success gave rise to the development of other file sharing programs such as LimeWire, BearShare, Morpheus, Grokster and Kazaa (Mark, 2005). On the other hand the subscription based services offered to download music to customers who were willing to pay a subscription fee, which varied based upon the services offered. In the early 2000s, there were already many companies offering such services (Sarvani & Mukund, 2003). Some of the most popular ones were America On line's Music Net, Full Audio's MusicNow, Real One's Rhapsody, Music Match's MX, EMusic and Pressplay. Even though these services were legal, since the music label had signed revenue sharing agreements with the providers, the success of them remained quite limited because of three main factors: the insufficient selection of the songs, the complexity that characterized the pricing plans and the difficult-to-use interfaces of the services.

Therefore it is possible to recognize two trends that were heavily affecting the music industry during the end of the '90s and the early 2000s. Firstly, it is clear that the music industry as a whole has been experiencing a strong decline (as demonstrated by the development of turnover showed in Figure 4) driven principally by the less appealing retail purchasing for customers. Secondly, an increased proportion of people were downloading music in digital format, but the most of it was downloaded illegally due to the poor performance of existing subscription services. These two conditions combined provided the take-off strip for the success of iTunes Store.

5.2.3 Strategy

5.2.3.1 Product

When in 2003 Apple launched the iTunes Store less than one percent of US's home computers were Macintoshes and only a part of these had broadband connection (Strauss, 2003a). Given the fact that at first customers could only install iTunes software on Apple computers, one might think that the number of songs sold would have been very limited. However, the figure of sales for the two month of operation is impressive: five million songs downloaded (Rayner, 2003). After six months iTunes was also made available for PCs users who, in less than a week, downloaded the software one million times. The reason for such an immediate and astonishing success is given by extreme convenience of the service. Neil Strauss, columnist on the New York Times, commented on the easiness of use of iTunes Store:

Its main appeal has been simplicity: an elegant interface, its usefulness as a source of music for the iPod and a lack of restrictions on the music. Once customers buy a song, it is theirs to do with as they wish, a basic concept that few other online retailers (with the notable exception of the eMusic subscription service for the PC) seem to comprehend (Strauss, 2003b).

Simplicity of use was not the only key success factor for iTunes Store. Industry observers concluded that a great portion of the success of iTunes Store depended on the cooperation it obtained from the music business (Strauss, 2003a), which allowed iTunes to offer a wide variety of songs. When launched, there were around 200.000 songs and within one year of operation the number of song offered reached 700.000 (Markoff, 2004). The offer has continued to grow and in less than five years the online catalog counted more than five million songs (Jones, 2008).

Its simplicity and its varied catalog made iTunes Store a valid legal alternative to other downloading programs. As CEO Steve Jobs put it:

"Selling five million songs in the first eight weeks has far surpassed our expectations, and clearly illustrates that many customers are hungry for a legal way to acquire their music online."(Rayner, 2003)

It is said that iTunes Store basically created the market for legal online music, since its predecessors had extremely limited success (Goolsbee, 2007) and obtained, from the very beginning, a market leader position. Josh Bernoff, a market research analyst at Forrester, claimed that “[…] competitors in the online music download industry are all fighting for the craps that Apple has left behind” (Flynn, 2004b).

Another factor that positively contributed to the triumph of iTunes Store was the experience that customers had when purchasing music. According to McGuire, an analyst at GartnerG2, a market research and consulting company, ''music customers and listeners want to be active participants'' (Flynn, 2004c). For this reason Apple enhanced the level of involvement of the customers as for example in September 2010 when it launched its social networking platform Ping that offered features such as tracking favorite artists and the possibility to connect with friends (Business Insight: The digital music, 2010).

5.2.3.2 Pricing and revenue model

The easiness of use of the service is also reflected in the pricing model. Instead of charging customers different amounts of money according to the song downloaded, iTunes charged $0, 99 US dollar per song and $9.99 US dollar per album. Songs can be purchased just with one simply mouse click and the credit card connected to the account is then charged accordingly. However, once customers acquired a certain familiarity with the Store’s website, Apple introduced a three-tiered pricing model, which, while maintaining a relative simplicity, increased the margins on the songs downloaded.

Up to now iTunes Store did not offer a subscription based model and in this sense the pricing model is “based more on the retail model than the cable television one” (Strauss, 2003c). Nonetheless Apple is now evaluating the possibility to introduce a subscription model, which would boots even more the profit margins (Business Insight: The digital music, 2010).

5.2.3.3 Partnership

As already stated the wide variety of songs offered has to be regarded as a key factor for the success of iTunes Store. The richness of the catalog was possible thanks to the revenue sharing agreement that Steve Jobs, at that time CEO of Apple, signed with the five major recording companies, Sony, BMG, Warner Music Group, Universal Music Group and EMI, which combined produced and distributed 85 per cent of all music in the United States (Mark & Crossan, 2005). Moreover he reached an agreement with more than 450 independent labels, making songs from niche artists accessible for music enthusiasts (Markoff, 2004). According to the University of Chicago’s economics professor Austan Goolsbee (2007) record companies, which were extremely skeptical to enter these kind of agreements with on line music sellers because they feared the possibility of copywriting infringement, were convinced to release music content to iTunes thanks to its innovative copy write protection and digital rights management (DRM) software. Music with encoded DRM can be copied on computers and burned on CDs only a limited number of times, avoiding the illegal reproduction of music that the labels feared. According to industry experts the role of Steve Job was essential in selling the iTunes Store and the DRM concepts to the labels (Garrity & Morris, 2003). For example Jimmy Iovine, founder and chairman of Interscope believes that "if it wasn't for Steve Jobs there would be no legitimate music online." (Barnett, 2011).

5.3 Metro

5.3.1 Introduction

Metro is a free daily newspaper that is distributed on weekdays in more than 150 major cities located in Europe, Asia, North and South America. Metro is a product of Metro International, a Swedish company headquartered in Luxemburg. Metro was launched in 1995 in Stockholm and since then it went through an impressive expansion. Metro is the largest newspaper in Europe and the second largest morning newspaper in the world in terms of daily circulation (Metro: Competitive landscape, 2010)[17]. As of September 2010, Metro is published in 22 countries with a distribution of around 10 million copies (Datamonitor: Metro ,2011) and a readership of more than 16 million people[18]. Metro is also available in a digital format that can be downloaded on smart phones and tablet PCs.

5.3.2 Outlook of the market

The global newspaper market has experienced a low growth in the period starting from 2006 and ending in 2009 (Datamonitor: Global Newspaper, 2011). The total market volume has increased by only 7%[19]. An exception is represented by the free newspaper market. Figure 5 shows that the circulation of free daily newspapers has steadily grown in the period 1995-2009 with an double digit annual growth rate year-to-year and that the number of free newspapers notably increased from being less than 10 to 209 (Metro, 2009). Given this

[17] See Appendix 3 and 4.
[18] In many countries Metro is published under a different name, such as PubliMetro, MetroXpres, Metropol, Publinews, MetroHoy and Metropolis (Metro 1995-2011, 2011). For the sake of simplicity I will not refer to the singular titles country by country, but use the term Metro for all editions.
[19] See Appendix 5.

market development, the success that Metro achieved in terms of diffusion of the product is impressive. Metro was a pioneer in the free newspaper industry and had an impressive market share estimated to be around 90% of total free newspaper market (Newspaper Innovation: Metro 1995-2011). However even with the entrance of numerous competitors Metro maintained a leading position in the market. In fact thanks to its aggressive internationalization expansion, Metro has been able to capture the 30% of the worldwide circulation of free newspapers as of December 2009 (Metro, 2009).

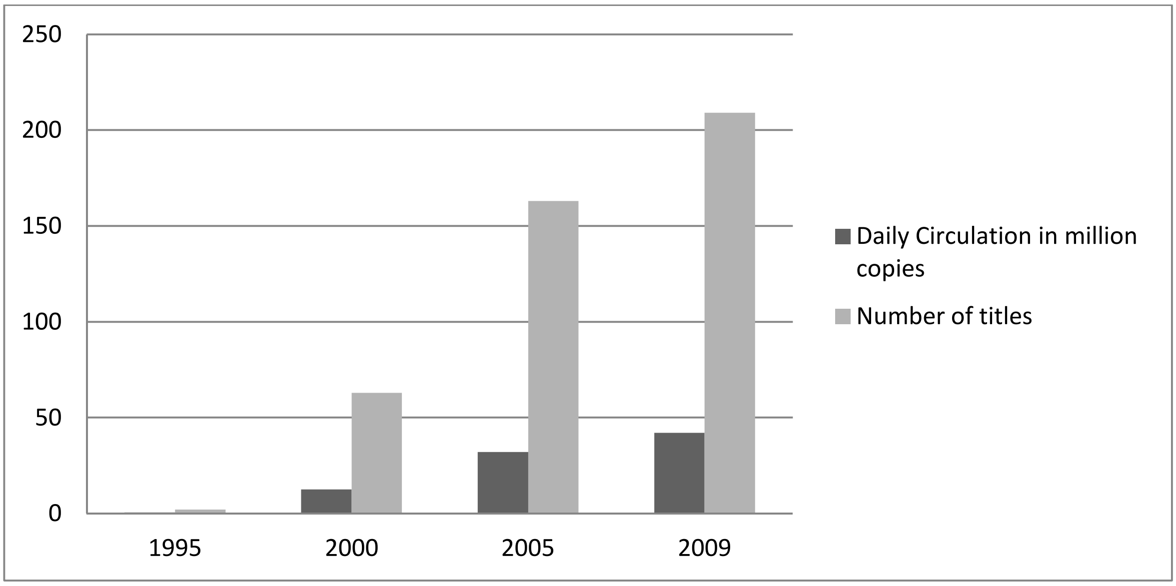

Figure 5: Free Daily Newspapers 1995-2009. Source: Metro International 2009.

5.3.3 Strategy

5.3.3.1 Product

The product characteristics of Metro differ in many ways from the ones of traditional newspapers. The target group chosen by Metro is represented almost exclusively by metropolitans who have very limited time to read the news. Metro claims to have invented the "metro moment" (Metro, 2010), the 20 minutes commuting time that on average professionals and students takes every morning to reach the working/studying place. For this reason, the newspaper is voluntarily kept relatively short, providing solely reports of news, rather than analysis of events. Nonetheless the content of Metro spans from international news to local ones. Moreover while traditional newspapers have a relative old audience, the audience which Metro is aiming at is rather young[20]. The fact that the newspaper is offered

[20] See Appendix 6 for a comparison of the readership of traditional newspaper and Metro.

for free sets strong incentives for (not-regular) young readers to get it. Additionally, while traditional ways of delivering newspaper included home delivery and selling at the newsstand, Metro is delivered at bus and underground stations either by promoters or in racks. Following this distribution method Metro is able to serve millions of people who are making use of the public transportation systems every day. This allows Metro to reach more metropolitans than any other media (Metro, 2010).

5.3.3.2 Pricing and Revenue Model

The majority of paid newspapers had a revenue model in which about one third of revenues come from subscriptions and the remaining part from advertising. Clearly, being a free newspaper, Metro does not derive revenues from subscriptions. Instead the only revenue stream is represented by advertisement. In reality 100% of Metro's income stream come from companies that, from different industries, pay Metro in order to get a daily advertisement space. Metro offered to these companies, such as Apple, Hyundai, Burger King, Motorola, Microsoft, British Airways (Metro: Previous Advertisers, 2011), a double advantage over traditional newspaper. First of all, while traditional newspapers are principally geographically limited, Metro has a global reach. When choosing where to advertise, an important factor that advertisers consider is the newspaper's circulation (Khanna, Oberholzer-Gee, Dessain, Damgaard Jensen, Sjoman, 2007). Therefore Metro represents a valuable opportunity for multinational companies who, instead of signing agreements with many newspaper publishers, can obtain the same visibility concluding a deal with a single title. Second of all, Metro's target group is highly attractive for advertisers since it is not covered by traditional newspapers. Data about Metro's readership shows that on average Metro readers are younger than the ones of traditional newspapers[21]. According to Pelle Törnberg, former president and CEO of Metro International, "Metro delivers the TV demographic on a local basis at newspaper advertising prices," (Khanna et al., 2007, p. 3). Clearly Metro is a great opportunity for advertisers that aim at targeting young affluent newspaper readers that otherwise would be extremely difficult to reach (More media, less news, 2006).

5.3.3.3 Partnerships and international expansion

The contagious diffusions of Metro was achieved thanks to an aggressive expansion strategy. After the successful launch of the newspaper in Stockholm, where in just one year (1996) it

[21] See Appendix 6

became the second most read newspaper (Khanna et al., 2007), Metro expanded to Hungary and Czech Republic in 1997, Finland and The Netherlands in 1999. Chile, the United States, Canada and Italy in 2000, Spain and Denmark in 2001, France, Korea and Hong Kong in 2002, Russia in 2005, Mexico and Finland in 2006, Brazil 2007, and Ecuador (2009). In most of these markets Metro was offered in the major cities and more rarely (i.e. Sweden, Hungary) it reached a national coverage.

In expanding internationally Metro first used to enter target markets with a company owned model when the foreign investment was considered to be less risky. Joint ventures were used when the estimated risk factor was rather high. However, if after three years from the entrance the country a subsidiary had not reached the break-even point, Metro turned unprofitable operations into franchisees or entered licensee agreements in order to achieve a better performance for the group by limiting also headquarters expenditures (Metro Intl to reduce headquarter cost, 2010). That was the case in Korea in 2010 where Metro divested its 29.99% holding in Metro Korea to two of its joint venture partners (Metro Intl divests South Korea unit, 2010). Also in France Metro entered into license and services agreements with Television Francaise 1 (Reuters: Metro International SA Divests Metro France's Operation, 2011), and United States where it licensed Metro Boston, New York and Philadelphia to Seabay Media (Farey-Jones, 2009), and many other such as Chile, Greece, Portugal, Russia and Italy (Datamonitor: Metro, 2011). According to the management, the majority of these market exits were caused by the economic downturn that characterized the world economy in the 2008 and 2009 (Metro, 2009).

With the increasing competition of other free newspapers, Metro had to secure its distribution among commuters. One effective way to protect its business has been found in signing contracts with transportation companies. In several cities Metro has the exclusive right to distribute newspapers in bus and underground stations. For example since its Hong Kong launch in 2002, Metro established a partnership with Maas Transit Railways, one of the two Hong Kong underground companies (Metro Intl extends distribution contract; 2010).

5.3.4 Financial Performance

It has to be noted that the impressive success that Metro reached in terms of readership has been only partially reflected in the financials. In fact, Metro made consecutive losses from 1998 and 2005 (Khanna et al., 2007). These disappointing figures in the early years might be attributed to the fact that when entering a foreign market the targeted break even time was settled at three years. However even when Metro's position in a foreign market was consolidated, financial results presented contrasting results from one year to the other, showing profits in 2006, 2008, 2010 and losses in 2007, 2009 (Metro, 2006, 2007, 2008, 2009, 2010). Such volatile financial results are also indicated by the performance of Metro's International stock, quoted on Stockholm Stock Exchange, whose values dramatically declined from over 70.0 SEK per share in the beginning of 2001 to less than 1 SEK in October 2011 (Yahoo! Finance: Metro International, 2011).

6 Analysis

In this chapter the analysis of the case studies is presented. In chapter 3 I exposed the sociological thoughts of Baricco and I tried to provide a managerial interpretation of them, so to derive three barbarian traits that should characterize the phenotype of BFs in the current business environment. Therefore, after having presented in Chapter 5 the hard facts that I found out in the study of the cases, the purpose of this chapter is to analyze the cases from the perspective of the barbarians, wearing the “barbarian lenses”. I will try to support my analysis with accepted managerial theories that should provide valuable insights and should explain the action and behaviors of BFs. The chapter is divided into three sections. Each section examines a single barbarian trait with reference to the individual case studies.

6.1 Target selection: Attack to the totem

Baricco recognizes that the invasion of the barbarians has been possible because of the development of certain technological advancements, which have changed the process of experience, transforming it from a time consuming process aimed at digging into the meaning of things to a superficial process that touches only the surface of things. In this way certain habits (e.g. drinking high-end wine combined with certain food that exalt the organoleptic properties of it, watching football at the stadium on Sunday) that have been idolized as totems of past generations lose their attractiveness because the barbarians introduce a different set of values (e.g. superficiality, immediacy). The attempt carried on by nostalgic people to protect the old values is doomed to failure as much as the Great Wall of China was useless from a military point of view.

Translated under a managerial light, the fact that a firm has been occupying a favorable position in the business environment with a product that has received a great customer acceptance does not ensure the durability of its success. Such a product might have been perceived as a totem, but giving the new context it is not immune from competition anymore. BFs’ products challenge these totems with the employment of technological innovations, taking advantage of new trends that characterized the current society. Incumbents rely on entry barriers as a mean of protection, but fail to recognize that these are just elusive defense mechanisms that can be easily bypassed (Jin, Namwoon & Hong-Bumm, 2001). In fact some incumbents fail to proactively recognize the new trends in the society because of two interconnected reasons: first they rely exclusively on existing customers and therefore they take a passive approach believing to have built up a safe nest that protect them from competition; second they do not explore new innovative ways to better serve both existing and prospective customers with products that incorporate the available technological advancements (Christensen, 1997). Since their products have for long time enjoyed a terrific diffusion acquiring privileged market positions, incumbents believe that customers will continue to idolize such products as if they were totems of the market. A completely different approach is taking by the BFs that show a particular phenotypical attitude. BFs are aware of the changes that are mutating the society and are taking a proactive approach. They start to commercialize products that comply with the new standards of experience and that enter in direct competition with those successful incumbents' products (i.e. totem). The room for improvement and innovation is impressive because incumbents' products have remained unaltered for long. From the empirical evidence that has been gathered, it seems that such an argumentation is fully applicable in all three cases. In the Netflix case it is possible to recognize the pioneer phenotypical attitude in exploring other ways to deliver movies in a different format with the employment of technological advancements. In the iTunes Store case, the ability to exploit an emergent trend caused by a technological development is visible and it was turned into a profitable business. In the Metro case, even though no technological advancement has been recognized, Metro represents an successful exception in the almost-stagnant newspaper industry, which stresses the importance of being able to proactively understand the changes in the external environment.

6.1.1 Netflix versus Blockbuster

When Netflix entered the market Blockbuster was the market leader in the movie rental industry ("The Media Business", 1999). The offer of Blockbuster was basically rooted on two concepts, one attaining to the product offered and one to the delivery of the product: the standard format in which customers were used to rent movie was the VHS and the delivery of the product was performed by the customers themselves, which had to go to one of the shops to choose and collect the desired movies. At that time Blockbuster was so successful that the management of the company was only focusing on improving efficiency. Blockbuster put exclusively attention on its current product and business model trying to exploit the maximum from it, but failed to explore new ways of doing business with a future perspective. It did not possess what has been identified by academia as *organizational ambidexterity* (Duncan, 1976.) Blockbuster believed that the brick-and-mortar strategy was superior to a mail service. As a spokesman stated: “We don’t believe there is enough of a demand for mail order—it’s not a sustainable business model” (Shih, 2010, p.9). This prediction revealed to be absolutely inaccurate due to the fact that they overlooked the changing conditions in the market. In fact, even if its market penetration was still limited, the DVD format was emerging as the new standard because of its increased performance in terms of audio and video quality. Moreover internet was becoming an attractive mean through which customers could select the movie and simply receive it at home. Netflix recognized both trends triggered by the technological advancements and started to compete with Blockbuster offering only DVDs’ delivery service by mail. In a first period Netflix was serving just a niche market, but once the technologies (i.e. internet and DVDs) on which its products was based reached a widespread diffusion the success was immediate. Blockbuster started to regard Netflix as a threat when it was already too late since Netflix had already obtain an important and loyal customer base that prevented Blockbuster to re-obtain its once-predominant market position (Siegler, 2011).

6.1.2 iTunes Store versus retail stores

A similar patter can be found in the iTunes Store case, where mass music merchandising stores and retail shops strongly suffered the entrance of iTunes Store in the music distribution market. Retail chain stores such as Wall Mart and Target were market leaders in the US in terms of music sales (Mark & Crossan, 2005). They enjoyed a dramatic advantage over other smaller retails thanks to the economies of scales and the bargaining power they had with the music labels when buying CDs. The possibility that new entrants would have been able to compete with them was remote, also because of the limited attractiveness of an industry whose value was dramatically declining (see Figure 5). However the empirical evidence suggested that the opposite of what they predicted actually happened. They overlooked the possibility that downloading digital music could have turned from a completely illegal action to a legal and profitable business. Astutely Apple recognized that a major trend was changing the behavior of the music’s buyers: the experience of buying music in stores in the format of albums was overtaken by the much more direct and superficial attitude to buy single songs online. Thanks to the diffusion of internet combined with a simple product offer, iTunes Store turned this trend in its favor. The result is that in a declining industry in terms of total sales, digital music download presents an opposite positive trend and iTunes Store represents a great part of it as testified by its leader position in total music sales (Business Insight: The digital music,, 2010).

6.1.3 Metro versus traditional newspapers

In the case of Metro, even if there is not a major technological innovation at the base of its success, it is possible to recognize the proactive phenotypical attitude that characterizes BFs. In an industry as the newspaper one, which experienced very limited growth over the past years (Appendix 3), Metro has been able to exploit great part of the only growing market segment represented by the free newspaper market (see Figure 4). Metro was able to aim at a target audience that shows behavioral characteristics very similar to the ones of the barbarians as described by Baricco. Young newspaper readers are indeed not interested in deep time consuming analysis of the news and therefore they are not willing to pay for products that do not satisfy their preferences. On the contrary, they prefer to dedicate few minutes to read the news in a format that should provide the readers with general overview of the happenings rather than going in deep discussions. Metro recognized these customers' needs and offered a product that adapted to the new barbarian concept of experience. Once again the proactive attitude to enter a market with a new innovative value proposition turned out to be a great success as testified by the impressive diffusion, in terms of newspaper daily circulation (see Appendix 4), reached by Metro.

6.2 Agility in performing lateral movements: partnership and technology brokering

As already stated, a priority for the barbarians is velocity. They prefer to remain on the surface of the things rather than going deep since they are not interested in a profound old-fashioned concept of knowledge, but in the possibility of quickly switching to the next experience. The example of Google Search, as provided by Baricco, clearly exemplifies this new set of values. Nowadays people prefer to find the answers to their question on Google rather than on encyclopedias and expert books because of its flexibility and the opportunity that it provides to change the object of the research.

The phenotype typical of BFs seems to have characteristics that recall the barbarians priorities just mentioned and resemble the concept of strategic agility. Operating under extremely volatile market conditions, the strategic priority of BFs is to remain flexible in order to timely respond to changes as they occur (Doz & Kosonen, 2008a). For this reason BFs value more horizontal investments than vertical ones since the commitment in terms of capital investment is much lower in the first case than in the second case. In this way they avoid to be stuck and strongly committed with certain assets and can therefore quickly adapt to the new requirements of the market performing lateral movements (i.e. investing in other directions). Contrary to that, some incumbents, being strongly vertically integrated and thus having static organizational systems, might suffer from organizational inertia as market dynamics change. From the cases I analyzed in this study it is possible to conclude that the argumentation given above holds true for the cases of Netflix and Metro where the pattern identified above is clearly visible and expressed in the reliance on partnerships. In the Metro case is also possible to notice how the company changed its strategy, from being strongly vertically integrated and thus suffering unexpected changes in external environment, to a more flexible structure based on licensing agreements and franchising. Concerning the iTunes Store case, even if partnerships play an important role, I did not find enough evidence to support the argumentation of the agile phenotype.

6.2.1 Netflix's partnerships with studios and electronic devices producers

The success of Netflix rental service has been achieved thanks to numerous product features. Among those a relevant one is indeed represented by the varied catalog from which customers can choose the movies that better satisfy their desires. The richness of the catalog was the outcome of a series of partnerships that Netflix entered with several studios. In fact contrary to Blockbuster, which partnered up only with major studios, Netflix was able to established relations both with major studios and independent ones and thus it was able to provide, besides box-office movies, movies that received less media exposure but positive critics' reviews. The possibility of reaching so many partners was given by the unique nature of the contract, which was based on a revenue sharing model. In this way Netflix managed to stay competitive, providing a variegated movies selection, while at the same time achieving a remarkable strategic agility because of the limited investments. If a movie turned out to be unsuccessful, Netflix did not lose any money because it actually did not buy the movie but just shared the revenue.

The revenue sharing partnership model was also of great value when Netflix started to offer the VOD service. The previous business model based on mail delivery experienced a dramatic turndown because of the increasing diffusions of the VOD. If Netflix had invested in buying DVDs, the new VOD service would have triggered a dramatic depreciation of the investment made in DVDs. However, the agile revenue sharing agreement allowed Netflix to quickly implement the new concept without causing a loss in the old service.

Partnerships have to be considered the key of the agile phenotype of Netflix not only with regards to the studios, but also concerning the electronic devices producers. Instead of committing resources for the in-house production of a toolbox that would have made the streaming of the offered movies possible, Netflix entered numerous partnerships with TVs and home cinema producers in order to limit the investment needed. This strategy turned out to be successful as the contagious diffusion of the Netflix's VOD service has to be partially attributed to the fact that customers are able to stream the movies on several electronic devices from different brands.

Moreover in the case of Netflix, it has been noticed another parallelism with the thoughts of Baricco. As the “empire building” of the barbarians (i.e. Google) does not incorporate any knowledge about the answers it gives[22], but it just provides connections to the places (i.e. websites) where to find the knowledge, so the success of Netflix does not stem from radical innovations in technologies that have been developed thank to an internal knowledge, but from the way in which the company originally made use of already existing technologies. Netflix did not invent the VOD and it did not develop any devices with whom to stream the movies. It connected the two concepts with a simple, easy to use service as the unlimited movie stream service (see section 6.3.1). Connecting existing technologies Netflix operated as a technology broker (Hargadon & Sutton 1997), always maintaining an impressive organizational agility that prevents the company to incur in organizational inertia.

6.2.2 iTunes Store 's partnerships with music labels

As for Netflix, much of the success of iTunes Store stems from the unique varied catalog of music that Apple's product offers. The number of songs available to download has reached the astonishing number of five million in less than five years after the launch (Jones, 2008).

[22] It might be argued that Google incorporates a high level of knowledge because of the sophisticated algorithm on which the entire system is build. However here I refer to knowledge to indicate the results of the research performed using Google search.

The possibility to offer such a rich catalog derived from the numerous partnerships with the music labels with which Apple signed revenue sharing agreements. In this sense it might be found an agile trait similar to the one of Netflix. However I do not believe that this evidence is sufficient to sustain the argumentation that iTunes Store presents an agile phenotype for two reasons. Firstly, from the launch of the product the digital music market has not incurred in any major changes that would have tested the level of agility and ability to adapt to the new market requirements, as happened in the case of Netflix where the successful switch from a movie-by-mail service to a VOD service proved the company strategic agility. Secondly, while in the case of Netflix the strategic agility has been identified and analyzed at company level, in this case the analysis is limited at a product level, being iTunes Store a product of Apple. Therefore, even in the case in which I would have found more evidence, the argumentations should have been lowered to a product level, limiting the generalizability of the finding. In saying this I do not imply that Apple might not be an agile company, but the study of it would entail an analysis of the entire product portfolio, which does not attain to the scope of this thesis.

Nonetheless it is possible to recognize another phenotypical attitude typical of BFs. iTunes Store acted as a legal technology broker between the music labels and the music listeners. The demand of digital music was already high before the launch of iTunes but there was no legal alternative that satisfied the customers. Moreover iTunes Store technology is largely based on MP3 technology, which was already widely used and known before the launch of the Apple's online store. Therefore iTunes Store acted as a broker and connected existing technology in a format that captured a wide customer acceptance because of its simplicity and ease to use.

6.2.3 Metro's partnerships with local media companies

The epidemic diffusion of Metro newspaper was triggered by the aggressive internationalization strategy that the company followed in the first decade of operations. Many of the foreign market entries were performed setting up a wholly owned foreign subsidiary. In just few markets that were considered more risky by the management, Metro signed for joint ventures with local media companies. However because of the strong economic downturn that significantly lowered the expenditure in advertising of the newspaper's advertisers, Metro was forced to divest many of its operations. Nonetheless instead of exiting the foreign markets, the company decided to enter franchisee and licensing agreements so to maintain the revenue streams from advertisers while diminishing operational costs and letting bear the financial risk to local players.

Clearly Metro suffered of an inertia that did not enable the quick and rapid adaptation to the new environmental variables. After years of continued loss, Metro was obliged to divest its operation because it was not able to respond to the new dynamics that characterized the market. However the development of a new business model based on licensing and franchisee seemed to strengthen the argumentation that an agile phenotype is what companies need to compete in the today's turbulent business environment. This statement is also confirmed by the financial result that Metro recorded for the fiscal year ending in December 2010. Compared with a loss of over 20 million in 2009, largely due to operational loss in market such as Spain and US, in 2010 Metro achieved an operating profit of 12 million (Metro, 2011).

6.3 Weapons: Disruptive Innovations

As already pointed out, the concept of experience has dramatically changed with the invasion of the barbarians. The importance given by the old generations to a complex and time consuming gesture is replaced by a research of an immediate action that rapidly satisfies the new barbarian needs. Old generations often fail to accept this mutation and they try to defend their totems. However, their battle is doomed to failure. In a similar way, as described in section 6.1, incumbents relying on entry barriers and on existing customers overlook the proliferation of new trends in the society and miss out on opportunities for innovating their products or services. BFs wisely understand the new emerging set of values and start to commercialize products or services that comply with the modern standards. The mean used by BFs to attack the totem of the markets are DIs. DIs do not provide a better performance in the once-core dimensions of the products (Christensen, 1997). On the opposite, their performances along these dimensions are often lower than the ones of incumbent's products. However either because the market matures or because technological advancements make it possible to deliver the product by other means or because customer preferences change, these once-core dimensions become just sufficient and customers look for other characteristics such as ease, convenience, immediacy of use and greater involvement in the purchase of the product. In the analysis of the cases I found strong evidence to support the statement that BFs make use of DIs to invade the market and reach immediate and contagious product diffusion. In the cases of Netflix and iTunes Store the introduction of a disruptive technology in association with a convenient and simple offer that enhances the customer experience has to be regarded as a key for their success. In the case of Metro, even if no disruptive technological advancements have been recognized, the offer of an easy-to-read newspaper, with both local and international news, distributed at commuting time created an entire new market that disrupted the traditional paid for newspaper market.

6.3.1 Netflix

In the case of Netflix it is clearly visible that the early entrance in the VOD market with a service based on a flat subscription rate and an accurate recommendation system represented a DI for the entire industry.

In 2007, when Netflix started to offer its online streaming service, the VOD was still at its outset because of two reasons: the limited development of hardware which permits to stream the video on the TVs, which had a higher quality video than computer; the restricted availability of movies to stream due to the skepticism of studios to provide online digital content. At that time movie watchers preferred to rent movies in a physical format because of the poor performance of the VOD along theses two core dimensions (e.g. video quality and movies availability). Netflix managed to solve these issues relying on the relations with electronic devices producers and with the studios. On the one hand, thanks to the partnerships with electronic devices producers, Netflix was able to quickly develop a number of toolboxes that gave customers the possibility to enjoy the movies on a wide number of TV brands. On the other hand, leveraging on the relationships that Netflix already had with the studios, the company obtained an adequate quantity of digital content so to offer a wide movie catalog. Once it reached a sufficient performance in the customers' crucial dimensions, Netflix's VOD services obtained a wider diffusion to the detriment of the regular DVDs rental service. Eventually Netflix's customer base had grown exponentially over the years making Netflix the world's largest internet movie and TV shows service provider.

The disruption of movie rental market caused by Netflix's VOD was made possible by unique characteristics of the service provided. While offering sufficient performance in certain service dimensions, Netflix provided superior performance in other increasingly important ones. It offered a subscription based pricing plan with unlimited movie streaming, which made the service extremely convenient as consumers could switch from a movie to another one at any time, avoiding the frustrating situation of having chosen and paid for a movie that actually does not fit their preferences. Moreover the unique recommendation system developed by Netflix increased the ease of use of the service. Instead of spending lots of time searching for a movie in the online catalog, customers were recommended by the system on the base of previous rents, similar customers rental patters and previous customer ratings. In addition, the recommendation system enhanced the customers' experience since less known movies, which probably would have not received customer's attention given the limited media coverage, were easier to be selected.

6.3.2 iTunes Store

The evidence gathered on iTunes Store unequivocally led me to conclude that Apple's online music store is a DI because not only it makes use of a disruptive technology, but it also changes the way music listeners buy music by stressing the convenience, the immediacy, the simplicity and the co-creation of an experience.

First of all the MP3 technology on which iTunes Store's music is based does not have a comparable sound quality as old CDs (Mayle, 2006). However since MP3 quality sounds is sufficiently good, customers' preferences have turned in the search of other product dimensions, which iTunes was astutely able to provide.

In fact the experience of going to a CDs shop and buy an entire album of a certain artist is not perceived as desirable anymore. Nowadays customers looks for other characteristics such as convenience and immediacy. According to Jon Bon Jovi[23]:

"the magical experience of buying records in a store is disappearing, brick-and-mortar stores being eroded in part due to iTunes' success. Kids today have missed the whole experience of putting the headphones on, turning it up to 10, holding the jacket, closing their eyes and getting lost in an album; and the beauty of taking your allowance money and making a decision based on the jacket, not knowing what the record sounded like, and looking at a couple of still pictures and imagining it." (Bon Jovi: Steve Jobs Is Personally Responsible, 2011).

[23]Jon Bon Jovi is an American musician, singer, and songwriter. He is the founder lead singer of rock band Bon Jovi. Its albums have sold millions of copies, making Bon Jovi the second most profitable band in the world with 125 million dollars income (Forbes: Most profitable bands).

In the virtual iTunes Store people mostly buy the single songs that required no effort to be listened and have easy enjoyable melodies, while the most reflexive song in an album remains unsold. The majority of songs sold on iTunes Store are in fact singles song and not entire albums. Customers highly value the possibility of buying singles because of their convenience over regular albums, which contain songs that might not be desired by customers. Moreover the fact that songs can be acquired directly from home makes the process of buying music immediate.

Second of all customers now look for another important product characteristic represented by the simplicity. In fact much of the success of iTunes Store has to be attributed to the very simple pricing scheme through which customers purchased music and the user-friendly interface from which customers can easily select the desired songs. iTunes Store was not a pioneer in offering online music download. Indeed there were already other companies offering a similar service. However the diffusion of their products was quite limited due the fact that their pricing plan was complex and the interface not user-friendly. On the contrary, iTunes proposed a fixed pricing plan ($0.99 US dollar per song, $9.99 US dollar per album) which made the purchase of music much easier, and created a very simple and user-friendly interface in which customers could easily navigate and select the desired songs to download.

Third of all, iTunes Store transformed the action of buying music from a simple individual purchase, to an experience to share with other people. With the introduction of the iTunes Store networking platform Ping, users can rate their favorite songs, share them and connect with friends. Probably this new iTunes Store customer experience will eventually create what is described as the network effect in the marketplace (Byungjoon et al., 2002) where the utility of a product increases on the base of the number of customers using this particular product (Katz & Shapiro, 1985).

6.3.3 Metro

In the case of Metro even if there is no disruptive technology at the base of the diffusion of the product, I believe it is possible to identify certain product characteristics that resemble the ones of DIs. In fact, the concept of DIs is not limited to technological advancement but comprise also product innovation (Christensen & Raynor, 2003). In this sense Metro newspaper can be considered a disruptive product because it basically created a new market for the free newspaper offering it to an audience that was not served by traditional newspapers. In fact the target of Metro is represented by young metropolitans that do not buy newspapers but generally inform themselves through other means (e.g. TV, internet), because they are not willing to pay for the news. Metro represented a valid alternative for them and a great opportunity for advertisers to reach this young audience that would otherwise not be reached.

The appealing effect of Metro for readers is given by the fact that the newspaper can be read in just twenty minutes and offer a view on both local and international happenings keeping an easy-to-read language. Another important disruptive characteristic of Metro is the unique time and place where the newspaper is distributed. Being distributed in the early morning in the major cities commuting systems, Metro can reach before other newspapers a vast audience. The distribution method of Metro highlights the immediacy in the consumption of the product and the easiness in getting it. People do not have to go to newsstand to buy it, but they are approached by distribution staff and can use the product immediately in the train or bus.

Moreover Metro newspaper presents another characteristic typical of DIs: the performance in the core dimension is not as good as the one offered by incumbents. The quality of the analysis of the news is indeed much deeper and better written in paid for newspaper. Metro limits the level of analysis to the surface of the news, merely reporting the happening but avoiding any discussion about the content. However given the selected target audience, this typical core dimension for newspaper is replaced by the other product characteristic described above (convenience, simple language, fast to read).

7 Synthesis

The purpose of this chapter is to provide the reader with a comparative summary of the results described in the previous chapter and to answer the research question with the help of a tentative framework that provides a holistic view of the phenotype of BFs.

7.1 Summary of results

In Table 6 the main finding of the analysis are briefly conceptualized. It follows a discussion of the three traits of the phenotype of BFs.

Activity	Attributes	Netflix	iTunes Store	Metro
Target Selection	• Compete with long unaltered products •Opportunity to innovate • Weak incumbents counter-actions and less competition	•Totem→Blockbuster brick-and-mortar strategy •Trend→ Diffusion of DVDs and Internet	•Totem→Retail store (e.g. Wall Mart, Target) •Trend→Increasing music download	•Totem → Traditional paid for newspaper •Trend → New free newspaper market segment
Lateral Movements	•Agile organizational structure • Ability to rapidly mutate according to market changes •Co-development of technologies • Ability to connect existing technologies→ Technology Broker	•Agile phenotype →Partnership with studios →Partnership with electronic devices producers =Agile switch from mail service to VOD •Technology broker between studios, electronic devices producer, customer through VOD	•Limited evidence of agile phenotype •Technology Broker between music labels music enthusiast through MP3 technology and internet	•First phase: Vertical integrated investment→Failure •Second phase: Horizontal integrated with local media players → Agile phenotype →Success
Disruptive Innovations	•Worse performance in once-core dimensions •Better performance in non-core dimensions (e.g. immediacy, convenience, ease of use)	VOD: •Video quality not as good as for DVDs • Flat pricing→Convenient, avoid frustration •Recommendation system→Easy, enhance experience	MP3: •Sound quality not as good as for CDs • Fixed pricing, • User-friendly interface •Networking experience	NEWSPAPER •Content quality not as good as for traditional newspaper •Free •Easy language •Fast to read

Figure 6: Summarization of the result of the analysis. Source: Developed by the authors

7.1.1 Target selection

In all three cases the ability to understand the future development of the market and proactively respond to the mutable conditions turned out to be a key factor to explain the dramatic diffusion of the products and services of the BFs to the detriment of well established incumbents that kept their traditional way of doing business. This phenotypical attitude of BFs is showed in the ability to recognize before incumbents the commercial potential of certain technological advancements (in the cases of Netflix and iTunes Store) or of a new business model (Metro Newspaper). Instead incumbents, continuing to rest on their long lasting products and business models, fail to understand the developments of the market. Such a passive attitude might lead to the downsizing and eventually to the failure of incumbents (e.g. Blockbuster in the Netflix case).

7.1.2 Lateral movements

In two cases (e.g. Netflix and Metro) BFs show an organizational agility that allowed them to quickly adapt their business models when external conditions mutated. Such strategic agility is achieved thanks to the limited vertical investment, so that assets can be mobilized and allocated in new fashions when required. Partnerships with studios and with electronic manufactures have been recognized as the phenotypical evidence in the case of Netflix. Particularly relevant is the case of Metro where it is possible to analyze the contrasting scenarios in which the company happened to operate. In a first phase, being strongly vertically integrated with wholly owned subsidiaries, Metro struggled to respond to the downturn in the advertising market. In the second phase, thanks to the numerous partnerships with local media in the form of licensing agreements or franchisees, Metro achieved a substantial strategic agility. In the case of iTunes the evidence was not sufficient to support the phenotypical agility statement because the level of analysis is limited to the product and because the market in which iTunes operates has not yet encountered a major mutation.

Moreover in the cases of Netflix and iTunes another phenotypical characteristic of BFs emerged. This is the ability to act as technology brokers connecting different actors and existing technologies through their products. Netflix was able to make use of existing VOD technology and leveraging the knowledge of electronic devices producers to create streaming toolboxes, offered with a new unique service. iTunes Store relied on preexisting MP3 technology but created a service that due to its simplicity was able to capture a great customer attention.

7.1.3 Disruptive innovations

In all the cases it was possible to recognize how BFs commercialize products or services that have characteristics typical of DIs. These products do not offer a superior performance in the dimensions that were used to be considered core, but perform better in other dimensions that from being marginal became central in the customer's decision. Through DIs, BFs are able to create new markets or to strongly transform niche markets into main markets. Netflix distinguished its VOD service because of the simplicity of use, the possibility to stream the movies on TVs, the convenience of the service, the varied catalog that coupled with an accurate recommendation service enhanced the customer experience. Beside the various selection of music, iTunes Store offered a simple and convenient pricing for digital music and a very user-friendly interface that opened up the market for the before-limited digital music market. The concept of Metro was able to develop the free newspaper market internationally with an easy and fast-to-read product aimed at a young metropolitan.

7.2 A conceptual framework: The phenotype of the barbarian firm

Throughout the analysis of the cases I found strong evidence to support the argumentation that successful firms, which became leaders in the market in which they operate, show a consistent phenotype whose characteristics resemble the one of BFs. I believed that this evidence exhaustively answers the research question of this paper, which was formulated as follows:

Which is the observable set of behaviors of businesses that are successful in today's dynamic market environment?

The results suggest that the observable set of behavior of successful firms is identified with phenotype of BFs. This phenotype is extremely desirable when firms operate in a dynamic and turbulent context, where changes in business environmental strongly influence the level of competition. Figure 8 provides a graphical representation of the comparison between the phenotype of BFs and of traditional firms.

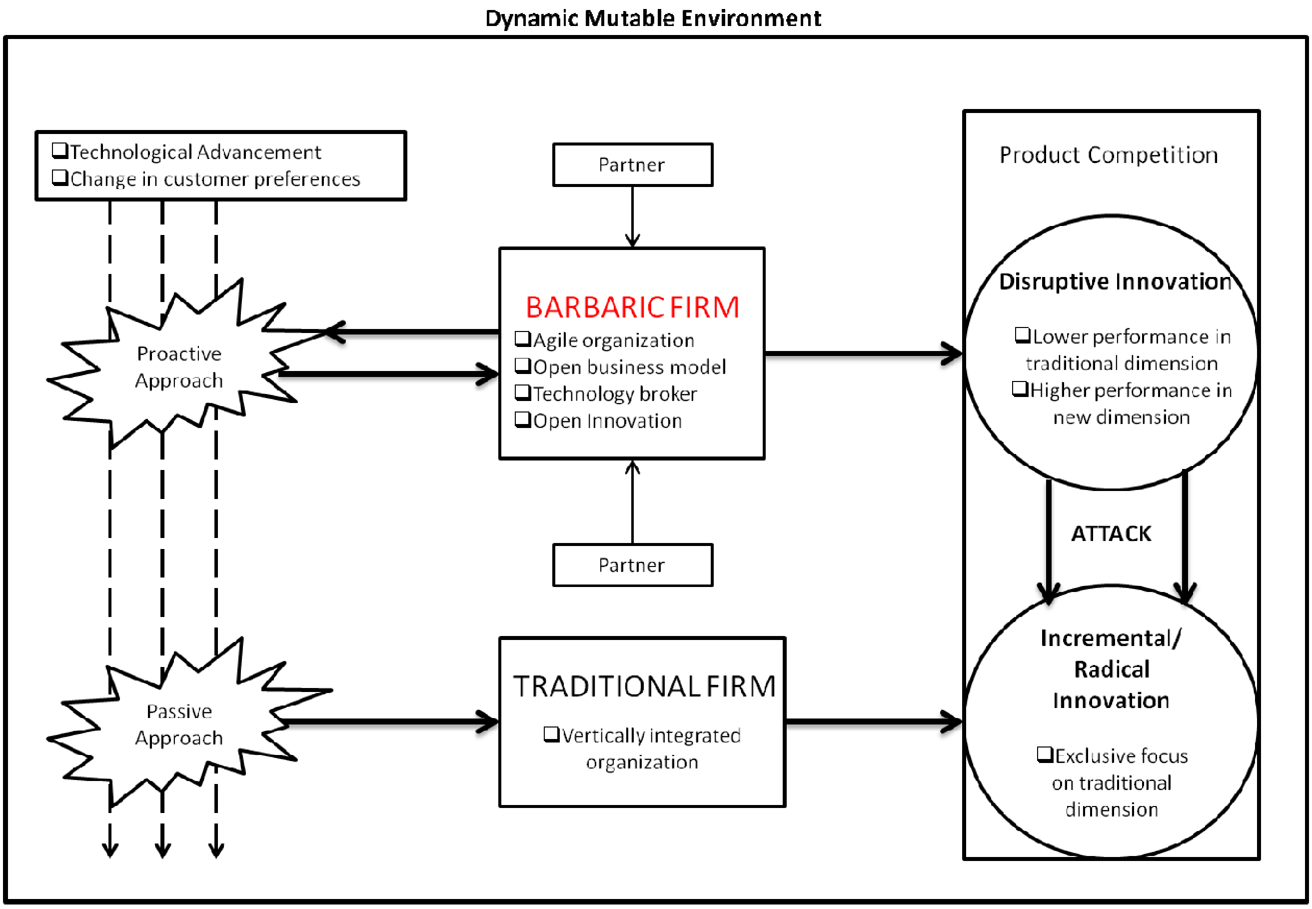

Figure 7: The phenotype of the BF. Source: Developed by the author.

There are three interconnected macro-areas where the phenotype of BFs strongly diverges from the traditional way of doing business. First of all, given the unpredictable development of the market conditions that are subjects to sudden changes, BFs show a constant proactive attitude in monitoring the available technological advancements and in interpreting the change in customers' preferences. In this way they can rapidly recognize when new business opportunities might arise. On the opposite many incumbents seem to passively track the dynamics of the market, since they are too focus on existing customers and businesses and incur in the risk of missing out important opportunities. Second of all, BFs not only recognize the changing environmental variables, but actively adapt their business models to the new set of conditions, performing lateral movements. They are able to do so because they are characterized by an agile organizational structure that allow them to divest in certain assets and reinvest in other ways. Their ability to maintain such a strategic agility is achieved thanks to the open business models that they employ, in which the reliance on partnerships allows for limited vertical investments. In technology industries BFs seem to act as technology brokers: they do not develop internally the technologies required for the products but originally assemble existing technologies in innovative ways, relying on open innovation. On the contrary some firms being strongly vertically integrated fail to adapt to the new dynamics of market because of the financial commitment that they have in certain assets or business models. Third of all, having recognized the new technologies and trends, and having adapted their organization accordingly, BFs start compete with existing companies commercializing products that incorporate DIs. BFs are able to satisfy the new set of customer's preferences. BFs' products offer a lower performance along those dimensions that were considered the most important in the past, but offer a superlative performance in those dimensions that are and will considered "core" by current and future customers. Instead, not having recognized the new technologies and trends and being strongly committed with their traditional business models, incumbents continue to invest in products that perform excellently in the dimensions that where "core" in past, but presents a scarce performance in the new customer's preferences.

The three characteristics that portray the phenotype of the BFs have not be regarded as stand-alone traits, but have to be thought as strongly intertwined. Successful firms constantly show the presence of all three traits. In fact the actual benefits that firms can achieve stem from the synergies of these three. For example a company might be proactive in recognizing new trends and advancement in technology, but if it is not able to adapt its business model to the new environmental status quo, it is doomed to failure. Or a firm might offer a disruptive product that obtain a vast customer acceptance, but if it does not monitor technological advancement on a constant base, its success is destined to end. Therefore it is extremely important to look at the phenotype of BFs as a whole because only in this way BFs can find the best fit with the mutable conditions of the dynamic external business environment.

8 Conclusion

In this final chapter I provide the main conclusions of the thesis retracing the steps in the process of study that I adopted to perform this research. I also discuss which are the limitations of the thesis, suggest practical implication for managers and address where further research should focus.

8.1. Concluding remarks

The purpose of the thesis was to investigate the phenotypical behaviors of successful firms that operate in today's dynamic environment. Such phenotype has been identified with the one of the so-called BFs. I showed that existing theories are not fully applicable when trying to answer this question because either are thought to be applied in a relatively static environment (i.e. Porter's five competitive forces and Shapiro's strategic conflict) where the reliance on entry barriers seem to protect incumbents from competitions, or focus on the genotype of successful firms avoiding a discussion about the external manifestation of the company's genes (i.e. RBV and DCs). I investigated the phenotype of today's successful firms with the help of the sociological thoughts developed by the Italian philosopher and writer Alessandro Baricco, who believes that the society is experiencing a mutation because of the changed habits of the new generation (i.e. the barbarians). The translation of his thoughts into a managerial perspective led me to identify certain behaviors of firms which seemed to be connected with the ones of successful firms. The empirical evidence gathered through the three cases, namely Netflix , Apple's iTunes Store and Metro, largely confirmed my intuitions. The analysis of the cases allowed me to develop a tentative framework of the phenotype of the BF, which is the most likely to survive and in turn to be successful under the mutable and dynamic conditions that characterized the today's business environment. The framework portrays the phenotype of BFs as composed by three traits that are remarkably interconnected: BFs show a proactive attitude to understand new customers preferences and to make use of technological advancements to attack well-established products or business model that have remained unaltered for long time (i.e. totems of the market); they conform to the new environmental setting performing lateral movements, acting as a technology brokers and maintaining an agile organizational structures; they commercialize disruptive innovation products that present a sufficient performance in the traditional product dimensions but offer superior performances in other dimensions, such as simplicity, convenience and immediacy.

8.2 Limitations

Given the complexity and length of a study of the phenotype of successful firms, before starting the discussion I delimited the breath of my research in Section 1.5 and tried to avoid possible criticism on the use of the word success and on the choice of analyzing firms belonging only to the multimedia industry. However I believe that beside these delimitations there is still room for possible criticism.

First of all, the identification of three barbarian traits as the phenotype of BFs is not exhaustive. In my analysis I considered just these three aspects because of two reasons: my interpretation of the thoughts of Baricco led me to the classification of actions and behaviors of BFs in this threefold fashion and the evidence I gathered from the cases studies seems to be oriented in this direction. This does not mean that other organizational dimensions are less important when analyzing the successfulness of companies. For example the role of managers in shaping the phenotype of firms might be equally important in determining the evolvement of companies in today's dynamic environment.

Second of all, each of the phenotypical trait of BFs can be the ground of a study itself. In saying that I mean that did not investigated in dept each of the traits but I limit my analysis to the surface of them. For this reasons a critic to this thesis can be concerned with the fact that the analysis is too superficial and it might lack a practical managerial perspective.

Third of all, in the cases studies the focus has not been given to the profitability of the analyzed products, but to the diffusion of them. The financial of the companies have just been mentioned to provide soundness to the choice of the cases. However there is no discussion of certain financial measures (e.g. profit margins) which in reality are considered fundamental when evaluating the successfulness of companies. In this regards, critics might argue that this thesis is limited in considering the financial side of BFs.

Finally given the theory building nature of this thesis, the obtained results represents a tentative explanation of the successfulness of BFs. Therefore the outcome of this thesis have to be read under a critical perspective and need to validated by future research with the use of ad hoc designed theory testing research (Wacker, 1998).

8.3 Managerial implications

I think that my research contributes not only in enriching the understanding of behaviors of successful firms from a theoretical point of view, but also in providing the business community with practical managerial advices. In fact, even if the level of the analysis has been voluntarily kept on a superficial level of concepts so to analyze diverse aspect of BFs providing a holistic view of the phenotype successful firms, some pragmatic interpretations of desirable managerial actions emerge.

Firstly, as demonstrated throughout the analysis the reliance on entry barriers as a way to protect a firm's business seems to have lost its effectiveness. With the increased pace of technological advancements, entry barriers can be easily overcome. Therefore even if a firms has resources that constituted a formidable protection for its business in the past, it has to proactively monitor the changes in the business environment recognizing which trends can cause a mutation of the current status quo and be ready to respond to them. Moreover firms should consider the technological advancements not as threats to their current businesses, but as opportunities to further strengthen their position in the market. Managers should encourage the adoption of new technologies and cultivate a corporate culture that enhance the entrepreneurial spirit of the employees so to foster innovative responses to the mutable conditions in the external business setting.

Secondly, mangers whose firms operate in high technology businesses should have a preference for an organizational structure that can quickly respond to sudden changes in the market. This means that possibly they should adopt business models in which the reliance on vertical investment is minimized while co-development, in the form of licensing, franchising or partnerships in general, is widely used. Firms organized in this fashion are prompt to re-address the allocation of resources as signals from the external environment suggest so. While achieving a remarkable organizational agility, firm organized in such a way are also able to benefit from the partnership relationships, absorbing information and ideas from the business network, which eventually might be turned into innovative products or services.

Thirdly, firms should take a wider perspective in term of innovation processes. They should not only concentrate their effort in innovating their products or services along the traditional products or services' dimensions that current customers are caring about, but should experimenting new innovative ways to serve existing and prospective customers. This means that managers should constantly monitor the changes in customers needs and possibly encourage the development of products that better satisfy the new or expected customer's preferences.

8.4 Implications for further research

Being an exploratory study, this research set the ground on which further research should focus. Firstly, the study of the phenotype of BFs has been conducted only within the multimedia industry, which is by definition an industry that is subject to sudden changes in the employed technology and therefore it is more likely to be the ground for BFs to prosper. Future research should examine whether the conclusions of this thesis can be applied to companies in other industries where the pace of technological advancement is not so fast and where future changes are relatively more predictable. Secondly, all the cases analyzed in this study concern fairly large companies. The reason to include only large corporation is due to the fact that the effect of the dynamic environmental conditions on firms' performance is more evident for large companies than for smaller firm. This does not mean that the conclusions of this thesis are not applicable to firms of smaller sizes. Further research should investigate whether the proposed tentative framework can be applied to small and medium enterprises. Thirdly, being the framework of BFs' phenotype a tentative conceptualization, further research should verify the generalizability of the finding with the use of theory testing research (Wacker, 1998). Fourthly I believe that threefold phenotype of BFs can be further expanded so to include other organizational aspects. Future research might contribute in this direction trying to find out whether other firm's dimensions can be added to the proposed framework. Finally in-depth research within each single BF's trait would be of great value as it will further defines the actions of BFs at a lower operational level casting light on practical decision undertaken by mangers.

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Appendices

Appendix 1- Baricco's biography

Alessandro Baricco is an Italian writer, director, performer and philosopher. He was born in Turin on the 25th January 1958. He holds a degree in philosophy, obtained under the supervision of Gianni Vattimo, and a degree from the academy of music (conservatory). Soon after graduation he published some music criticism essays. Among those *Il genio in fuga* (1988) on Gioacchino Rossini and *L'anima di Hegel e le mucche del Wisconsin* (1992) on the relation between music and modernity. He collaborated as music critic for nationwide newspapers *La Repubblica* and L*a Stampa*. Baricco worked also on television. In 1993 he presented a TV program whose main theme was the opera; in 1994 he created and presented a program dedicated to the literature named *Pickwick, del leggere e dello scrivere*; in 1998 he co-created with the theatrical director Gabriele Vacis a program called *Totem*, a series of lesson about the love for reading. In the 90's Baricco became famous writing many novels: *Castelli di Rabbia* (1991), *Oceano Mare* (1993), *Seta* (1993), *City* (1999) and *Senza Sangue* (2002). In 1994 he co-wrote with Eugenio Allegri a theatrical play, *Novecento*. Un monologo., which inspired the Giuseppe Tornatore movie *The legend of 1900*. In 2002 he wrote *Next*, a brief essay on the globalization. In 2003 he published *Partita Spagnola*, a screenplay on the story of Farinelli, celebrated Italian castrato singer of the 18th century. In 2005 he wrote the novel *Questa storia*. In 2006 he wrote on *La Repubblica* an essay titled *I Barbari* in which he described the cultural mutation that is taking place in the post-modern society. The essay has been published as a book with the title *I barbari. Un saggio sulla mutazione*. In 2008 he directed the movie titled *Lezione Ventuno*, on the mystery of the birth on Ninth Symphony of Beethoven.

Appendix 2- Apple's iTunes revenue 2006-2010

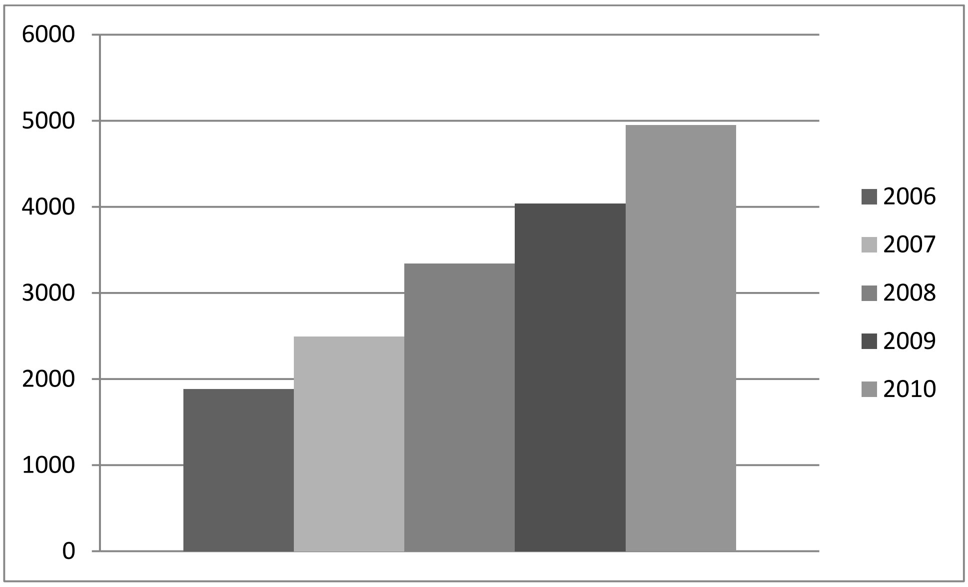

Figure 8: Apple iTunes revenue for Music related product and services($m), 2006-2010. Sources: Business Insight: The digital music, 2010.

Appendix 3- Largest morning newspapers in the world

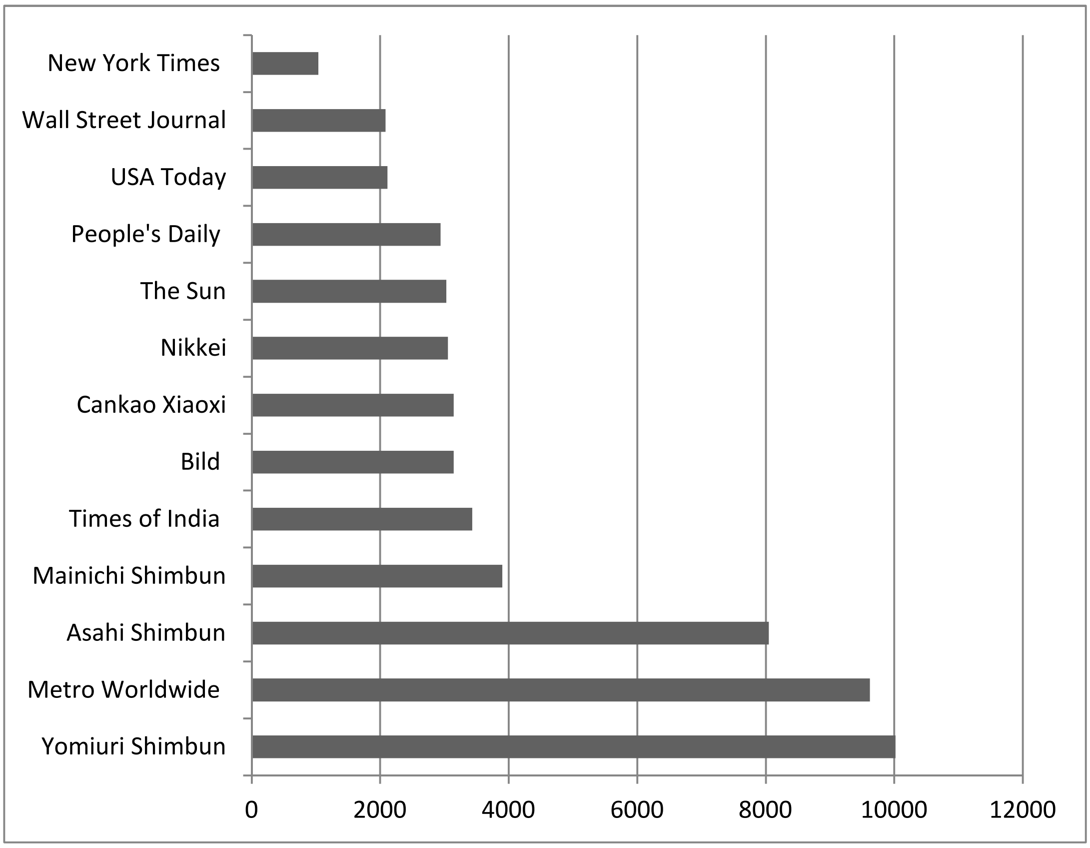

Figure 9: Largest morning newspaper in the world based on daily circulation (000s copies). Source: Metro Intl.

Appendix 4- Largest newspapers in Europe

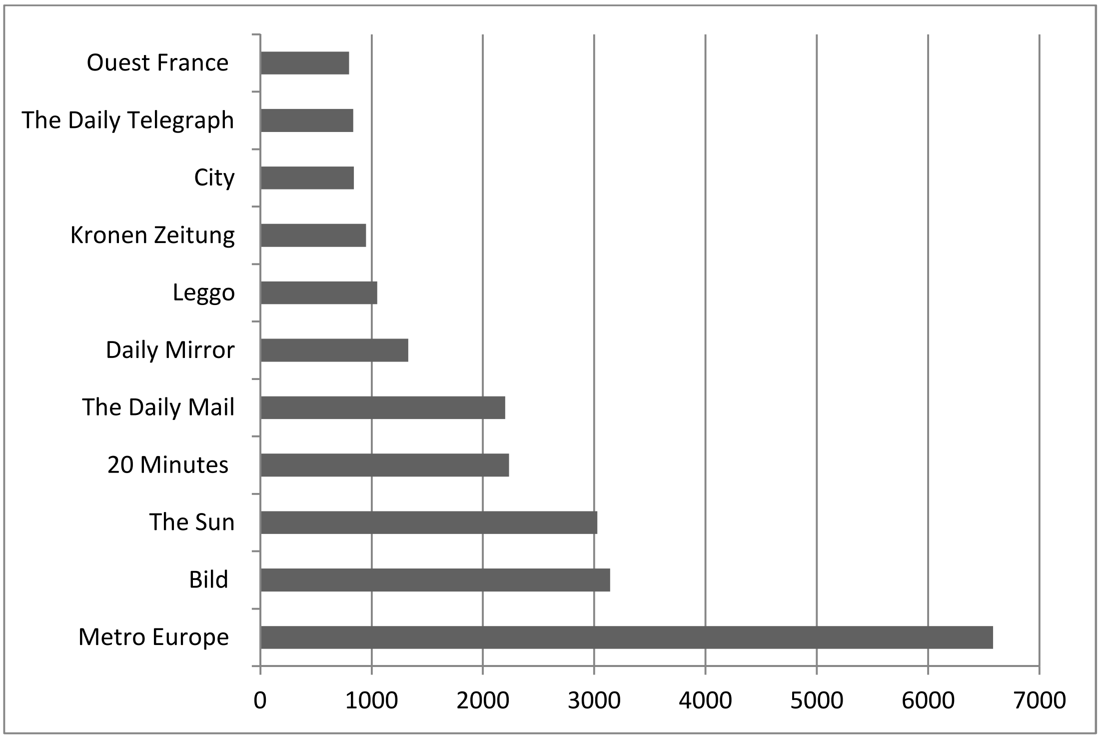

Figure 10: Largest newspaper in Europe world based on daily circulation (000s copies). Source: Metro Intl.

Appendix 5- Global newspaper market volume from year 2006 to year 2010

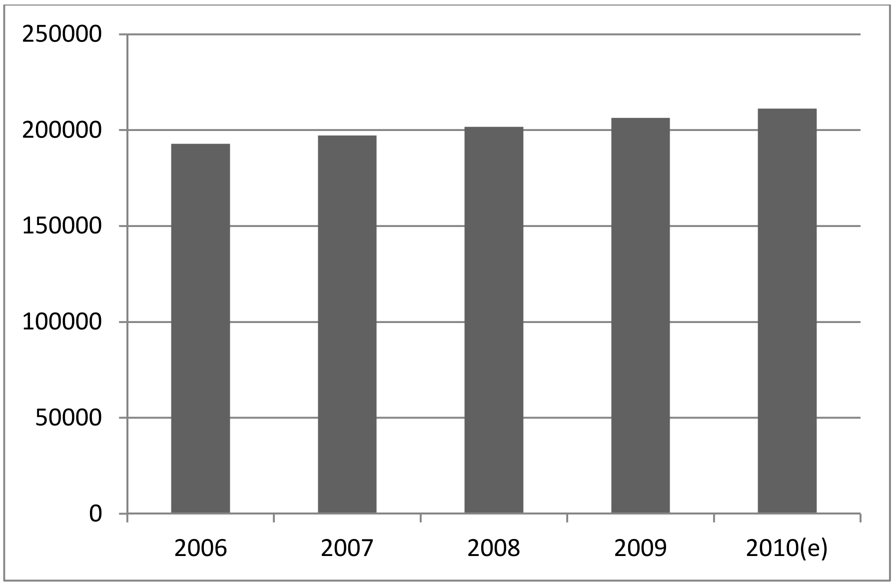

Figure 11: Global newspaper market volume (millions of copies) 1996-2010. Source: Datamonitor: Global Newspapers, 2011.

Appendix 6- Paid for newspaper readership vs. with Metro readership

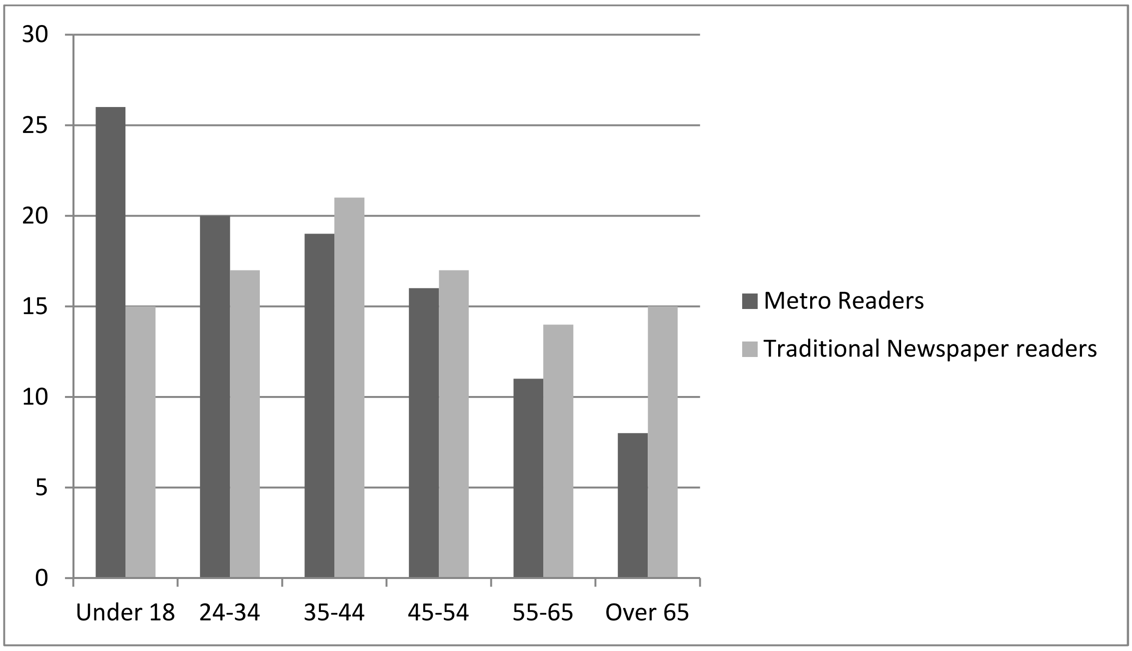

Figure 12: Readership of traditional newspaper and Metro. Source: Metro Intl.