Strategic Repositioning of the Service Supply Chain

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Abstract

This study uses archival data, observations, and focus groups to better understand strategic repositioning in the service supply chain. The strategic management theory, resource based view theory and social exchange theory are used to develop a conceptual framework. The study attempts to answer three research questions concerning Blockbuster, Inc.: What is the role of technology innovation? How does strategic repositioning apply? What is the role of strategic alliances? A discussion and implications of the study are offered.

Introduction

One of the major challenges in business and industry observed today is firms' inability to sustain their performance and competitive advantage when technologies or markets change (Bower & Christensen, 1995). While firms are quite adept at making incremental performance improvements to their extant technologies and giving their customers something more or better in the product/service attributes they already value, but often they fail to meet the challenges of the disruptive technologies that introduce a radically different package of attributes from the one that mainstream customers typically value (Bower & Christensen, 1995). Managing disruptive innovations involves reworking many things inside and outside the organization – product/service package, pricing, cost structures, business models, segmentation, customer networks, product applications and complements, and supplier networks and alliances. Innovation in the service sector is necessary for companies to maintain their com-

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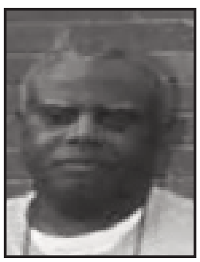

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petitive advantage in their respective industries (Lyons et al., 2007).

This study examines the strategic repositioning of Blockbuster Inc.'s service supply chain. Blockbuster suffered a number of set-backs due to disruptive technological innovations and attempted to reposition its strategy to meet competitive challenges in the movie rental industry. The study uses archival data, observations, and focus groups to better understand the strategic repositioning of Blockbuster in the movie rental industry. The objective of this study is to capture some of the mistakes made during the repositioning of Blockbuster's strategies and understand the implications of reconfiguring its service supply chain. The strategic management theory, resource based view theory and social exchange theory are used to develop a conceptual framework of strategic repositioning in the service supply chain. We attempt to answer the following research questions in this study: (1) What is the role of technology innovation as it relates to Blockbuster and its position in the movie rental industry?; (2) How does strategic repositioning apply to Blockbuster, Inc.?; and (3) What role might strategic alliances and organizational change have for Blockbuster to achieve a competitive position in their industry?

The next section provides a conceptual framework for strategic repositioning in the service supply chain. The elements in the framework are discussed, then we provide a discussion on Blockbuster's efforts to strategically reposition itself in the movie rental industry followed by some implications for management.

Conceptual Framework

The strategic management theory provides for an understanding of the need for aligning an organization with its internal and external environments in order to achieve a better competitive posture and firm performance (Elms et al., 2010). Forming alliances with other organizations is a key strategic approach to manage the challenges of the environment by taking mutual advantage of each other's expertise. The strategic management theory has been extended to include alliance networks as a major repositioning tool (Dittrich et al., 2007). In this study, the focus is on the challenges of relationship building among supply chain partners. The paper considers the dynamics inherent in organizational change efforts involved in uniting organizations across a supply chain for the sake of effective and efficient sourcing, operations, and marketing of products and services.

An interdisciplinary conceptual framework of strategic repositioning grounded in strategic management theory is presented in Figure 1. In the framework, technology innovation occurs as organizations seek new methods of producing or delivering products and services effectively. Once the new technology is successfully adopted by pioneers (first movers) in an industry, the other organizations will be forced to react to the trend to sustain their business. In an effort to remain competitive, organizations have to examine how the new technology has affected their business model, and evaluate their strategic position in the industry. A decision to reposition their organization will be necessary if the firms adopting new technologies have gained considerable advantages. Repositioning is not possible without coop-

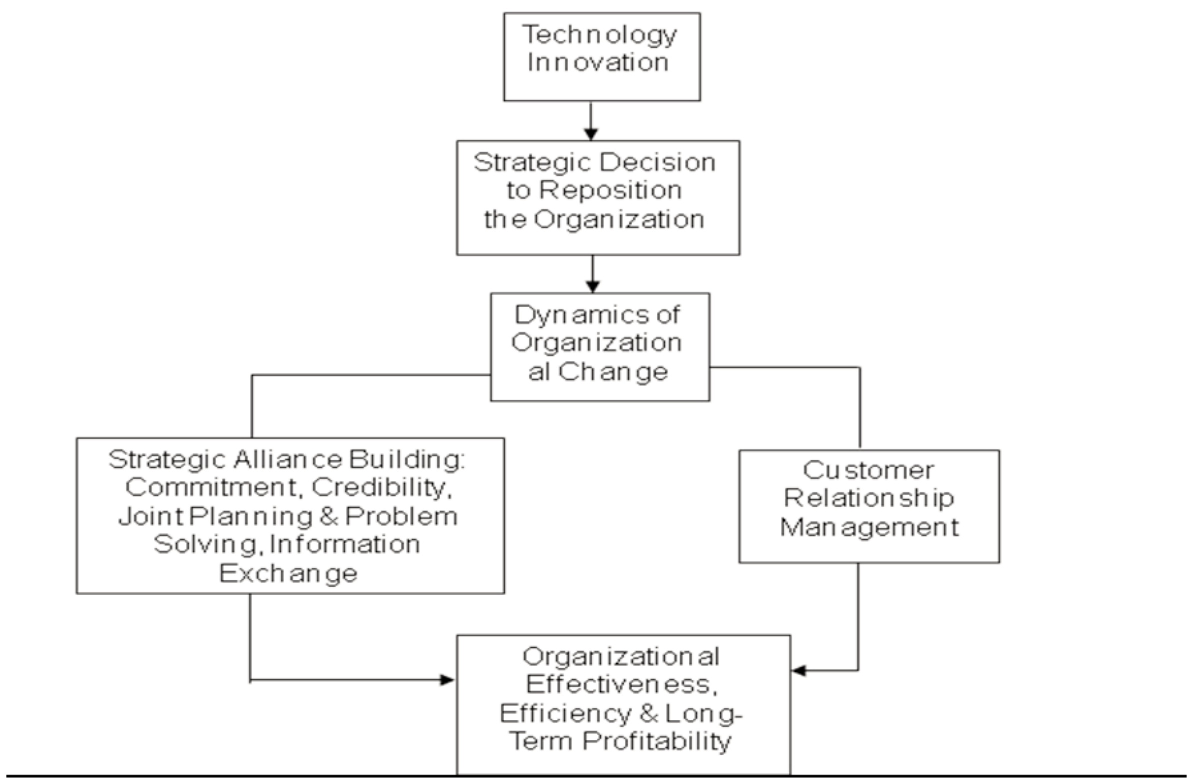

Figure 1. Framework for strategic repositioning of the service supply chain.

eration from other organizations that are part of the supply chain, especially suppliers. Support exists for this argument from various strategic perspectives. Resource based-view suggests that an organization's ability to acquire or absorb the necessary resources from other organizations is a critical capability to achieve and maintain a competitive advantage (Barney, 1991). Similarly, social exchange theory recognizes that organizations have to work together to assist each other in attaining the necessary resources to achieve a competitive advantage (Yang, 2009). As a result of entering into strategic alliances, the organizations are better positioned to access the necessary resources to achieve business goals such as improving customer relationships, reducing cost, triggering innovations, and other organization improvements.

The framework presented includes the dynamics of organizational change because when a firm is trying to implement new strategies or make adjustments to existing strategies, it has to alter various aspects of the organization that is quite a daunting task. Organizational change as shown in the framework suggests that a strategic decision to reposition the organization requires input from internal constituents including management and employees.

Technology Innovations: "Technology related trends and conditions can be placed into three categories: technology diffusion and disruptive technologies, the information age, and increasing knowledge intensity" (Hitt et al., 2011, p. 11). In the movie rental industry, technology diffusion and disruption have occurred due to firms such as Redbox and Netflix adopting digital and internet based technologies. Blockbuster was late to respond simply because top management at Blockbuster never believed that the new technologies would win the market and delayed the efforts to implement the new technologies (Randall, 2010). It seemed that the management team at Blockbuster did not understand the nature of the disruptive technologies. Clayton Christensen suggests that often firms fail to respond to the disruptive technology because there was no common language throughout the organization to describe the trends and in turn a lack of common understanding necessary to articulate how to respond. In other words, there is no clear understanding of the disruptive technology so the organization's leadership team could engage in a dialogue and discuss how to arrive at a solution (Euchner, 2011).

According to Christensen (Euchner, 2011), understanding the simplicity of what the customers are seeking and providing it to them at a price that is consistent with what they are willing to pay is critical to capturing the market. Not only did customers respond quickly and in high demand to Redbox and Netflix's use of new technologies used to deliver movies, also there was decline in customers' use of the existing methods of in-store movie rental. Clearly, the adoption of new techniques such as mail ordering and kiosk movie rentals disrupted the Blockbuster in-store movie rental business model. Diffusion of an innovation occurs through a five–step process including awareness, interest, evaluation, trial, and adoption (Rogers, 1962). The rate that customers move from awareness to adoption of a new technology determines how quickly the technology diffusion occurs. In the movie rental industry, new technologies are already overtaking the mail order and kiosk movie rental delivery methods. In an effort to remain competitive, Netflix began using on-demand video streaming as a new technology to deliver their movies (Gandel, 2010).

Firms need to respond quickly to the new technologies and they should perceive it as an opportunity rather than a threat when a new technology is emerging in their industry. The nature of disruptive technology is that its rapid adoption by users indicates the emerging trends in the industry. Blockbuster was focused on the established paradigm neglecting the future trends in the market. For example, Blockbuster was slow to deploy the new technologies of kiosk movie rentals and on-demand video streaming. When employed by a competitor, a disruptive technology that is quickly diffused into the industry can severely reduce the market share of the industry leader if they are not able to quickly deploy the new technology and remain competitive in the process (Hitt et al., 2011). Thus, the diffusion of technology in the rental movie industry had two main driving forces: 1) competitors who introduced new technologies and 2) consumers who used the new technology and discontinued using the existing technology to rent movies.

Strategic Repositioning of the Organization: Strategic repositioning is a deliberate and comprehensive attempt by an organization to adapt to the changing industry forces and market environments. Strategic repositioning essentially calls for large scale changes in the entire stream of business operations. Such strategic change often represents a radical shift in the underlying value proposition the business offers to customers as it seeks to change the targeted market segment(s) as well as its basis for differential advantage (Porter, 1996). Repositioning is largely driven by a growing chasm between the needs of the market and the capabilities of the enterprise (Corstejens & Doyle, 1989).

Accordingly, strategic positioning demands that the firm has to reconcile internal and external environments by finding a match between market requirements and its ability to serve them effectively (Hooley et al., 2005). Thus in repositioning, it is important not just to know how the change in direction constrains the capability of the firm's assets but how and whether the firm can build or acquire the distinctive resources and capabilities to sustain their advantages in the new position (Collis & Montgomery, 1995). This is where Blockbuster initially failed. They were trying to make corrections to their current business practices rather than trying to build the new competencies and capabilities required to stay competitive in the movie rental industry.

Based on the strategic management theory, we examine the internal and external forces as well as core competency as they relate to Blockbuster and the movie rental industry. Porter's (1980) five forces model includes the threat of new entrants, bargaining power of suppliers, bargaining power of buyers, threat of substitute products, and the intensity of rivalry among competitors. We can apply the five forces model to Blockbuster. From the beginning in 1985, when Blockbuster entered the movie rental business, it had to contend with the threat of new entrants to the market. Initially, Blockbuster used its vast resources to remain competitive in the movie and video game rental market through its in-stores operations (Spielvogel, 2006a). The bargaining power of the suppliers of the movies was evident by the revenue-sharing contracts that Blockbuster entered into with Warner Brothers. As the buyer, Blockbuster was able to obtain discounts for the large quantities of computer diskettes (CDs) that it purchased from Sony. The threat of substitute products and services became an issue in the movie rental industry as new methods used to deliver products and services to customers were made available by competitors such as Redbox, Netflix, and other competitors (McBride & Karnitschnig, 2007). As each company tried to remain competitive, the rivalry among competitors began to force some companies out of the market such as Movie Gallery. Competitors began to adapt to the new methods for delivery of movies to customers such as kiosks and on-demand. With many competitors in the movie rental industry, achieving above average returns became more difficult.

In order for an organization to be successful in the long-term, it must be able to identify and sustain its core competencies. By definition, the core competence of a company is what sets it apart from the competition and allows it to improve its business performance (Schmenner & Vastag, 2006). However, prior research suggests "that core business-related outsourcing, offshore outsourcing, and shorter-term outsourcing have positive effects on the outsourcing firms' market value. In contrast, non-core business-related outsourcing, domestic outsourcing, and longer-term outsourcing are not found to enhance a firm's value" (Jiang et al., 2007, p. 885). One might question which is true for Blockbuster since it seems to have lost a great deal of firm value since it was founded. Blockbuster was far ahead of their competition with its brick and mortar store operations when they first entered the industry. The CEO, John Antioco, of Blockbuster knew that it would be difficult to remain competitive without a strategy for competing in the industry (Antioco, 2011; Spielvogel, 2007). Blockbuster attempted to modify its business strategy by expanding its product and service offerings, implementing a variety of pricing strategies, trying to acquiring some smaller competitors in certain markets, and finally trying to play catch-up to compete with its competitors. Further, the new CEO, Jim Keyes, planned to transform Blockbuster from a "video retailer into a company that provides completely convenient access to media entertainment" (Wall Street Journal, 2007, p. B14). Unfortunately, due to internal management conflicts, Blockbuster had difficulty in identifying a solid strategy and had to file for Chapter 11 bankruptcy in September 2010. Blockbuster may have lost focus of what its core competency was. It may have focused on the types of products more than on the delivery of the product. While Blockbuster was trying to figure out the best pricing strategy such as late fees, extended rental periods, rent to own, its competitors were developing new methods of delivery of the product such as mail delivery, video kiosk, and on-demand rentals. Further, the competition was delivering the product at a more competitive price while incurring lower overhead costs compared to Blockbuster (Bond, 2010a). Blockbuster also lost focus of which market they were competing in when they began to sell movies and games in their brick and mortar stores. One might say that the management team at Blockbuster was at fault and that is why there was a change in the leadership of the company to try to turn it around (Millstein, 2007). On a positive note, Blockbuster made a very strategic move to shore up its supply chain partners and try to gain a competitive advantage through strategic alliances with its suppliers such as Sony for CDs, NCR for kiosks, Quick Trip convenience stores for the location of kiosks, and Warner Brothers for movie titles (DiOrio, 2010). Further, Blockbuster was able to offer on-demand through their strategic alliances with TiVo and T-Mobile. Agreement with the suppliers to give Blockbuster first priority on receiving new title releases before they are made available to the competition is one of the competitive advantages that Blockbuster had (Bond, 2010b). In addition, the revenue sharing contracts that Blockbuster made with its suppliers helped it to improve cash flow. Eventually, several of the strategic partners also invested money in Blockbuster and assumed some ownership in the company. These and other strategies were some steps taken to try to reposition Blockbuster and help it to focus on its core competency in the movie rental industry.

Organizational Change: Effective innovation required not only external stimulants but also internal receptivity to change. Some individuals lacked interest in and resisted innovation due to self-interest, uncertainty, and lack of trust (Patti, 1974). A "significant shareholder at Blockbuster, Carl Icahn, went after the CEO John Antioco publicly" (Nash, 2009, p. 30). Blockbuster avoided the risk of implementing new technology and tried to stick to its old business model until it had to make changes in order to remain in business. There was no trust among the management team to allow the company to explore innovative delivery of it products to customers. The leadership at the top of the company did not empower employees to make decisions at the local unit level as everything was driven from corporate management from the top down to employees. Thus, employees and store managers could do little to affect the company's customer relationships and the organization's long-term survival. This is important since the organization's management team relied on the employees for contribution to the successful implementation of the organization's strategies. Employees needed to be integrated into the problem-solving process so they will be successful in their efforts (Mohrman & Worley, 2009). Blockbuster's management team struggled in this area.

It is increasingly recognized that organizational culture plays an important role in determining how well the individual members of the organizations fit into an organizational context (Rousseau, 1990). Thus, organizations devote substantial time and resources to establish and maintain congruence between strategic objectives and their members' values and interests. Organizational culture is the pattern of shared values and beliefs that help individuals to understand organizational functioning and thus provide them with norms for behavior in an organization (Deshpande & Webster, 1989). Theorists argue that even the process of strategy formulation is determined by the "guiding beliefs" of the organization's members and that the effectiveness of strategy implementation is dependent upon the extent to which norms and beliefs are shared and accepted (Davis, 1984). Organizational culture is an important element in strategic decisions, and organizations emphasizing innovation strategies should foster a culture that encourages experimentation and tolerates mistakes (Arogyaswamy & Byles, 1987). Unfortunately, management at Blockbuster made too many mistakes. A series of bad decisions kept the management team floundering to satisfy not only its shareholders but also its strategic alliance partners. Perhaps, the level of innovation at Blockbuster was stifled to the extent that new ideas were based on an old paradigm when, in fact, the new paradigm required a totally new business model. One only needed to observe the competitors in the industry to see the new paradigms being utilized while Blockbuster's management team had difficulty trying to match them. "At Blockbuster, it was apparent in 2005, that directors with preconceived notions were determined to serve as obstacles to the management team's plans, especially since they made it hard for the management team to find a formula for success" (Antioco, 2011, p. 39). In this case, it can be said that the organization's inertia was reflected by the top management's resistance to change.

Research indicates that organizational climate that is conducive for employees' commitment is more likely to exist in organizations with cultures emphasizing flexibility oriented values than in those emphasizing control-oriented values (Zammuto & Krakower, 1991). It is evident that appropriate organizational culture is essential for the successful implementation of strategies and specifically innovation programs. The strategic decision to reposition Blockbuster likely required some degree of adjustment to change within the entire organization. Addressing organizational change is important in the strategic process as it can affect an organization's ability to build supply chain relationships for long-term profitability. Firms entering into a relationship are never certain about how much risk or benefits they will receive, therefore a sense of commitment to ensure the overall success of the relationship is continually being reinforced as long as the relationship continues (Liao et al., 2010). Organizational change can affect the level of commitment between the firms and the extent to which it is credible. Moreover, Blockbuster's strategic alliance with its key suppliers required reciprocal commitment so both organizations benefited from the relationship. If the management team of either organization in the strategic alliance was not committed, then the relationship could disintegrate. For this reason some of Blockbuster's management team was replaced to help the company fulfill its commitment to the alliances established with its strategic suppliers. Further, the level of commitment by the strategic suppliers was extensive given that some had assumed part ownership in Blockbuster to try to ensure its survival in the movie rental industry. This level of commitment exemplified a sense of duty on the part of both firms, and it formed the basis by which problems could be addressed and resolved. Reciprocal commitment of resources by one firm also enhanced the need for joint planning and actions, and a high degree of information exchange between the alliance partners.

Further, workers' attitudes towards Blockbuster as a result of numerous store closings and changes in store operations may have affected how the customers were treated (Wall Street Journal, 2007). Blockbuster's decisions to change their movie rental policies may have caused major issues if customers did not perceive value in the changes made by Blockbuster. Pricing decisions were critical to the company's strategy as it attempted to deal with the changing business environment due the technology innovations and increased competition in the industry. In addition to charging premium prices for new titles, Blockbuster reintroduced late fees when movies were not returned on time by their customers. Also, the rental period was shortened to take advantage of renting the new titles to as many customers as possible before the perceived rental value of the title decreased (Kok & Bekker, 2007). While these changes in Blockbuster's pricing strategies may have been in the best interest of Blockbuster, they were not helpful in building stronger relationships with Blockbuster's customers.

Strategic Alliances: The strategic management field offers much opportunity for exploring the benefits of supply chain relationships to improve firms' competitiveness in their respective industries (Hult et al., 2007). The resource based-view suggests that the use of strategic alliances to assist a firm in establishing capabilities that it does not already possess is beneficial to firms seeking to maintain their competitiveness in an industry (Hult et al., 2002). Firms need to continuously update their capabilities whenever technological disruptions and change occur (Eisenhardt & Martin, 2000). Firms are constrained internally in developing the capabilities to manage technological change due to organizational inertia (Cohen & Levinthal, 1990; Cyert & March, 1963). Thus, alliances and supplier networks are considered effective mechanisms to absorb and learn new capabilities to manage the technological changes with ease (Anand et al., 2010; Rothaermel & Deeds, 2004). Since alliances and supply chain relationships enable an organization to create, extend, or modify its resources and assets to meet the challenges of the emerging technologies and markets, a firm's ability to collaborate with suppliers can be considered an important dynamic capability (Repenning & Sterman, 2002). Recent studies suggest that alliance and supplier relations can act as catalysts of large scale strategic change projects and help a firm in its strategic repositioning (DeMan & Duysters, 2005). Alliances and supplier relationships facilitate strategic change by helping the focal firm explore and absorb new capabilities as well as exploit and leverage their existing knowledge bases to find new opportunities (March, 1991).

As previously mentioned, Blockbuster entered into strategic alliances in an effort to improve its performance by sharing risks and cost reduction efforts. A number of firms have used strategic alliances to gain a competitive advantage and increase their market reach in their industry through the development of new products and services (Jiang & Li, 2008). In the movie rental industry, uncertainty and risk was driven by the fierce competition and technology innovations. Prior research (Kanter et al., 1992; March & Simon, 1958; Milliken, 1987) has consistently defined organizations in the context of facing great turbulence embedded in ever-increasing pace and uncertainty. The ability of Blockbuster to remain competitive was impaired by its inability to quickly sense and respond to industry changes which caused it to lose market share. This played a major role in Blockbuster's development of strategic supply chain relationships.

Since technology continued to change in the movie rental industry and the market tends to be price sensitive, it became increasingly important for companies like Blockbuster to manage it supply chain relationships. Blockbuster and its strategic supplier partners needed to ensure that the final customers' expectations were met as well as ensuring that the business was profitable. The literature on customer relationship management and strategic alliances suggests that information sharing, credible commitment through relationship building can help to reduce uncertainty and enable strategic alliances to better sense and respond to changes in the market place. Further, survival of organizations during times of uncertainty requires top management visionary leaders that can successfully guide their organizations through the inherent risks. One of the concerns with establishing strategic alliances is that the organizations are committed to the success of the relationship for mutual benefits and that neither organization behaves in an opportunistic manner so as to compromise the effectiveness and efficiency of the other organization. In other words, they must be a trustworthy alliance partner (Johnson, 2010). One of the risks associated with developing strategic alliances is that the alliance partners could ultimately become competitors of each other. Blockbuster risked having their alliance partners begin to sell directly to their customers if the alliance relationship did not work out as planned (Shambora, 2010).

Customer Relationship Management: A robust service system design will focus on the customer and develop strategies, people and systems to ensure that the service system meets the customer's expectations (Chase et al., 2009). As products reach the maturity phase of the product life cycle, companies like Blockbuster have to maintain vigilance in product/service development as well as maintain a leadership role in deploying cutting-edge new technological innovations (Nash, 2009). Matching the supply chain with the product/service design chain would be necessary for Blockbuster to remain competitive and grow its market share. Understanding the changing environment includes making the correct decisions about pricing strategies to complement the product/service offerings as customers could easily switch to a competitor in a price sensitive market (Netherby, 2007; Winer, 2001).

One area that Blockbuster continued to struggle with was its customer relationships. Although some efforts were made to identify their customer's needs, management at Blockbuster did not come up with a pricing strategy that effectively and efficiently competed with its competitors (Wasserman, 2005). Management's pricing strategy was designed to increased revenue by charging a premium for new releases and reducing the rental fee once the movies were made available by their competitors. In addition, the use of late fees to increase revenues continued to be an area of concern that did not help in establishing good customer relationships. Delivery is another area that Blockbuster had to work on to meet customer expectations. Making movies available in stores, at kiosks, and on-demand would allow for more flexibility in meeting customer expectations (King, 2009a; King, 2009b).

As noted by Clayton Christensen, an organization must go beyond merely listening to the customer. They must be able to think beyond what the customer's present needs are to what the customer's future needs might be. Also, they must be able to understand how to meet the customer's present and future needs using the most effective methods that will allow their organization to stay ahead of the competition. The customer may not be giving a clear indication of what they want so the management team has to be capable of understanding the market and what trends are occurring or might occur in the future. This is how Christensen (Euchner, 2011) suggests that management can respond successfully to a disruptive technology that may appear to be simple yet meets an unexpressed need of customers. As in the case with Netflix's mail order movie rentals service and Redbox's inexpensive and conveniently located movie rental kiosk, these simple technologies severely disrupted Blockbuster's business model for in-store movie rentals.

Technology disruption in the movie rental industry was aided by the fact that customer's disposable income decreased during the economic downturn in 2008 through 2009. The introduction of new service delivery methods and offering a more customer oriented pricing strategy allowed Blockbuster's competitors, Netflix and Redbox, to quickly grow their market share and profits.

Blockbuster's attempts to transform their operations (Millstein, 2007) and improve their customer offerings continued to lag behind their competitors as they struggled to achieve a profitable operation (Spielvogel, 2006b).

Discussion

Blockbuster's effort to strategically reposition itself is not uncommon for a once dominant player which has become complacent in their response to competitors in the industry. According to Stalk et al. (1992), companies that neglect to proactively maintain their competitive advantage will ultimately be overtaken by rival entrants to the market. Certainly, allowing new entrants to the market to take away the established firms' market share is not in the best interest of shareholders so one would expect a change in leadership in any firm that takes this position. On the other hand, some companies find themselves in a mature industry with declining sales. These companies must continually find new and innovative ways to remain competitive as new entrants attempt to take market share from them. Blockbuster did make some efforts to remain competitive as noted by its marketing strategies and operations strategies; however, it was not able to respond quick enough to retain its competitive position. Theory on technology innovation suggests that Blockbuster would have been better off if they had been more focused on changes in technology and deploying new methods for delivering their products and services to customers rather than on the marketing and operations strategies alone. Unfortunately, Blockbuster did not attempt to focus on information technology and supply chain management until it was rather late. Even when senior management was hired to address the problem, no support was given to implement appropriate strategies to compete with competitors like Netflix. Blockbuster's management team took a 'wait and see' approach to change their business model and use innovative technology to the deliver their products and services to customers. This is not the norm for a dominant player in the market that is willing to take calculated risk to outperform the competition. Obviously, Blockbuster was hindered by a management team that did not have the foresight to make the right strategic decisions and follow through with them at a time when Blockbuster was the dominant player in the movie rental industry.

The use of strategic alliances by Blockbuster was a good strategic decision similar to the initiative taken by IBM and similar companies that realized their suppliers had key resources that could help them to reposition their company for long-term growth and profitability. Unfortunately, the timing of implementing the strategic alliances and other strategies that Blockbuster pursued was a bit too late to allow them sufficient time to protect their core business. For example, Blockbuster specialized in delivery of the movie to the customer. Yet, they partnered with NCR and other companies to distribute the movies using the new technology such as video kiosks and on-demand (Bond, 2010c). While, it is not clear whether any of the alliances that Blockbuster entered into caused them problems, it is clear that the alliance partners were more focused on whether or not they would be paid than whether Blockbuster would come out of bankruptcy as a going business concern. For Blockbuster, losing sight of their core business was a mistake that resulted in erosion of the Blockbuster Brand and net worth of the company. In fact, Blockbuster was purchased by Viacom in 1994 for over 8 billion dollars and later Viacom sold Blockbuster while it was still profitable; however, in 2011, Blockbuster was purchased by Dish Network through an auction for about 320.6 million dollars (Russolillo, 2011).

Finally, it is imperative in the service sector that a company focuses on their customers' needs. Anecdotal evidence suggests that Blockbuster failed miserably in this area. Customers have many choices when it comes to renting movies and a company like Blockbuster must understand that building customer loyalty is first and foremost in their industry. In theory, the service system design places the customer at the center of the business strategy. It appears that Blockbuster missed this critical step in identifying what was important to its customers and delivering that service to their customers. Given a loyal customer base, Blockbuster might have held onto enough market-share to remain a competitive force in the market. In the end, many of the customers willingly tried the new competitor's products and service offerings and began shifting their purchases away from Blockbuster. Going forward as the Blockbuster brand, the enterprize under the new ownership of Dish Network, is repositioned to survive and possibly flourish among the complimentary products of Dish Network. One thing for certain, more capital investment and a new strategic direction are required to maintain the Blockbuster brand image as part of Dish Network.

Managerial Implications

When a firm faces a disruptive technological shift in the market – one that alters the industry's proven business models, how the managers of the firm perceive the disruption could alter whether the firm responds to the challenge successfully. The management must be able to describe the technology disruption of the firm. Further, management must be able to structure a response and decide whether they can allocate the appropriate level of resources to adapt the firm's strategies to disruptions introduced by the technologies. Since how the technological change is portrayed influences the organization's behavior (Gilbert & Bower, 2002), appropriate framing of the challenge is a critical responsibility of the top management team. For instance, if the disruptive changes are perceived as a threat, managers and employees may respond very hastily and rigidly, try to defend the existing business model, commit resources in excessively large portions rather than a measured, and the organization may resort to centralization of authority instead of giving autonomy to the champions of change. On the other hand, if the disruptive innovation is perceived and articulated as an opportunity, it will enhance creativity. Flexibility and optimism will enable altering the existing paradigms, and can inspire the organizational members to engage in dialogue in search of new concepts, ideas, or solutions (Stacey, 1995). In the latter case, tolerance for ambiguity and openness to challenges enhances the ability of individuals to detect variations in the environment and develop new knowledge (Chapman & Chapman , 1967).

The implication for managers in the service supply chain is that technology innovation requires constant attention. Successful organizations may stay ahead of changes in technology by being the innovator and driving the implementation of new technologies in their industry. Unsuccessful organizations may lag the changes in technology and take the attitude that they can play catch up if a new technology becomes the new way of doing business in their industry. Using the Blockbuster example, the role of organizational change has a major effect on whether or not the organization will be the leader or the laggard with respect to technology innovation. Sticking with the traditional technology methods and thinking that size of an organization and market dominance will insure that the organization can quickly respond once a competitor has gained access into the market is incorrect thinking on the part of the organization's management team. Clearly, this is an inappropriate method for achieving and maintaining success in business. Organizational culture must be aligned with a strong sense of management direction to turn an organization around even when a competitor has gained access into the industry. Once again, the Blockbuster example demonstrates that a culture that suggests that the company can ignore its core competency and develop alliance and partnership relationships on the supply side as well as the distribution side without considering what capabilities it contributes to the success of the organization is problematic. The literature indicates that developing alliances and partnerships will only benefit the organization when it possesses a capability that will contribute to its own success. It would be inappropriate use to use alliances and partnerships when the organization has undefined capabilities. As in the Blockbuster case, we see an organization that ultimately was at a loss to identify its true capabilities and depended totally on its alliance partners to take ownership of the company and eventually sought to sell it. Many of the alliance partners became more concerned about their benefits from the relationship with Blockbuster than the success of the organization. This was especially true once they saw that the management team at Blockbuster had no clear direction to make the organization profitable. Thus, it is critical to have a clear understanding of the organization's capabilities and an organizational culture that will shift it in a direction that strategically repositions it for success. A more positive example is demonstrated by IBM when it strategically repositioned itself. IBM was in a similar position as Blockbuster when it became complacent as the industry leader in a dominant position. However, as competitors began to enter the industry rather than remain complacent, IBM identified what its core competency was and developed capabilities to not only remain competitive but to look to the future for what would be the next technology innovation in the industry. IBM developed strategic alliances and partnerships while making preparations to be on the leading edge of the next technology innovation for their industry. This is what a fierce competitor must do to maintain a leadership position in its industry and remain profitable. Likewise, under the ownership of Dish Network, Blockbuster is in a position to better compete with the rival competitors such as Netflix provided all other hurdles are overcome.

Conclusion

This study raises a number of questions and provides a conceptual framework of strategic repositioning in the service supply chain. Due to technology innovations, a number of companies in the service sector are experiencing similar difficulties faced by Blockbuster. Given that the service sector in the United States economy is so vital, this is a prime area for further examination of the organizations in service supply chains as they face decisions on how to reposition their organization and better utilize the new technologies that are disrupting their business models. The role of supply chain management including service delivery, strategic alliances and customer relationship management are primary areas for consideration as researchers continue to study the role of technology innovation in organizations in the service sector.

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