

The influence of crisis events on chronic underperformance in media-tech firms

Conference Theme: Strategic Management

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Abstract

The probability of media firms being exposed to crisis events is ever more likely due to the increasing level of uncertainty in the competitive media environment (Oliver 2013; Kung, 2017). The global COVID-19 crisis will only add to these competitive pressures and in response to these type of events, media organizations will usually seek a fresh start, adopting a new strategy and installing new leadership. We often refer to this type of corporate situation as a 'turnaround' case where newly appointed executives take action to rescue the firm from potential failure by restoring profitability, primarily by restructuring operations, managing costs and refocusing the business on areas of future growth. However, when successive CEOs consistently fail to turnaround the firm and deal with chronic corporate underperformance (Tonello, 2015), then one has to ask whether not the firm is suffering from Transgenerational Response (Oliver, 2017).

Transgenerational Response is well known in medical, biological and genetics research and describes a severe environmental event that creates negative adaptive physical and psychological responses in an organism that are passed on to subsequent generations. One of the most illuminating studies into Transgenerational Response was an examination of the effects of post-traumatic stress disorder (PTSD) in babies of mothers exposed during pregnancy to the World Trade Centre attack in 2001 (Yehuda et al, 2005). The study concluded that the effects of maternal PTSD, as a result of this event, were passed on to their babies in the form of significantly smaller than average birth weight and a permanent vulnerability to depression and stress related illnesses.

This paper argues that media-tech firms suffering from chronic underperformance (Hambrick and D'Aveni, 1988), like living organisms, may be enduring the effects of events that occurred years ago, and yet, they seem unable to cast off the negative impact of these transgenerational responses. This paper will present highly original findings that examine the chronic corporate underperformance of media-tech firms through the lens of Transgenerational Response. By drawing on knowledge from medical, genetics and management research, this paper will examine the crisis events that have led to the chronic underperformance of media-tech firms. It will also present quantitative analysis of historical financial statistics using Thomson Reuters Datastream. Importantly,

the data will be divided into “what happened before the crisis event” and “what happen after the crisis event”. As such, the research will be longitudinal in nature and cover the period 2000-2017.

The evidence presented in the two media-tech firm case studies will illustrate how a crisis event has produced the consequential effect of not only poor, but chronic financial performance in each firm, to the point where it threatens their sustainability. The paper will conclude by arguing that by looking at chronic corporate underperformance through the lens of Transgenerational Response, the academic and business communities will be able to pinpoint the specific date and event that triggered the subsequent underperformance of firms. With this knowledge in hand, they will be able to examine the adaptive cultural attitudes and behaviours that subsequently shaped organizational policies, processes and strategy to consolidate the firm’s chronic underperformance.

Keywords: Media-Tech firms, Corporate Crisis, CEO Turnover, Chronic Corporate Performance, Sustainability.

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