

Cambridge Centre for Social Innovation

Research Report Summary

THE ART OF THE PIVOT: MANAGING RELATIONSHIPS WITH STAKEHOLDERS WHEN CHANGING DIRECTION

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Key findings

When entrepreneurs run into trouble, they are often advised to 'pivot' - radically transform their ventures' strategy, product offering or organisational identity – so that they can pursue a new direction. However, this case study of 'The Impossible Project' shows that pivoting is far from the simple option it is often portrayed to be. The risks are particularly acute where ventures rely heavily on resources from a core stakeholder group, such as a user community.

In this case study of 'The Impossible Project' we show that pivoting can disrupt relationships with key stakeholders, turning them against a venture and threatening its viability. We also outline the strategies that ventures can deploy to diffuse tensions with stakeholders in these circumstances, which are focused on building an emotional connection with them.

This study highlights a critical temporal aspect of pivoting – while pivoting may be relatively straightforward early on, especially pre-product launch, it becomes increasingly risky as a venture's relationships with stakeholders mature.

Background

'The Impossible Project' (hereafter, 'Impossible'), an analogue photographic company founded in 2008, bought the last remaining factory that made Polaroid film, and sought to resuscitate the technology after the bankruptcy of the Polaroid Corporation. Initially, the venture served a niche group of loyal customers – mainly members of a specialist user community with a passion for, and longstanding interest in, analogue instant photography. However, this group of users proved too small to sustain the business, so in 2013 the company sought to expand their market.

Impossible did so by pivoting from a pure focus on analogue instant film production, embarking on a new strategy designed to make analogue instant photography relevant in a digital world. They achieved this, in part, through the creation of products that allowed users to digitise analogue instant photographs. The aim was to redefine analogue instant photography for a mass market and attract a new generation of users who had grown up with smart phones and digital cameras. However, this move strained relationships with their original customers, who considered it as a compromise to the integrity of the product. These users engaged with analogue instant photography precisely because it represented an alternative to digital.

In this study, accounts from employees and users, together with archival data and direct observation of activity at Impossible's Berlin head office, offered valuable insights into how

the venture removed the hostility it faced from users and rebuilt connections with them by exposing its struggles.

Emerging themes

Impossible's pivot to digital technology resulted in a crisis for the venture. Many supporters felt anxious about the new focus and disengaged from the brand, while others felt personally betrayed and attacked the venture on social media. The brand was damaged, but Impossible rebuilt it by sharing narratives that opened up the company's struggles and mythologised the product and their commitment to it. Awareness of these narratives allowed long-term users to empathise with the brand's challenges and engage with it once again. A few were unaffected by the narratives, and many simply ceased attacking the venture once they understood the genuineness of their actions. Those who resumed support did so because of a renewed reverence for the product.

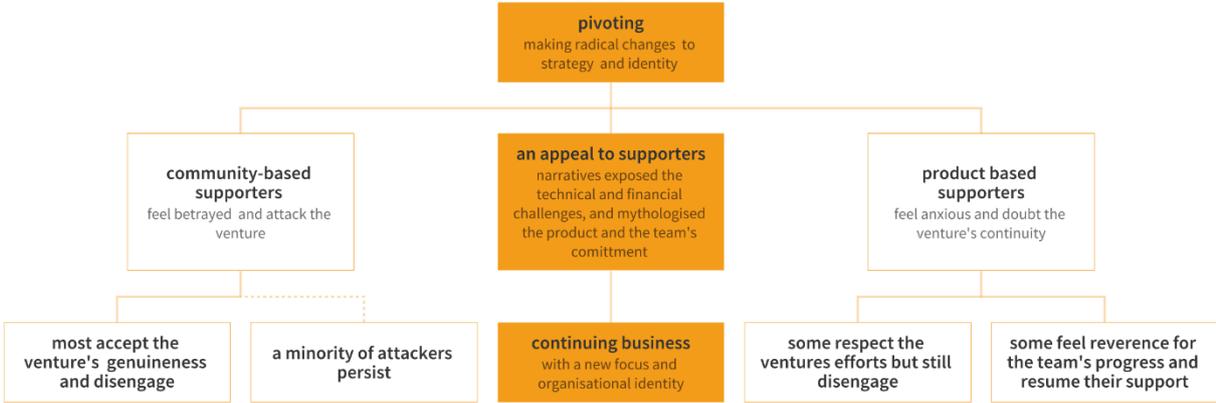


Figure 1. The Impossible Project's pivot, and subsequent appeal, led to different responses from community and product-based supporters.

Enacting the pivot

Serving a niche community of analogue users was not sufficient for Impossible to remain financially viable. In a radical shift in strategy and identity, the venture abandoned its commitment to analog purity, offering products 'merging the digital and the analog world'. One senior executive explained:

We are really tasked to defining the relevance for this beyond simply being vintage [...] to become a realistic, viable analog product for the future [...] less to the glorious past of Polaroid but to the glorious present of how people actually use images. (#44).

The aim was for the brand to become interesting to those beyond its community of specialist users.

2013 saw the launch of the 'Instant Lab', which allowed users to turn iPhone pictures into analog prints. This was soon followed by an app that enabled users to manage their pictures digitally, and the release of quirky special edition films. The films were 'a conscious attempt to move into a different direction' and a 'wild departure from the classic square white frame' (Press Release, 2014).

The venture scaled back offerings to its user community and relied less on them for images for its website and advertising. Turning to professional photographers and high-profile collaborations, Impossible targeted the mass-market and popular media. For example, blogging that the singer Lana del Rey 'struck a pose for us [...] on our brand-new Black & White film' (Impossible Blog, 2014a). Impossible stressed that it was becoming 'a favorite of the fashion crowd' (Press Release, 2014).

Staff were surprised and alarmed at the strength of negative feeling among its user community and observed that relationships were being 'warped or destroyed by this whole change'. This reaction was deeply concerning for the venture as the community played a key role in generating revenue and publicity for the venture.

Community-based supporters feel betrayed and attack the venture

Attackers, who identified with impossible primarily through its user community, felt betrayed. The anger of attackers sometimes erupted in maelstroms that appeared frenzied. One employee told us: 'It was one Saturday that the community just went crazy. Absolutely crazy. Hundreds of people were tweeting'.

One community member tweeted being '[d]isgusted with the whole company' (Twitter, 2014). Another attacked product features and launches: 'HOLY. CRAP. What in the world is wrong with them?!' (Twitter, 2014). Finally, attackers reported boycotting Impossible to fight the perceived betrayal: 'I'm never buying Impossible again, don't buy Impossible'.

Product-based supporters feel anxious and doubt the ventures continuity

The doubters originally identified with Impossible's products, rather than the associated community. Their reaction was less strong, but still concerned. This group were anxious about the continuity of the products and the integrity of the images. One user told us:

"a lot of people were fearing that the pictures they were going to see on the gallery would not be instant film anymore but basically digital images made on instant film."

They felt they were no longer valued as customers:

"[A] lot of early adopters feel that Impossible doesn't care about them anymore (Twitter, 2014)."

Another user explained how she felt alienated, after being close to the venture because of the product:

"When I first picked up that camera and that pack of film, I never anticipated how much I would be using it and how much that medium has become a part of my life. [I was] bewildered about what was going on. [...] It seemed we had been part and parcel of [Impossible] for three or four years and all of a sudden, any opinions we might have had didn't seem to matter."

Re-engaging supporters with the venture

1. Seeking empathy for venture challenges

The venture sought to build empathy by exposing its technical challenges and precarious financial position. Rather than trying to appear strong, they revealed their weaknesses.

They made use of their social media, seeking to convey the complexity of film production and the regular setbacks experienced. For example, one YouTube video they released, entitled *But how is the Impossible possible?* (Impossible YouTube Channel, 2015a) showed the reality of their technical challenges and the threat the company was facing.

By creating a bond with stakeholders around these shared challenges, the company were able to emotionally reconnect with stakeholders, causing many of those who had attacked the venture to drop their opposition or resume their support.

2. Mythologising the product & their commitment to it

Mythologising the technology, and also the venture's commitment, contributed to winning back the doubters. This involved passionately idealising the issues and highlighting the importance and sheer scale of the venture's struggles, as well as its efforts to overcome them. For example, Impossible released a clip in which its CTO Stephen Herchen shared his excitement about the history of analogue instant photography and Impossible's role in keeping the "magic" alive.

Impossible also proactively showed its progress in tackling the struggles it faced. This involved regular messages in which the venture extolled how it had overcome key obstacles and improved the film as a result:

"It's been more difficult than anyone could have imagined, to get even this far, but we have no intention of giving up (...) we're going to release a new Pioneer batch of what will one day become the Color Gen 2.0. Early results have blown us away over here, and I'm hoping you will feel the same way. (Impossible Newsletter, 2015)."

These narratives prompted some doubters to disengage from Impossible:

"[T]hey are a non-entity to me. I have basically forgotten about them. (Twitter, 2015)"

Others resumed their support. In a documentary film, an executive explained:

"this is unquestionably the most challenging period we have ever had in the life of the company' with a community leader responding: 'I know your goal. [...] We are the basic target, of course, but you want a main target larger than us to survive and I can understand [that]. (Transcript of footage for documentary about Impossible)."

Supporters were also won over on social media. After a live Twitter Q&A session with Impossible's R&D team, a supporter tweeted:

"thanks stephen & win for the insights [...] and a big thank you to the whole factory team (Twitter, 2015)."

Some began to openly revere and defend Impossible again, such as one user who said:

"Many thanks to @ImpossibleHQ for keeping instant film alive for all of us. The formulas keep getting better and better (Twitter, 2014)"

Implications and future research

Similar dynamics to those we observed in this case can affect any company whose customers identify strongly with a product. For example, there were protests in 2015 after Cadbury changed the recipe of its Crème Egg. While Cadbury is part of a big multinational that can weather targeted protest, such a rebellion can be fatal to start-ups who tend to be resource constrained. The risks are greater in the later stages of the start-up lifecycle when stakeholder relationships are more firmly established.

Future research could usefully examine the dynamics of pivoting when the ventures concerned rely not on user communities, but on other kinds of stakeholders, such as specialist retailers and distributors, and special-interest investors. It would also be interesting to examine pivoting in the context of social ventures: the risks for social purpose start-ups are likely to be especially high because, as they mature, they frequently build close relationships with beneficiaries, who come to depend on them and develop quite specific expectations for how they should behave. Pivoting may be interpreted by these stakeholders as a threat to their relationship with the venture and may therefore be met with fierce resistance.

About the project

This research is based on the analysis of 75 interviews with staff and members of Impossible's community, archival data and a period of 350 hours of participant observation in 2014, at Impossible's Berlin Headquarters.

This research was designed and conducted by faculty of Cambridge Judge Business School, with the support of the Cambridge Centre for Social Innovation.

The study can be read in full in the *Academy of Management Journal*, published online, 4 April 2019, <https://doi.org/10.5465/amj.2017.0460>. It is available open access on Apollo, the University of Cambridge's institutional repository:

<https://www.repository.cam.ac.uk/handle/1810/291638>.

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