Chapter 86
Identification and Categorization of Disruptive Innovations According to the Strategic Scope of the Firm

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ABSTRACT

The concept of innovation has for a long time been considered as the drive behind the ever-changing positions and functioning of the global community. Since the beginning of twenty-first century, creative individuals and entrepreneurs have without influence declined to accept the existing products and services as being the ultimate solution to challenges the society faces. This scholarly analysis builds on the theory of disruptive innovation to categorize and analyze the impact of disruptive innovations on key sectors of an economy in terms of their impact on the strategies and commercialization from a sectorial perspective. This analysis offers insightful information in terms of disruptive innovations which can be categorized into market-driven, product-driven, and competency-driven disruptive innovations.

INTRODUCTION

Among the concepts connected with the revolutions provided by the field of sciences of technology, one of the most important for research in strategic management is "disruptive innovations". In his 1997 book, The Innovator's Dilemma, Christensen offered an elaboration for the collapse of well-managed and respected and companies under the influence of disruptive innovations (Christensen, 2003). These disruptive innovations are entering the market on a marginal basis but create significant disturbances in the functioning of the market as soon as the process of conquest of the early buyers to attack the early majority of buyers will have been completed (Moore, 2014). In 2006, Tellis showed that among all the concepts dealing with innovation in management, it is the expression "disruptive innovations" which had received most entries with the Google search engine. The concept had even more entries than the concept of "radical innovation (Tellis, 2006).

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In this regard, Bower (2012) has explained that the process of how disruptive technology, through its requisite support net, dramatically transforms a certain industry. According to Bower (2012) "When a technology that has the potential to revolutionize an industry emerges, established companies typically see it as unattractive: it's not something their mainstream customers want, and its projected profit margins aren't sufficient to cover big-company cost structure. As a result, a new technology tends to get ignored in favor of what's currently popular with the best customers. But then another company steps in to bring an innovation to a new market. Once disruptive technology becomes established there, smaller-scope innovation rapidly raises the technology's performance to attribute what mainstream customers' value." According to the proponent of this theory, disruptive innovation describes a phenomenon in which the innovation process revolutionize existing markets and or industries by developing affordability and accessibility in a more simple and convenient manner. Disruptive innovation stems from the fact that there is high cost of products in markets offered by companies that seek to maintain their status quo. Disruptive innovation starts from a niche market which is usually considered less attractive with little consequence to disrupt existing incumbents; however a new idea or product comes in and shifts the industry status quo. The economic press has highlighted how disruptive innovations could substantially transform the competitive context of established players and their position in terms of market share.

Thus the main objective of this chapter is to tentatively categorize disruptive innovations using the conceptual framework of the strategic scope of the firm to categorize disruptive innovations according to the perspective of the incumbents defined by players that occupies a particular position or place in a market with a survey of examples from the economic press. The chapter wishes to study the impact of disruptive innovation of the strategic scope of activities of companies called incumbent in their market to develop a categorization of impact.

BACKGROUND

According to Schumpeter (2003), these disruptive patterns of creative destruction," typically flow through industries, and in the process sink outdated, outmatched and weak sinking companies. In this chapter, the author notes that few academic and scholarly theories on management have not had as much influence in the world of business as Clayton M. Christensen's theory of disruptive innovation. Before proceeding, this chapter therefore poses this question, what role does disruptive innovation play in business?

In his 1997 book, The Innovator's Dilemma, Christensen presented a description for the collapse of well-managed and respected companies (Christensen, 2003). According to Christensen, best performing managers face a dilemma, because by "doing the very things they need to do to succeed — listen to customers, invest in the business, and build distinctive capabilities" — they operate with the risk of ignoring competitors with "disruptive" technological innovations. In this regard, it is important to identify the key elements, which hold the greatest value for the theory of disruptive innovation.

In *The Innovator's Solution*, Christensen and Raynor (2016) argue that the disruptive innovation has four (4) characteristics/roles. The first characteristic is Incumbent companies are improving along a path of sustaining innovation. One of the key factors of disruptive innovation is that "in every market there is a distinctly different path of improvement that innovating companies provide as they introduce new and improved products." Therefore, an incumbent company's improvement path emanates from what is termed as "sustaining innovation" — the periodic improvements that all great companies seek to bring out." Usually, sustaining innovations improve products in a few established value areas. For instance,

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