The Ongoing Process of Building a Theory of Disruption

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The Central Idea

- An examination of the theory of disruptive innovation;
- Recounts the development of the theory of disruption and the process by which it is being built;
- A case study about the theory-building process.

focus

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Concept

Building the Theory of Disruption

- Step 1: Observation
  - Initial research on the history of the disk-drive industry;
  - Build a database (complete census) of:
    - All components and technologies in every disk-drive model ever announced by any company in the world between 1976 and 1992;
    - The revenue histories of every disk-drive company;
    - The market shares of each competitor by product segment

classification

Building the Theory of Disruption

- Step 2: Classification
  - Classification of the innumerable technologies in the history of the disk-drive industry into:

Sustaining categories	Disruptive categories
Needs of customers in the existing market; Creating products that satisfy their predicted needs for the future.	Creates new markets separate to the mainstream; Markets that are unknowable at the time of the technologies conception.

difference

Building the Theory of Disruption

- Step 3: Defining Relationships
  - Industry's leading firms almost always triumphed in battles of sustaining innovation;
  - Entrant firms typically triumphed when disruptive innovations emerged.

Sustaining Innovation	Disruptive Innovation
Industry's leading firms	Entrant firms

Normative theory

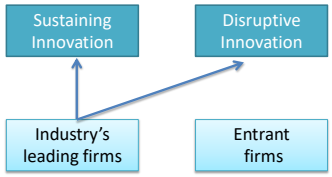
Building the Theory of Disruption

- Step 4: transition from descriptive to normative theory
  - about 1996
  - Interaction with Stanford professor Robert Burgelman
  - Managers prioritize investments that help them garner resources from customers and investors
  - Their firms are structured to generate profit, or they cannot survive.

Anomalies

Building the Theory of Disruption

- Anomalies:
  - something the theory could not explain;
  - incumbent leaders in their industries that had succeeded at disruption.
  - **How?**



how

Building the Theory of Disruption

- How the anomalies have succeeded?
  - the leader had maintained its industry-leading position by:
    - Setting up an autonomous business unit;
    - Giving it unfettered freedom to forge a very different business model appropriate to the situation;
    - It was not a technology problem;
    - It was a **business model** problem.

anomalies

Building the Theory of Disruption

- Anomalies
  - The primary purpose of the theory building cycle is to seek anomalies, not to avoid them;
  - The discovery of an anomaly is the enabling step to less ambiguous description;
  - This is how theory is improved.

exaple

Building the Theory of Disruption

- Examples of Anomalies
  - EMC Corporation took the high-end data storage business away from IBM in the 1990s with a different product architecture than IBM's.
  - Hewlett-Packard's laser jet printer business was a sustaining technology relative to the Epson, that dominate the market.
  - General Electric was an entrant in the jet revolution, and became very successful.

Resolve anomalies

Building the Theory of Disruption

- Resolving Anomalies through Clearer Definitions:
  - Identify anomalies;
  - Make definitions and measures more precise by:
    - refining the categories;
    - clarifying the mechanism of causality;
    - then improved the theory.

mistaker

Mistaken and Assumed Definitions

- Frame disruption along old lines:
  - "Will this technology become better than that technology?"
- Disruptive innovations do not necessarily improve to surpass the performance of the prior technology;
- They generally do not, and need not.
- Disruption entails a very different question:
  - "Whether the disruptive technology will improve to the point that it becomes good enough to be used in a given tier of the market?"

conclusion

Conclusion

- Accept and "argues" with some of the criticisms and suggestions from authors of other articles in this issue:
  - "I have heard many people make the mistake of post hoc definition of disruptiveness, and I correct them whenever I hear it. If Danneels (2004) or Tellis (this issue) have ever read about or have heard me commit this error, I ask them to point out specifically where I have been so sloppy, and I will issue a letter of apology and retraction."

conclusion

Conclusion

- If a subsequent researcher uncovers an anomaly to a prior scholar's work, it represents triumph for both, It will allow them to articulate better theory.
- Within this description of theory building, the author attempt to recount the process by which the theory of disruptive innovation has been built to date.

end

ANY QUESTION?

Thank you.