The overlooked role of embeddedness in disruptive innovation theory

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ABSTRACT

Disruptive innovation theory assumes that primary and secondary performance dimensions as well as price influence adoption and use differently depending on the product category. Study 1 tests this premise using a large and heterogeneous sample of consumers. We surveyed 871 users in three traditional, high-cost product categories (business software, video games, conventional TV) and three related, potentially disruptive, low-cost product categories (mobile business apps, mobile games, internet TV). The study does not find systematic differences between the effects of more technologically-oriented performance dimensions or price on adoption. Following an explanatory mixed-methods approach, Study 2, which relies on 32 in-depth interviews with consumers, shows that product embeddedness, a more socially-oriented dimension, may play a decisive role in explaining the results. Embeddedness, defined as the degree to which a product is anchored in the social, market and technological system of the user, is an important moderator that complements extant theory and may thus help to better understand the dynamics of disruptive innovations.

1. Introduction

One of the most impactful theories in management research and practice has been the theory of disruptive innovation (Christensen, 1997; Christensen and Bower, 1996; Sood and Tellis, 2011; Tellis, 2006; Yu and Hang, 2010). Lepore (2014) argues that the existence of Chief Innovation Officers in companies, innovation agendas for public schools and university degrees in “Disruption” are all ripple effects of The Innovator’s Dilemma (Christensen, 1997), one of the first of many publications on disruptive innovation theory (e.g., Anthony et al., 2008; Christensen and Raynor, 2003; Reinhardt and Gurtner, 2015; Sood and Tellis, 2011; Vecchiato, 2016; Yu and Hang, 2010). The Economist even considers disruptive innovation theory a part of the zeitgeist (Economist, 2015).

An essential task of academic scholars is to rigorously test and refine existing theories (Meyer, 2015; Open Science Collaboration, 2015); in particular, those theories that have an overwhelming impact as disruptive innovation theory does. However, management researchers frequently prefer building theories over testing them (Miller and Tsang, 2011), which in the case of disruptive innovation theory leads to scarce evidence about its accuracy and predictive validity. To fill this void, the first study tests core assumptions of disruptive innovation theory. In line with recent calls to go beyond traditional theory testing (Bamberger and Ang, 2016), the second study explores the anomalies found in the first study and triangulates the quantitative data with additional qualitative data. Therefore, this research takes an explanatory mixed-methods approach, which is commonly used when qualitative data are needed to provide a better understanding of the quantitative results (Harrison, 2013).

The two studies focus on the role of the consumer in disruptive innovation theory because consumers are an integral part of disruptive innovation theory (Christensen and Bower, 1996; Reinhardt and Gurtner, 2011, 2015; Tellis, 2006). In particular, disruptive innovation theory predicts that consumers use sustaining, high-cost innovations because of their superior primary performance in technical dimensions (e.g., usefulness, quality) (Christensen, 1997; Keller and Hüsig, 2009; Schmidt and Druehl, 2008). By contrast, consumers use disruptive, low-cost products because of their secondary performance in technical dimensions (e.g., ease of use, convenience) and their lower price (Adner, 2002; Christensen, 1997; Schmidt and Druehl, 2008). For example, disruptive innovation theory predicts that consumers use mobile business apps because they are easy-to-use and convenient and they use business software because it is powerful and high-quality. These assumptions are an integral anchor for the theory. The theory subsequently predicts that, at some point, consumers become saturated with the primary performance dimension offered by traditional products (e.g., the number of functions for spreadsheet software) and switch to the disruptive innovation because secondary performance dimensions provide additional value (e.g., ease of use) or the product offers a lower price (Christensen, 1997; Christensen and Bower, 1996).

The initial assumption that systematically different motivational drivers between high-cost product categories (HPCPs) and low-cost...
product categories (LPCs) exist has important implications. First, firms align their new product development and marketing efforts accordingly by emphasizing different performance dimensions in different markets. For example, Intel launched the less powerful but cheaper Celeron microprocessor on the basis of disruptive innovation theory (Christensen, 2006). Second, Christensen and colleagues (Christensen, 1997; Christensen and Bower, 1996; Christensen and Raynor, 2003) assume that new entrants can replace incumbent firms when the importance of performance dimensions and price vary between product categories. Incumbent firms focus on improving the primary performance dimension because of their current customers' preferences for these attributes. The incumbents neglect the new product category with a different customer base, which prefers secondary performance dimensions and a lower price (Christensen, 1997; Christensen and Bower, 1996).

Therefore, the first study investigates these core assumptions by asking why some consumers adopt and use a new low-cost product category (LPC) in contrast to those individuals that only use the existing high-cost product category (HCPC). This approach responds to recent calls to investigate adoption for existing and potentially substituting technologies simultaneously (e.g., Sriram et al., 2010). In contrast to the original definition of disruptive technology, we deliberately focus on high-cost versus low-cost, because, in a comprehensive study on the disruptive potential of new technologies, Sood and Tellis (2011) find that only those technologies that are priced below existing technologies increase the hazard of disruption. Because we are interested in technology disruption on an aggregated level (Sood and Tellis, 2011) instead of firm disruption, we focus on the product category level. Consequently, this study examines three LPCs (i.e., mobile business apps, gaming apps and internet television) that are based on a new technology compared to existing HCPCs (i.e., business software, video games, conventional TV).

In a first step, we seek to expand the understanding of performance dimensions such as usefulness, quality and ease of use in these product categories. The first study tests specific dimensions that the literature has highlighted as prototypical exemplars of technology-oriented primary and secondary performance dimensions. To further develop the theory, we also explore more socially-oriented aspects that are not yet reflected in the literature to facilitate a comprehensive understanding of performance dimensions and their role in low-cost innovation adoption dynamics.

The paper is structured as follows. First, the theoretical framework briefly explains the technology acceptance model that we use as a basis for our investigation, presents an overview of the literature on disruptive, low-cost innovations and derives the hypotheses from disruptive innovation theory. Second, the paper presents the methodology and results of the quantitative Study 1. Third, the article outlines the methodology for the qualitative Study 2 and discusses the results. The final part of the paper provides the general discussion including implications for managers, limitations and further research opportunities.

2. Theoretical framework

2.1. Technology acceptance model

The study uses the technology acceptance model (TAM) as a basis for our investigation, presents an overview of the literature on disruptive, low-cost innovations and derives the hypotheses from disruptive innovation theory. Second, the paper presents the methodology and results of the quantitative Study 1. Third, the article outlines the methodology for the qualitative Study 2 and discusses the results. The final part of the paper provides the general discussion including implications for managers, limitations and further research opportunities.

Due to high R&D spending and pioneer pricing models, researchers and practitioners often assume that most new products and services are more expensive than existing solutions (Sriram et al., 2010; Van der Rhee et al., 2012). For these types of innovation, improvements occur by enhancing the primary performance dimension at a higher price than previous product generations (Christensen, 1997; Schmidt and Druhl, 2008). For example, traditional television focuses on enhancing the primary performance dimension “image quality” (e.g., HD television, UHD television) (Reinhardt and Gurtner, 2015) and new TV models are priced higher than existing TV models. In the disruptive innovation framework, these types of innovations are characterized as sustaining innovations (Christensen and Bower, 1996) and the literature on encroachment uses the term high-end encroachment (Van der Rhee et al., 2012; Van Orden et al., 2011).
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