Chapter 11
Facing Disruptive Innovation:
Strategic and Managerial Challenges

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ABSTRACT

Technological change is creating strategic and managerial challenges. This holds true in the case of disruptive innovations, which are reshaping industry boundaries, exposing organizations to new competitive logics and threats. Companies face the need of new strategies and innovative thinking capabilities. This chapter provides a systematic literature review on the role of disruptions by identifying the changes they have brought in the markets and the new challenges for managers, especially within the domain of strategic management, since disruptive innovations may modify strategic and innovative thinking. The final analysis has been conducted on 19 journal articles published between 1995 and 2018. The results show the strong interplay existing between strategy and innovation management, but they also highlight the relationship between innovative thinking, learning, human capital, and capabilities' acquisition. Furthermore, they encourage further research in the light of the multiple trajectories offered by innovation and disruptions for diverse companies and industries.

INTRODUCTION

Literature acknowledges the effect of technological change on firm strategic management, since it impacts on capabilities and strategic and innovative thinking. By altering the intensity of competition, the level of environmental uncertainty, structural conditions such as barriers to entry and mobility, economies

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of scale and scope, demand conditions, and customer preferences, technological change is also strongly affecting strategies.

Among the trajectories of technological change, this work focuses on disruption (Christensen, 1997; Porter and Heppleman, 2014), which, by creating new-markets and impacting on the low-end (Bower and Christensen, 1995; Lambert, 2014) is re-shaping the boundaries of several industries and altering the nature of business while exposing organizations to new competitive logics and threats, affecting strategic and innovation management. Thus, this scenario projects the need of new business processes, the definition of new business models, a different innovative thinking and novel managerial challenges (Birkinshaw and Ansari, 2015).

The change driven by disruptions is also transforming the way organizations learn, communicate, and work in a significant way, modifying consolidated ways of organizing (Endsley, 2000) as adaptive responses; managers are thus challenged to plan, strategize and think differently and need to work on individual and organizational capabilities to be able to cope with innovative business models, innovative thinking, tracking technological evolution and focusing on consumer demands (Teece and Linden, 2017).

Additionally, disruption can yield a different impact depending on the type of market in which it happens and based on the peculiarities of that type of market. Indeed, for a disruption to occur the presence of a technological core is extremely important, since the innovation will develop in quality to gradually compete with higher quality products (Christensen, Raynor, & McDonald, 2015).

So far, little attention has been devoted to the impacts of innovation and disruption on strategy and innovative thinking in the light of specific market characteristics, despite literature has widely focused on how managers must manage disruption to determine organizational adaptation and innovation adoption. Indeed, disruption may have different strategic impacts (Christensen and Raynor, 2003), depending on the type of market in which it happens and based on its peculiarities. Technology has, indeed, a crucial role inside the theory of disruptive innovation, and so it is necessary to do a differentiation of markets based on technology. Markets can be differentiated based on the trajectory of their technological improvement (i.e. the slope): the steeper it is the trajectory that characterizes the market, the more it is plausible that a disruptive innovation may be introduced into the market and will eventually disrupt the entire business, requiring firms to change, adopt or implement different strategic and innovation management solutions. If instead the trajectory is flat, it means that the role of technology in the market is ancillary, so a disruption is less likely to happen. Another important differentiation that can be done to highlight the differences in the speed of disruption across markets is implementing a separation made on a segment basis, which means that a business can decide to sell its products to other businesses or to customers and depending on the case, the buying process will be different. Finally, further differentiation can be based on the industry life cycle, thanks to which it is possible to understand in which stage it is more probable that a disruption will happen.

This work proposes to sum up former research in innovation and disruption in relation to industry characteristics and managerial competences. Authors aim to look at the existing literature to better understand the impact of disruption on strategic and innovation management, as well as innovative thinking. The chapter proceeds as follows: a brief introduction on disruption is first presented, summarizing the main concepts. Then, authors present the result of a literature review (Thorpe at al., 2005) performed searching the Web of Science database for academic articles containing the terms 'Disrupt*', 'Industr*', and 'Competenc*, to identify scholarly contributions that have specifically focused on the relationship between disruption, industry characteristics and managerial competences.

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