



The Power of Destructive Innovation Generation and Evolution: Changes in Customer Value System

Wei Jei*, Amiya Bhaumik

Department of Business and Accounting, Lincoln University, 47301 Petaling Jaya, Selangor D. E., Malaysia

*Correspondence Email: weijeio12@outlook.com

Abstract

Destructive innovation will progressively enter the global markets as efficiency rises, devouring more customer base until it replaces the previous top technology. The competitors' ability to compete has been weakened by destructive innovation, which has altered the industry's old norms of competitiveness. The idea created a brand-new customer value structure that newcomers can use strategically to catch up. The study of negative innovation has gained popularity in technological finance and strategic management. The issue with equating disruptive innovation with any scientific discovery that modifies the nature of competition in a market would be that various forms of development demand multiple sorts of strategic approaches. It's not likely that every business in a changing market will indeed be able to benefit from the insights that can be learned on how to become a successful "disruptive innovator" (or "fight off a disruptive rival").

Keywords: *Disruptive Innovation; Customer Value; Technological Innovation; Global Market; Big Industries*

Introduction

One of the most well-known theories in business management is the Disruptive innovation theory. In recent years, blockchain technology, artificial intelligence, robotics, and other disruptive technologies helped portray a possible "disruptive innovation."

Entrepreneurs continually assert their endeavours to predict "disruptive changes" that would influence the leading advantages to avoid efficiency dominance and maintain a competitive edge. This represents a business model disruption that includes, what are the contributions of the enterprise, the process of manufacturing goods, the distribution and transport system, information about investment, and people who will invest and who will receive. When the market is progressive and transformative, not even technology can meddle with the changes; this is why disruptive innovation has always been an exciting subject to study. Though tomorrow cannot be foreseen just by looking at the newest technology trends, businesses should expect revolutionary developments and be prepared to face the changes.

According to Palmié *et al.*, (2020), a system, a multi-company framework, has more resources than a single firm. These increased resource investments may hinder the efficiency of workforce investment opportunities in attempting to rebuff the chaos and their capacity to purchase or license the disruptor's technology. On the contrary, the underlying multi-organisational essence may provide establishment candidates with more ideal terms for connecting than just a secluded disruptive technology.

Such distinctions between communities and independent disruptors highlight the importance of analysing "disruptive innovations within the frame of reference of ecosystems in addition to conventional disruptive innovation research".

A significant amount of research and journals are dedicated to investigating disruptive innovation. Studies define the concept, subject matter, and attributes of disruptive innovation, the categorisation of disruptive innovation, and the path of expansion from various angles. Researchers have progressively focused on implementing disruptive business model innovation practices in recent decades, developing strategies for industries to reach the customer base through disruptive innovation and deal with external disruptive threats.

According to Sheth (2019), for most of the period, a significant portion of the ecological community in big firms is passive. Different business events, stakeholders, leadership roles, and connections are secure. Any transformation takes place at the level of the actions of individuals or small groups (for example, whenever a new product is launched, the rivalry between businesses at the same level has been shown repeatedly). However, instead of negatively impacting the institutional orientation of diplomatic and economic stances. The environment in these configurations seems to have taken up quality procedure time. Even before technology necessitates a transformation in the formation of these aspects, the natural environment emerges, and evaluation of ecological processes has become essential for constructing and fully understanding strategic plans."

In the last forty years, China has become one of the world's most technologically advanced and economically stable countries. One of the main reasons for their progress is the continuous improvement of their "National innovation system" and the leading and dominant role of big enterprises in addition to innovation. All these positive factors have been held to enhance the country's major achievements. In the article, the effect of destructive innovation on the evolution of big enterprises and how it has changed customer value and customer view in the Hebei province of China have been thoroughly discussed.

Literature Review

According to the study by Chemma (2021), only stable conditions have been used to study disruptive strategies. This essay aims to alleviate this constraint by demonstrating that all these methods are workable in a challenging environment through this in-depth analysis of the key players in the yogurt sector in Algeria. The literature has also revealed significant concern in disruptive innovations that have led to the emergence of several strategy-related methodologies to better comprehend the effects of this type of technology on industries and companies. Contrarily, the development of disruptive technologies related to industry competition and their effects on established businesses and new competitors has gotten minimal consideration.

Lähteenmäki, Nätti and Saraniemi (2022) studied the purpose of this study to better understand how digitalisation has affected consumer value creation and how businesses may improve their customers' technological value creation in the current environment. In order to accomplish this, a qualitative investigation and inductive reasoning are employed with rich financial sector data, allowing people to track the growth of wealth creation over the past thirty years from different executives' viewpoints. Not just new technology is responsible for the shifting in consumer value production. The importance of regulation cannot be overstated, particularly in the financial industry, which has historically served to shield established network operators from new players.

In the article by Mookerjee and Rao (2021), the technology isn't what makes the incumbent vulnerable; it's their incapacity to change their tactics. Numerous small business executives use disruptive innovations as their "guiding light," just like many CEOs of big companies and well-known businesses like Google, Microsoft, Intel, and others. To avoid performance dominance and maintain

competitiveness, leaders continually emphasise their efforts to foresee "disruptive developments" that might affect the competitive position. Whenever technology is disruptive, its effectiveness in the marketplace cannot be messed around with. Technology operators rarely foresee the future, but organisations may anticipate revolutionary advancements and make preparations for them. The study examines significant disruptive technologies, the forces behind transition over the past 60 years, distinctive customer advantages, the degree of revenue scaling up, and other factors.

Jin and Shin (2020) studied the managerial aspects of disruptive technologies. The term "disruption" refers to a phenomenon that has been around for a while, yet different authors have given it different titles in the managerial literature, although they frequently cite the same. The authors still use the disruptive approach for two reasons: first, it is a relatively new concept that has received little recognition in the literature and derives from several flaws due to inadequate initial attempts.

Previous studies have uncovered various factors that could illustrate why disruptive technologies usually present challenges for market leaders. Considering that interpersonal conflict ultimately leads to a long-lasting erosion of profitability in the industry, in their view, "conflicts" are the outcome of disruptive enterprises making a mistake.

Discussion

Customer Value System and Destructive Innovation

The value-added production of agricultural and industrial raw goods produced the majority of revenue. Across the entire value chain, from acquiring raw materials to shipping completed goods to external stakeholders, business stakeholders were prevalent. The notion that there wasn't any official or deliberate belief that every business's affiliates comprised its buyers made the customer value proposition strikingly lacking. Nowadays, "internal marketing" is the term used to describe this. Institutional marketing and branding are more crucial than ever for assisting staff roles like IT services, procurement, legal, and human resources. A strategic alliance was the key to successful economic results during the industrial era, such as reducing corporate tax rates.

The biggest question facing sustainable entrepreneurs is whether they can create profitable companies with their inventions despite the numerous obstacles they might encounter. Business success can be characterised as financial gains, non-financial consequences like enhanced innovative capabilities, or beneficial social implications through the mitigation of social and ecological problems based on individual, corporate, and sociocultural objectives. However, sustainable entrepreneurs must commercialise their solutions to problems and shift marketplaces to provide major private and communal advantages for a wide range of stakeholders, irrespective of their ambitions and expected outcomes.

According to Binsaif and Boukrami (2019), this framework does not assert that the attributes listed are essential for effective advertising techniques; alternatively, it attempts to explain the elements associated with "business model innovation". The foundation for the "business model innovation" strategy concentrates on areas of growth in which it is feasible to look at different business models. Understanding a "business model's" individual pieces enables organisations to research other business models by continuously upgrading these elements.

Perspectives on disruptive innovations

Innovation is the only way to survive changes in different industries. It is also a catalyst for improvement in different industries rapidly. In 2014, China first introduced "The New Normal of economic development". In 2015, China demonstrated it would be very difficult to improve different industries rapidly through "intelligent manufacturing in China" by 2025. According to the study by Li and Huang

(2019), China's manufacturing industry faces many challenges due to the uprising of the real estate industry.

Additionally, the manufacturing industry is ageing which indicates less evaluation and innovation and lower customer demand in this industry. This is why the labour cost increased compared to the high tax rate. Therefore, the big industry investors chose the modes of effective innovation for the development of these industries under government intervention.

On the other hand, Tyfield (2018) argued that looking at disruptive innovation in that manner demonstrates the confounding problem, and the resolution is what happens when one accepts the mainstream narrative whereby a Silicon Valley Tech innovation is labelled as "disruptive." The original study focused on "inexpensive, simpler-to-use substitutes to established products and services, frequently provided by non-traditional competitors that targeted formerly untapped markets." This compares "sustaining innovation" following established, stabilised innovative trends, with "disruptive innovation."

China's development is currently at a turning point. Four decades of opening up and reform have contributed to rapid urbanisation, modernisation, and productivity improvements, but they are not simply enough to maintain prior economic performance. Discovering top economic and social development candidates is urgently needed because of decreasing profits on public investment, a higher life expectancy, and a less hospitable global climate. According to the World Bank Group (2019), "Innovative China: New Drivers of Growth" results from protracted debate and discussions to agree. A collaborative investigation was valuable because it promoted agreement amongst participants and improved comprehension of China's organisational constraints.

A systemic business ecosystem is very important due to its environment in the module of a system (O'Reilly & Binns, 2019). Disruptive innovation mainly changes the systematic architecture, which refers to the purpose and shape of system parts as well as their communication and connection with each other. In this kind of circumstance, the current role of the ecosystem's standards, rules, transactions, and relations may face significant impacts.

Additionally, barriers between businesses and different sectors, customers and manufacturers, individuals and technologies, services and products, and the practical, as well as the virtual, are being blurred by technological advancement, which has been characterised by integration and generativity. For example, the sudden rise of the "autonomous vehicle" (self-driving car) transportation system has changed the traditional automobile industry. Additionally, this had a huge impact on other related industries, such as energy, insurance, and technological companies. Uber's business model is innovative and different (Kumaraswamy, Garud & Ansari, 2018). This disruptive business model of taxi cab companies has transformed the whole transfer station industry ecosystem by almost removing the line between users and service providers. This is a prominent explanation of utilising innovations and their relation to interdependencies throughout the entire business ecosystem.

Changes in customer value systems and the success of disruptive innovation

The term "disruptive innovation" was first used by Clayton Christensen at the beginning of 1995. Christensen argued that the destructive business model could cause a drastic change in an established company, and it can cause hardship to the stable environment of a big enterprise. If the leaders fail to see the changes, it may become a reason for their downfall. On the other hand, Li and Huang (2019) stated that ignoring potential disruptive innovation can cause a business to lose its net profit and market share and even face bankruptcy.

Despite being criticised for lack of applicability and shaky foundation, this innovative theory is always a centre piece of attraction for business practitioners and academic scholars. This business model is

based on four understandings: *customer segment*, *channels*, *complementary resources*, and *value proposition*.

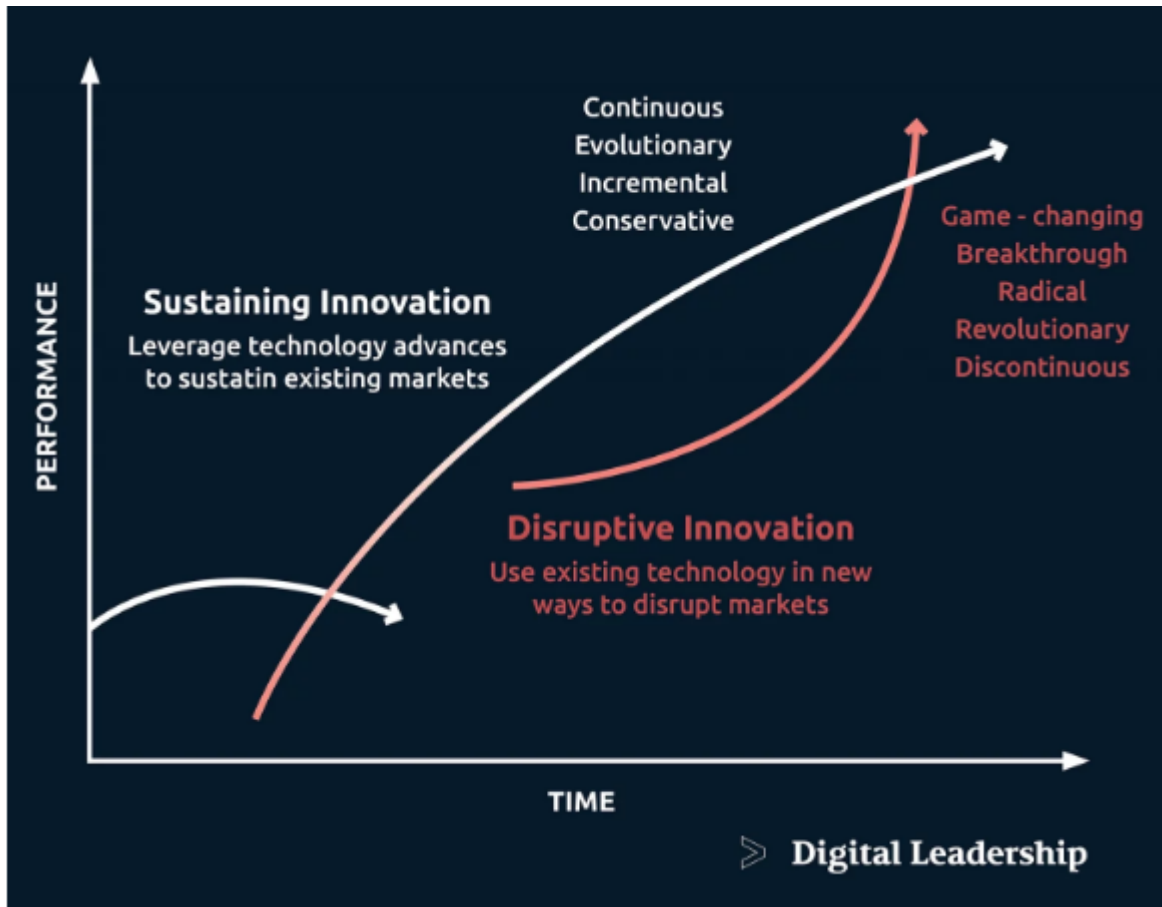


Figure 1: This transformation and innovation disorders the market by displacing established and long standing competitions

Customer segment- the disruptive innovations primarily target non-consumers of a service or product. Additionally, the expense into other parts as learning accumulates and experiences.

Channels- often, this disruptive innovation bypasses old traditional distribution channels and uses different cell force claims like viral marketing direct selling directly to the end user. This kind of communication promotes peer-to-peer connection.

Value proposition- this innovation delivers different values to customers in different ways, an alternative to the mainstream system. Additionally, value propositions are very simple to use, provide more convenience than the alternative, and are a lot cheaper.

Complementary resources- Unlike the funding necessary by established competitors, supplementary assets are frequently needed by disruptive innovations. Innovation enables disruptive thinkers to access services their rivals companies aren't using. Disruptive innovations frequently call for new abilities, experience, and competencies to be produced or obtained beyond the dominant organisation because of the inherent disparities in technological or marketing strategies (Harvard Business Review, 2015).

Leaders must find a balance between leveraging a fundamental company that produces dependable, relatively brief returns and experimenting in new fields in which outcomes are unknown, regardless of whether the lengthy payout might be alluring, to deal with upheaval (Hopp *et al.*, 2018). When

confronted with the possibility of competition from rivals, organisations allocate funds to develop innovative research approaches yet fail to turn these concepts into viable enterprises. Nearly all disruptive cases (including Nokia, Sears, Kodak, Blockbuster) involve a company that the original sufferer company previously unsuccessfully attempted to develop on its own.

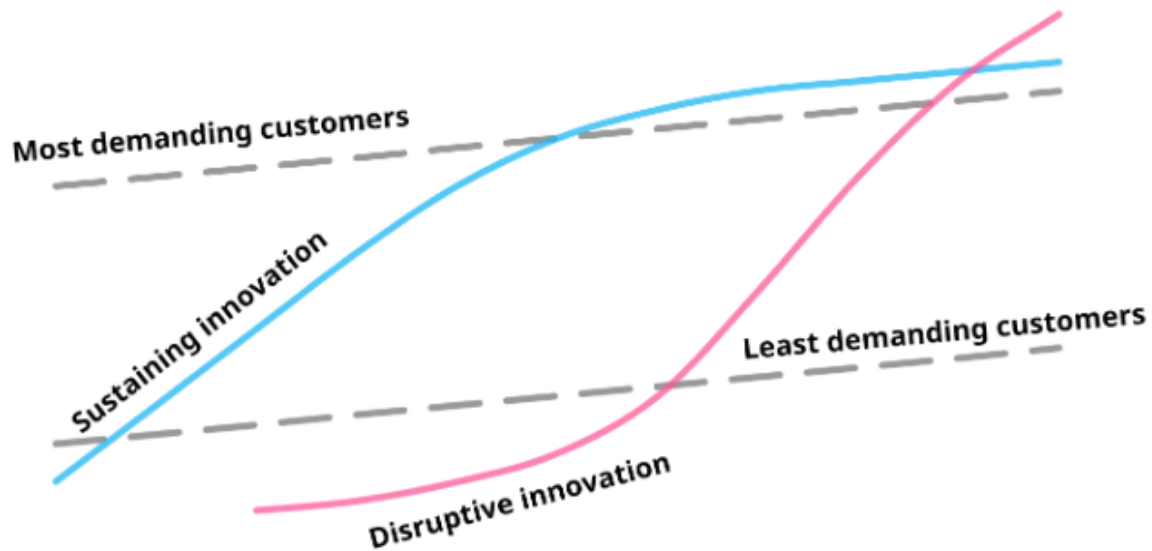


Figure 2: Relationship between customers and disruptive innovation

According to Guo *et al.* (2019), once companies learn to look at their market position from a customer's perspective, new ways of destruction can be seen in the related industries. This is the main reason to consider and study market analysis before implementing a disruptive business model to gather customers' viewpoints. To understand the customer's point of view, knowledge and understanding of consumers are important in a disruptive business model. Investors and business owners must understand the needs of customers. They should consider different activities and steps to fulfil their customers' desires. In short, business owners need to understand their value chain. Customer-driven innovation in business models is a relatively new idea. It focuses on the path that follows; investors and business owners should embrace a new strategic framework to become a major global player. Since customers give digital resurrection, any company needs new tools and frameworks that focus completely on them. Instead of focusing on new ventures that can become threats in the future, big industries must devise a strong innovative system that can fight against any pattern of destruction and manage to fulfil changing customer needs from time to time (Millar, Lockett & Ladd, 2018).

For instance, Nokia made its fortune for years by investing in different technologies and smart phones, and they have earned millions of dollars and multiple awards. However, only technological advancement could not save them. This is why meaningful actions, tools, and understanding customer behaviour are some of the best ways to be equipped to carry out a business in the long run.

Conclusion

Customer change value provides a new perspective on digital destruction and needs new tools and concepts to take any meaningful actions. Businesses need to become more creative, not just technical or calculative. Businesses need to assess the disruptive potential of different innovations from different aspects of marketplace dynamics, the external environment, and technology features. Companies need to explore the connection between different characteristics of innovations to understand the disruptive potential rather than merely tallying up the index values. Emerging innovations ultimately "infiltrate"

existing markets as their sufficient standard outperforms that of incumbent technology. Innovative disruption is a movement rather than an accident.

Acknowledgment:

The authors are grateful for kind support from Lincoln University management for supporting and encouragement to complete the present article.

Conflicts of Interest:

The authors declare that the research review was conducted in the absence of any commercial or economic associations that could be construed as a potential conflict of interest.

References

- Chemma, N. (2021). Disruptive innovation in a dynamic environment: a winning strategy? An illustration through the analysis of the yoghurt industry in Algeria. *Journal of Innovation and Entrepreneurship*, 10(1), 1-19. <https://doi.org/10.1186/s13731-021-00150-y>
- Guo, J., Pan, J., Guo, J., Gu, F., & Kuusisto, J. (2019). Measurement framework for assessing disruptive innovations. *Technological Forecasting and Social Change*, 139, 250-265.
- Harvard Business Review. (2015). *What Is Disruptive Innovation?*. <https://hbr.org/2015/12/what-is-disruptive-innovation>
- Hopp, C., Antons, D., Kaminski, J., & Oliver Salge, T. (2018). Disruptive innovation: Conceptual foundations, empirical evidence, and research opportunities in the digital age. *Journal of Product Innovation Management*, 35(3), 446-457.
- Jin, B. E., & Shin, D. C. (2020). Changing the game to compete: Innovations in the fashion retail industry from the disruptive business model. *Business Horizons*, 63(3), 301-311.
- Kumaraswamy, A., Garud, R., & Ansari, S. (2018). Perspectives on disruptive innovations. *Journal of Management Studies*, 55(7), 1025-1042.
- Lähteenmäki, I., Nätti, S., & Saraniemi, S. (2022). Digitalization-enabled evolution of customer value creation: An executive view in financial services. *Journal of Business Research*, 146, 504-517.
- Li, B., & Huang, L. (2019). The effect of incremental innovation and disruptive innovation on the sustainable development of manufacturing in China. *Sage Open*, 9(1), 2158244019832700. <https://journals.sagepub.com/doi/pdf/10.1177/2158244019832700>
- Millar, C., Lockett, M., & Ladd, T. (2018). Disruption: Technology, innovation and society. *Technological Forecasting and Social Change*, 129, 254-260.
- Mookerjee, J., & Rao, O. R. S. (2021). A Review of the Impact of Disruptive Innovations on Markets and Business Performance of Players. *International Journal of Grid and Distributed Computing*, 14(1), 605-630.
- O'Reilly, C., & Binns, A. J. (2019). The three stages of disruptive innovation: Idea generation, incubation, and scaling. *California Management Review*, 61(3), 49-71.
- Palmié, M., Wincent, J., Parida, V., & Caglar, U. (2020). The evolution of the financial technology ecosystem: An introduction and agenda for future research on disruptive innovations in ecosystems. *Technological Forecasting and Social Change*, 151, 119779.
- Ramdani, B., Binsaif, A., & Boukrami, E. (2019). Business model innovation: a review and research agenda. *New England Journal of Entrepreneurship*, 22 (2), 89-108. <https://doi.org/10.1108/NEJE-06-2019-0030>
- Sheth, J. N. (2019). Customer value propositions: Value co-creation. *Industrial Marketing Management*, 87, 312-315.
- Tyfield, D. (2018). Innovating innovation—Disruptive innovation in China and the low-carbon transition of capitalism. *Energy Research & Social Science*, 37, 266-274.
- World Bank Group. (2019). *Innovative China: New Drivers of Growth*. Washington, DC: World Bank. <https://doi.org/10.1596/978-1-4648-1335-1>