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Disruptive Innovation in Finnish Hospitality

An Analysis and Mapping of Incumbent Perceptions

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ABSTRACT :

Aim: This paper aims to broaden the understanding of how the theory of Disruptive Innovation exists within the Finnish Hospitality industry. This is done through the investigation and subsequent mapping of incumbent perceptions and responses towards disruptive innovations within the industry context.

Framework: Disruptive Innovation theory provides the foundation and framework for which this study is conducted against. Therefore it employs a comprehensive literature review, reflecting on key elements involved in the theory's conceptualisation as well as exploring industry specific research. Disruptive Innovation literature from management and hospitality are cross referenced in an analysis to describe how they relate within the greater theoretical context. This further strengthens the theory base from which empirical insights can be investigated.

Methodology: This study adopts an abductive reasoning approach to study the phenomena. A hybrid method of analysis is used to derive key themes from within the results. The research design follows a theory-driven qualitative approach, where the aim is to expand the theory's scope and comprehension.

Findings: The perceptions and subsequent response strategies adopted by incumbents show pattern similarities. Incumbent threat and opportunity perception are primary contributors determining adoption versus dismissal responses. The results do suggest that the influence of Disruptive Innovations are relative within the industry and inherit perceptions are highly related to the firm's employed business logics. Incumbents are observed to rely heavily on external market forces to dissipate the risk of disruption, rather than deliberate strategic responses.

Contribution: This paper contributes to the Disruptive Innovation theory by expanding on its applicability within the Finnish hospitality industry. The findings offer useful comprehension to incumbent firms highlighting how perceptions influence their reactive responses. This research framework can be replicated in other industries to further understand the impact that new innovations have had on markets, as well as provide insight into positioning options.

KEYWORDS: Disruptive Innovation, Strategy, Hospitality Industry, Incumbent Perceptions, Disruption, Disruptive Digital Technologies

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1 Introduction

1.1 Research Motivation and Background

The theory of Disruptive Innovation was conceptualised by Clayton Christensen and associates in 1995 and has since become one of the most well-known concepts in the modern business world, with discussions taking place among practitioners and academics alike. Theory debate commonly revolves around defining the concept scope, with discourse addressing issues on applicability, relevance, and influence in the modern business environment (Yu & Hang, 2010).

The motivation for this study is twofold. The primary aim is to broaden the understanding of the theory of disruptive innovation, by dissecting the different theoretical and empirical level research that has constructed the concept. The secondary aim is to map out how the theory exists within the Finnish hospitality context by identifying the ways in which the disruption has taken place, as well as investigating the concept from the perspective of the incumbent players within the industry.

Disruptive Innovation theory is commonly referred to as one of the most widely discussed theories of the modern business era. It was originally designed for market leaders as a predictive cautionary framework to be used to realign innovation investment and avoid market share loss (Govindarajan & Kopalle, 2006b). Since then it has grown to be an innovation strategy used by both incumbents and new entrants, as well as a framework to study response/reactive strategies (Hopp et al., 2018; Madjdi & Hüsigg, 2011). The theory has been applied to multiple businesses within different industries, even expanding into politics, healthcare, civil planning, and environmental sustainability.

With the rapidly developing pace of technology, as well as the ever more interconnected nature of the global business environment, the theory of disruptive innovation is more applicable and observable than ever. The hospitality industry is not exempt from this

trend, experiencing unprecedented developments within industry structure, market dynamics, and technology application within the recent years. This has been driven by a number of factors including the COVID-19 pandemic; the rise of the sharing economy; and advancements in consumer travel and spending behaviour.

Evidence of disruptive innovation already exists within the industry, however as in line with the theory's nature, its impact is relative in terms of industry position as well as locational and environmental attributes. Variance also exists regarding how disruption has taken place within differing markets across differing studies (Koh & King, 2017). Heo et al. (2019) stress the importance of understanding the idiosyncratic characteristics of a market before being able to effectively analyse the true impact of disruption.

This study aims to do this by contributing to disruptive innovation knowledge within the Finnish hospitality industry, through an analysis of the perceptions employed by incumbent strategy makers. The perceptions of players within the theory play a significant role regarding the strategic logic and responses adopted by the disrupted incumbents. How the leaders perceive the innovation directly relates to how they respond or fail to respond to it. This is an essential part of disruptive innovation theory as the original creator Christensen states in an interview that: *"The theory of disruption is a theory of competitive response"* (Christensen, 2015 as cited in Denning, 2016, p. 12).

Disruptive innovation within the industry naturally tends to get associated with Airbnb due to its unique entry and popularity in media. However it is important to understand how other disruptions and innovations have occurred and exist within the industry. Guttentag and Smith (2017) establish that mid-tier scale hotels do have potential to be disrupted by P2P and sharing platforms, whereas several Disruptive technologies have had a more industry wide disruptive effect. This study will analyse these disruptions from the perspectives of incumbent players within the industry, cross referencing findings to current disruptive innovation literature to provide an outlook of the Finnish Hospitality industry.

1.1.1 Research Gap

A clear research gap has been identified which motivates this research direction. Disruptive Innovation theory has minimal direct research and application to specific Finnish industries, with majority of existing studies taking place within manufacturing and energy sectors. There is next to no research into the theory's existence within a Finnish specific hospitality industry context. Previous studies have briefly looked over the broad effects of certain disruptive innovations among the Nordic region with majority of citations coming from a master thesis submission by David Neeser in 2015 (Blal et al., 2018; D. Guttentag, 2015; D. A. Guttentag & Smith, 2017).

Although studies investigating disruptive innovation with the general hospitality industry do exist, there has been limited research identifying the perceptions of the incumbent players towards the disruptions or potential disruptors. Majority of the incumbent focused studies analyse strategic responses as well as an incumbent's ability to minimise the disruptive effects (Blal et al., 2018; Neeser, 2015; Nowak et al., 2015; Zach et al., 2020). These studies follow an ex-post perspective of disruptive innovation, reflecting back to analyse patterns to build on the theory's future (Govindarajan & Kopalle, 2006a; Si & Chen, 2020). Furthermore the limited research has produced scattered findings, with variances being observed market to market, and scholars still debating the extent that disruption is present within the industry as well as the nature of how it transpires among players (Koh & King, 2017).

Similar perceptive based studies can be observed in Prayag et al. (2022) who provide an overview of hospitality industry players and ecosystem participants facing disruption. Outside the industry, Wallin et al. (2021) produce key theoretical contributions by studying the perceptions of incumbents facing disruptive innovations within Finnish manufacturing sectors, which reflects closest to the study conducted in this paper. Although key differences exist regarding study scope and industry nature, relation can be observed among the two studies regarding their frameworks and approach.

In addition to the identified research gap, several scholars from have made calls for further research, to which this paper aims to contribute towards. Zach et al. (2020) noted that hospitality-disruptive-innovation research typically takes on the perspective of the disruptor rather than the incumbent, with some studies also observing consumer perspectives. The authors suggesting that an investigation into the internal processes and factors attributing to incumbent firm reactions, could offer a promising research line (Zach et al., 2020).

Kumaraswamy et al. (2018) propose that the perspectives and relationships between incumbents and disruptors change and develop over time. They continue by suggesting research opportunities that observes the relationships between the players. This paper aims to address this by observing the relationships from the perspectives of incumbent leaders. Moreover, the innovation cases utilised are at different stages of their development/disruptive life cycles, thus different perspectives and relationships should be observable when compared to one another.

Finally Koh & King (2017) highlight the importance of mapping 'Airbnb-disruptive-innovation' cases within the unique environmental contexts in which they exist. From previous studies it is apparent that variations regarding disruptiveness are present and that the impact is relative to idiosyncratic market and environmental characteristics. Therefore studies are needed from other markets to further develop our understanding on how the theory exists within the hospitality industry and similar business environments. (Koh & King, 2017) This point is further supported by Prayag et al. who suggest that case studies should be "carried out in different countries to provide a more nuanced understanding of regime and niche interactions and relationships." (Prayag et al., 2022, p. 3164)

Moreover, this study aims to address and contribute towards several prominent discussions within the study of disruptive innovation. The primary topic revolves around the

theory's cross industry applicability (Danneels, 2004). This study aims to provide a starting foundation of how disruptive innovation exists within the Finnish specific hospitality industry.

An additional debate that will be touched on observes the predictive capabilities of the theory (C. M. Christensen et al., 2015; C. M. Christensen & Overdorf, 2000; Si & Chen, 2020). Rather than attempting to understand how the firms could predict the disruptions, this paper will focus on the perspectives of the firms throughout the process, and their evolved thinking and reacting throughout the continuous journey. This research adopts a performative outlook rather than a predictive perspective, observing the theory as a continuous evolving concept with actor perspectives correlating and contrasting the theory accordingly (Kumaraswamy et al., 2018).

1.1.2 Topic Question and Research Objectives

This paper attempts to broaden the understanding of disruptive innovation within the Finnish hospitality context. Literature pays limited attention to the perceptions of strategy makers when it comes to responding to and dealing with disruptive innovations even though this is a core element within the original theory and found to contribute heavily to the effectiveness of implemented reactions (Kammerlander et al., 2018). This research aims to understand how the disruptions are interpreted by the incumbent strategist which will provide vital clues into how the disruptions exists within the industry. Therefore, the primary research question to be answered in this study is:

RQ1: How are disruptive innovations perceived by incumbent strategists within the mid-tier segments of the Finnish hospitality industry?

This question will be answered by observing perception and responses exhibited by incumbents within the study, which will contribute to the general overview discussion regarding:

RQ2: How does disruptive innovation exist and subside within the Finnish Hospitality industry?

The latter broader question can be argued to adopt a deductive reasoning approach as it involves applying observations gained from the interviews towards core theoretical insights. Since minimal research regarding disruptive innovation exists within this specific context, it is useful that the theory is first mapped within the industry before it receives further analysis. This mapping is conducted through the perspective standpoint of incumbent players.

Based upon research and review of the disruptive innovation theory, the following hypotheses are constructed that predict the nature of perceptions:

H1: Incumbent strategists will not perceive the innovations as disruptive threats, regardless of their influence and their accordance in nature to the disruptive innovation theory.

H2: The degree of disruptiveness presented by the innovation, both business model and/or technological, is determined by multiple market and environmental factors, therefore will not be homogenous across the industry.

This paper aims to answer these research questions and test the proposed hypotheses through a blend of literature-based investigation as well as empirical study. The aim of this research is to create a comprehensive mapping of disruptive innovation within the Finnish hospitality industry, through broadening our understanding of the perceptions of implicated incumbents.

1.2 Thesis Structure

This paper is structured accordingly to the logic expressed within the research objectives. In order to provide appropriate context for the study, it is imperative that a thorough literature review is conducted. This will navigate the reader through important elements related to disruptive innovation, starting with theory antecedents, and moving towards contemporary and future the theory to predicted future directions. Prevailing research directions will be discussed within the *current* portion of the review. The literature review will also cover hospitality industry specific themes that will conclude with visual representations to synthesis the theory's application within the industry.

Thereafter the methodology used in this study will be outlined, describing the research process, data collection and analysis. Justifications for decisions will be discussed in each of these sections as well as reference made to the study's validity and reliability. The chapter will conclude with an overview of the case companies including the selection process as well as brief descriptions of each.

Research findings will follow according to the structure described in the research process. The cross-literature analysis will be detailed with results and findings discussed. Thereafter results from the empirical section of the study will be presented and analysed. The chapter is concluded in a final section with a cross analyses that combines and maps the research findings together.

The next chapter is the discussion section which provides a final synthesis of results and research questions. Moreover managerial implications and theoretical contributions are provided, along with future research directions and identified study limitations. The final section includes a brief conclusion to end the paper.

2 Literature Review

It is appropriate to split the literature review for this paper into two parts, first to independently observe the disruptive innovation theory, thereafter, study the theory and research with a hospitality context. It is important that a solid theoretical background for disruptive innovation is initially established that covers its origin, evolution, and trajectory as a concept. It is vital that a clear understanding of the theory is first presented isolated from a specific context, so that any risk of confusion and misunderstanding can be negated (Yu & Hang, 2010).

The second part of the literature review analyses industry specific research conducted on the theory of Disrupted Innovation, namely within the Hospitality sector. This is done with the intention to create a better understanding of how the theory relates to the nature of hospitality business, as well as identify the angles of debate that scholars and practitioners have taken when cross applying the theory to this sector.

Disruption innovation theory has suffered misapplication and misinterpretation over the years by scholars and practitioners alike (Nagy et al., 2016; Schmidt & Druehl, 2008). Therefore, it is imperative that before the concept is defined and elaborated on, the route of confusion is addressed. One of the main points of confusion relates back to the language used in the theory's name (Martínez-Vergara & Valls-Pasola, 2020). The word "disruptive" has many connotations within English and these often get misapplied (C. M. Christensen, 2006).

Many focus on the word disruptive and associate the theory to any innovation that causes disruption (C. M. Christensen & Dillon, 2020; Schmidt & Druehl, 2008). This is done without considering the unique and specific attributes that the theory creators originally conceptualised (Danneels, 2004). Management scholar Erwin Danneels has repeatedly voiced his criticisms of the theory, suggesting that the confusion and common

disregard for complexities stems from the creators not clearly defining the concept's parameters during conceptualisation (Danneels, 2004; Govindarajan et al., 2011).

To mitigate this confusion several scholars including Christensen himself have published articles elaborating on both the definition as well as key attributes. An example of this is Christensen et al., (2018) defining what is meant by "Disruptive" in the context of the theory. The disruption takes place when a firm with fewer resources, industry influence and size successfully challenge a larger more established industry leader, hereinafter referred to as the incumbent (C. M. Christensen et al., 2018). The theory definition is however incomplete without also describing the "disruptor" who initially enters a neglected or unmonitored part of the market (Si & Chen, 2020).

Other scholars proceed to concentrate on key attributes of the theory to help limit misunderstanding. King & Baatartogtokh (2015) break the theory down into four key elements, focusing primarily on the incumbent's perspective and positioning throughout the disruptive process. Martínez-Vergara and Valls-Pasola (2020) on the other hand focus on identifying key attributes of the players involved. One area of confusion relates to the different types of innovation that are presented both inside and outside the theory. **Table 1.** (below) provides a concise breakdown of related innovation definitions based on prominent literature related to each concept, which will provide a solid foundation leading into the subsequent literature review and research.

Table 1. Definitions of Innovation Types.

Concept	Definition	References
Disruptive Innovation	<i>A specific type of industry change that involves the introduction of an offering that is typically inferior in terms of mainstream industry performance attributes. These alternative offerings tend to be more cost effective and convenient, although do not appeal to mainstream customers segments. Disruption occurs once these offerings begin to be accepted and demanded by the mainstream customers, taking away market share from established companies. Contemporary focus revolves around business model innovations that involved unique and typically more efficient ways of producing and capturing value.</i>	Bower & Christensen (1995) Christensen (1997) Christensen & Overdorf (2000) Christensen & Raynor (2003) Nagy et al. (2016)
Sustaining Innovation	<i>Technological improvements that are in line with the current industry performance trajectories. These advancements add value by improving on the already existing performance attributes and maintaining the core value proposition architecture. Aims to offer superior performance relative to the previous generation of offering, thus attracting the most profitable customer segments. Typically adopted by incumbent firms to sustain the commercialisation of their offerings.</i>	Bower & Christensen (1995) Christensen et al. (2018) Christensen & Overdorf (2000) Christensen & Raynor (2013)
Incremental Innovation	<i>Refers to the implementation of sustaining technologies to improve the performance an offering's attributes. Incremental innovation focuses on gradual improvements of performance attributes- aimed at raising the offering value of the previous generation or model. Primarily used to prolong the life cycle of an offering by reinforcing the use of the organisation's current capabilities.</i>	Henderson & Clark (1990) Hopp et al. (2018) Oke (2007) Osiyevskyy & Dewald (2015)
Radical Innovation	<i>The other form of sustaining innovation where a novel advancement in technology or knowledge creation is applied to improve the performance of an existing offering- remaining along the same value trajectory. These tend to target the needs of emerging customers and may even cannibalise existing offerings.</i>	Ansari & Krop (2012) Danneels (2004) Hopp et al. (2018) Norman & Verganti (2014)
Architectural Innovation	<i>These are innovations that change how the components of an offering are assembled and constructed, thus leading to different product architecture layouts that change consumer expectations and industry demand. These innovations typically require significant alteration to the producer's structures and capabilities in order for them to be able to produce the offering in the new form.</i>	Gans (2016a) Gans (2016b) Henderson & Clark (1990)

2.1 Disruptive Innovation: Past, Present, Future

2.1.1 Past

2.1.1.1 Pre-Christensen Era

Although disruptive innovation as a theory was conceptualised by Clayton Christensen and his associates in the early 90's, the concept of new technologies and innovations radically entering and 'disrupting' markets has been a focus of research for many scholars in the last century.

One of the earliest studies points to Schumpeter who in 1942 conceptualised the term 'creative destruction', which refers to new innovations or creations, replacing and out-dating current processes (Schumpeter, 2010). This theory took on an economic perspective, observing how the new destruction filtered out inefficient and obsolete companies who could not keep up in the economy (King & Baatartogtokh, 2015b).

Foster (1986) introduced the S-curve model to display life-cycle patterns of new innovations, identifying how and where the advantage experienced by new players come from as well as suggesting ways in which incumbents could attempt to defend their position (Foster, 1986). This area of knowledge became a key block within the disruptive innovation theory, especially reflecting the trajectories of innovation portrayed by the involved players (C. M. Christensen et al., 2018).

Henderson & Clark (1985) and Abernathy & Clark (1990), followed up by investigating the relationship between the organisation's architecture and processes involved with the new innovation, to understand how firms succeeded or failed at utilising a new innovation. The attention given to the involved competencies allowing firms to incorporate innovations was then applied specifically within the context of new technologies by Christensen and associates in later years (Wan et al., 2015).

Over the same period, a line of research investigating the performance improvements brought by new innovations was being followed by a several innovation scholars. This line of study was called emerging technology research, and focused on how the innovation impacted the industry. Cooper and Schendel (1976) formulated categories of *radical vs incremental* innovations, whereas scholars such as Tushman and Anderson (1986) characterised them as *competence enhancing vs competence destroying*. This line of research was primarily concerned with performance enhancing innovation and whether firms were able to acquire the resources and capabilities to advance in this direction. (Adner & Lieberman, 2021)

Thereafter Christensen and his associates suggested that certain technologies with inferior performance levels can be utilised by entrants to successfully attack the market share of existing incumbent players. This research and proposal was the beginning of the theory of disruptive innovation as it is known today.

At the same time innovation and management researchers Henderson and Clarke conceptualised the idea of “architectural innovation vs modular innovation” which identified the rigidity of the internal processes and structures found within the incumbent firms, that prevented them from effectively adopting the innovation, or implementing the necessary business models to re-produce its value (Gans, 2016a; Henderson & Clark, 1990; Yu & Hang, 2010). Although elements of this theory are in line with Christensen’s approach, it adopts a supply-side perspective, observing changes to the value producer’s processes rather than changes in the consumer’s demand patterns, to explain the incumbent-failure anomaly (Gans, 2016b).

2.1.1.2 Conceptualisation of Disruptive Technologies

Christensen’s model changed the thinking as he suggested that the inferior emerging technology that would never be able to outperform the current industry standard, could still have the ability to take the market share from the incumbents by offering a new

stream of value creation and/or value recognition. The “good enough” performance concept suggested that technology developments existing on the sustaining innovation curves eventually outperforms and overshoots market requirements (Bower & Christensen, 1995). In these cases, the simpler and cheaper alternatives that are originally aimed towards the low-end market start becoming more favourable even to the higher end consumers, which eventually leads them to switch.

Christensen’s research stemmed from observing why firms during the 70’s and 90’s were failing to remain dominant in the markets that they have previously thrived in. A pattern emerged from multiple industries ranging from steel production; machinery; and technology, where incumbent firms were losing their position and market share regardless of their superior resources, R&D and technological capabilities (Bower & Christensen, 1995). Multiple scholars, including several mentioned previously, initially pointed to ineffective managerial practices, complexities in technologies and corporate inertia to be the primary cause for the firm’s failure. Christensen and associates considered a different reason for the downfall, noticing that these failed firms tended to have cutting edge managerial practices as well as an abundance of resources available to allocate in response (C. M. Christensen et al., 2018).

Christensen and his associates’ research into this line began by studying the nature of the disk drive industry which experienced fierce competition as well a rapid technological development. There was a common pattern of incumbent firms failing to maintain their market share within the industry and often being succeeded by smaller, less well-resourced, competitors (Bower & Christensen, 1995). The researchers noticed that market leaders often selected a commercialization standpoint with their offerings, trying to further develop and upgrade them in order to prolong their superior market share (Si & Chen, 2020). This strategy focused on innovations and technological advancements that improved the product’s performance on ‘*historically established dimension*’ such as disk drive capacity. However it disregarded and failed to acknowledge innovation or value trajectories that non-targeted customers would value. In the disk drive example these

attributes included drive size, ruggedness and portability; all attributes that new entrants were able to utilize, develop and market (C. M. Christensen, 1997). Christensen initially describes the disruptive technologies, and their products, as being “*typically cheaper, smaller, simpler and frequently more convenient to use.*” (Christensen, 1997, p. 232).

These types of innovations were categorized as ‘disruptive technologies’ within Christensen and Bower’s (1995) first Harvard Business Review publication; *Disruptive Technologies: Catching the wave*. Christensen then further elaborated the concept in 1997 within his book, *The Innovator’s Dilemma: When new technologies cause great firms to fail*, which further explored the concept patterns in industries such as finance, technology, higher education, photography and printing (C. M. Christensen, 1997).

The initial theory suggests that firms can use certain disruptive technologies that tend to offer inferior performance compared to the traditional industry performance trajectory, but address needs that are overlooked by mainstream customers, to capture vital shares of a market (Govindarajan & Kopalle, 2006b). These technologies/offerings are initially aimed towards the low-end users of the market and once the entrant has a solid foothold, the technology will be developed along the new attributes, to the extent that they become substitutes for mainstream customers.

One of the main components involved in the disruptive technology’s theory is that the incumbent tends to develop their original technology along ‘traditional’ attribute trajectories, more rapidly than the customer’s needs demand. This leads to them ‘overshooting’ customer needs and in-turn losing customer interest to the new and more effective disruptive technologies (King & Baatartogtokh, 2015). This overshooting is said to be a consequence of firms following a sustaining innovation strategy (Christensen & Overdorf, 2000), that focusses heavily on commercialisation (Bower & Christensen,

1995). An illustration of this can be observed in **Figure. 1** (below), that shows the original trajectory of incumbent technology developing at a gradient much steeper than that of customer demand.

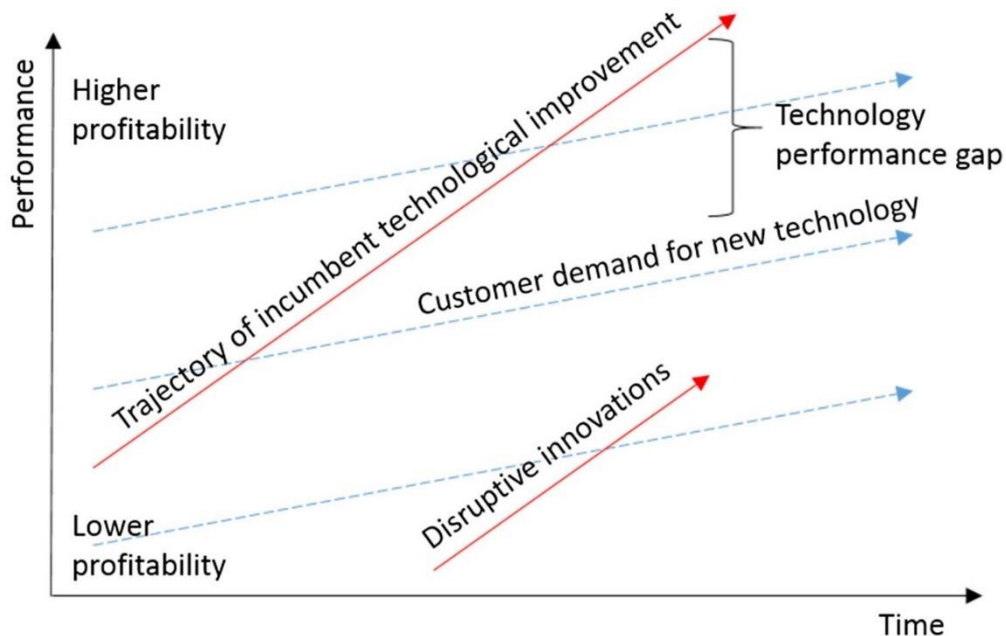


Figure 1. Disruptive Innovation Performance Trajectory (C. M. Christensen et al., 2018).

The theory proceeds to suggest that incumbents fail to acknowledge opportunities in the lower ends of markets as they have investment biases towards higher profit generating products. The subsequent opposing ‘disruptive technology’ based products accept lower profit margins which are perceived as unattractive to executives and strategists (Bower & Christensen, 1995; C. M. Christensen, 1997).

Incumbent’s fall into the performance enhancing trap of sustaining innovation (Oke, 2007), attempting to prolong the life cycle of their offering by incrementally developing it to the extent that it ‘overshoots’ user expectations and/or requirements (C. M. Christensen, 1997; C. M. Christensen & Overdorf, 2000). It is at this time where alternatives present the potential to threaten their market share, by offering disruptive technologies that tend to be cheaper, more available, and simpler than those offered by incumbents. Christensen suggests that innovations don’t necessarily need to always

have superior performance to attract market share, and that “good enough” performance is often substantial to compete effectively (C. M. Christensen, 1997).

One of the main criticism of the initial theory related to the extent that the technology is implicated in the disruption, and how much weight other factors exercise (Danneels, 2004; Si & Chen, 2020). Therefore Danneels (2004) called for greater theory refinement regarding the technologies in play. This factor relates to other criticisms regarding the application of the theory, and whether it is bound solely to technology heavy industries.

2.1.2 Present

Following criticisms of the initial theory conceptualisation, as well as after several additional journal publications (C. M. Christensen & Overdorf, 2000; Hart & Christensen, 2002), Christensen and Raynor (2003) published a sequel book, *The Innovators Solution: Creating and sustaining successful growth*. This is in response to enhancing the theory’s inter-industry applicability and not being just limited to technology based firms (Si & Chen, 2020). This update took into account other ways in which disruption could occur such as through business models innovations (C. M. Christensen & Raynor, 2003, 2013). This broadens the theories applicability and responds to criticism that incumbent firms possess the capability of identifying and replicating the technologies, hence disruption should stem an alternative source (Danneels, 2004).

2.1.2.1 Theory Refinement

Christensen and Raynor (2003) update the theory to suggest two ways in which disruption can take place, which subsequently influence the reactions of the incumbent. Low-end disruption refers to the disruption within the original theory, where the entrant targets the bottom-of-the-market customers with cheaper and often simplified offerings. Schmidt & Druehl (2008) expand on this by observing product diffusion and encroachment patterns that describe three ways in which low-end disruptions can climb up the market.

New market disruptions on the other hand offer products/services in such a way that people previously would not have been able to acquire. These products/services are offered in a more convenient and affordable manner, usually providing a unique form of value not found within the mainstream options. An example of this is Sony's pocket radio which initially was sold to, and attracted, consumers who had never purchased or owned a radio before. (C. M. Christensen & Raynor, 2013)

These two types of disruption tend to correlate with reaction strategies implemented by the incumbent firms. In low-end disruption cases the incumbent tends to "flee" or "retreat" upmarket to recover their position. However in new market disruptive conditions, incumbents are observed to ignore the entrants and not counter their move (C. M. Christensen & Raynor, 2013). Both situations inevitably lead to the incumbents ceding their market positions once the entrants expand their market reach (C. M. Christensen et al., 2018).

Several scholars requested that a new category be added to the theory called high-end disruptions, which refers to a top down or "attack from above" form of disruption (Carr, 2005; Govindarajan & Kopalle, 2006a). Christensen has repeatedly dismissed these notions, suggesting that they do not comply with key attributes disruptive innovation and therefore should not fall under the theory umbrella (C. M. Christensen, 2006; C. M. Christensen et al., 2018) .

More recent updates suggest that disruptiveness as a concept is relative, and what might be disruptive to one firm may be viewed as sustaining to another (C. M. Christensen & Raynor, 2003). This has been a central theme in measurement research (Govindarajan et al., 2011). A commonly used example of this was the internet's effect on retailers. On one hand mail-order and catalogues-based retailers were able to incorporate the internet as a sustaining innovation as it aligned with their business model (C. M. Christensen et al., 2018).

However, on the other hand the internet disrupted multiple in-store retail models as they were unable to effectively utilise/incorporate the innovation (C. M. Christensen & Raynor, 2013).

This is followed up by the finding that incumbents attempt to utilise the disruptive innovation differently compared to disruptive new entrants. Disruptive entrants usually target new markets with unique business models and value creators. Whereas it is observed that incumbents tend to force the innovations into existing business/profit models; which consequentially offsets the disruptive potential (C. M. Christensen et al., 2018). Contribution by Nagy et al. (2016) dive deeper into this, analysing the types of innovations and supportive structures a firm possesses to determine/predict the relative disruptive effect they can expect (Nagy et al., 2016).

This leads to the conclusion and refinement of the theory that no innovation is inherently disruptive. Rather it is how the firm positions and handles the innovation that determines whether it is disruptive or not. This is a key point within the theory as it suggests that the scope of disruption is only bound within the incumbent players. Therefore, shifts within customer habits or industry processes within themselves are not the point of disruption, rather it is the disruption that has occurred relative to the incumbent's trajectory, market position and value chain (Nagy et al., 2016). Furthermore, although disruptive innovation must involve an extent of market impact, it does not necessarily require the total displacement of a market or failure of an incumbent (Schmidt & Druehl, 2008).

The theory creators go onto suggest that disruption is observed as an ongoing process and not as an event (C. M. Christensen et al., 2018; C. M. Christensen & Dillon, 2020), which is backed up with research from other scholars (Si & Chen, 2020). Criticisms have emerged with scholars calling for the theory to be expanded wider forms disruptions that suit the contemporary business environment. A key example is that the original theory does not account for disruptive events that upset whole ecosystems, E.g. Apple and

Uber's industry impact, with scholars suggesting that relational perspectives of the theory are needed to investigate and account for this (S. (Shaz) Ansari et al., 2016; Kivimaa et al., 2021; Kumaraswamy et al., 2018; Palmié et al., 2022).

2.1.2.2 Reaction Strategies

The final primary update within the theory observes changes to the suggested reactive strategies provided by the authors (C. M. Christensen et al., 2018). Initially the Innovators Dilemma suggested that the only way an incumbent can successfully react to a disruptive innovation is to create a self-managing autonomous unit to compete with it directly (Bower & Christensen, 1995; C. M. Christensen, 1997). Although later with the revised theory Christensen suggests that this strategy should only be used when the disruptive innovation requires a unique cost structure and profit model (C. M. Christensen & Overdorf, 2000). With changes in the theory, Christensen and Raynor suggest alternative reactive strategies that incumbents can adopt (C. M. Christensen & Raynor, 2003, 2013).

Initially retreating was portrayed as an acceptance of failure, however research has since shown that sometimes it is the most effective strategy given the situation (King & Baatartogtokh, 2015a). Given the turbulent competitive environments that businesses face, it is important that trade-offs are made (King & Baatartogtokh, 2015a; Porter & Roach, 1996), and this includes knowing when to initiate a "bold retreat" (C. M. Christensen et al., 2018). In many cases aggressive fighting to keep dominance leads to a zero-sum game (Koh & King, 2017), turning entire industries into "profitless desserts" (King & Baatartogtokh, 2015a), therefore the revised theory acknowledges a retreat as a viable and effective option in today's business world.

Investment into existing capabilities relates to this strategy, and it refers to the incumbent extending the performance trajectory improvements to delay their disruption (C. M. Christensen & Raynor, 2013). During this time they can look at new strategic directions or positions that they would like to pursue (C. M. Christensen et al., 2018). Technology re-emergence is another alternative, albeit only effective in the short run, as it

involves re-attracting customers with their older legacy offerings (Braganza et al., 2009). Caution should be taken with this approach as the current organisational and development structures may not be positioned adequately to support these older offerings or quickly respond to these types of market segment changes (Wan et al., 2015).

Christensen suggests that a strategy of co-opting the disruptor is another effective way for incumbents to respond. This involves a collaborative relationship through partnerships, licensing or even eventual acquisition of the new firm (C. M. Christensen et al., 2018). This allows the incumbent to share resources and experience mutual growth while lessening the threat of a disrupted position (King & Baatartogtokh, 2015a; Koh & King, 2017). Although this strategy shows promise particularly in technology heavy dynamic environments, where flexibility and agility are highly valued (Prashantham & Kumar, 2019), the implications on the innovation's effectiveness as well as the incumbent-entrant relationship requires careful consideration and evaluation (Yu & Hang, 2010).

Hybrid responses were another suggestion made by the authors and it involves combining features of the emerging innovation with an existing offering. This creates an interim step between competing generations which in itself can be perceived as opening a new market (C. M. Christensen et al., 2018). Prime examples of this are hybrid cars and online newspapers. Further studies have observed how companies can apply these reaction strategies. This thinking coincides with Mao et al. (2020) warning that retreating to only focus on your own model risks inertia, whereas mimicking the disruptor rarely creates a competitive advantage. The initial hybrid can then be a step to a more novel offering to the market, and possibly open up opportunities within a new development direction.

In addition to the theory's creator's contribution, present research has been greatly interested in the reaction strategies implemented by incumbent firms, with studies taking place across multiple industries. One category of research focuses on the perception of incumbents, to analyse what influences their reaction choices.

Kammerlander et al. (2018) and Ansari et al. (2016) suggest that incumbent reaction strategies are shaped by their perceptions of the innovation against their perceived role within the industry. Hsu and Cohen (2022) observe incumbent-incumbent relationships within industry ecosystems to identify adoption innovation adoption patterns. This primarily investigates how industry affiliation influences an incumbents response and reaction patterns/dynamics, with findings matching those from studies by Zach et al. (2020) and Prayag et al. (2022). Finally scholars such as Wallin et al. (2021) and Madjdi & Hüsigg, (2011) observe how incumbents themselves perceive the innovations within their respective industry positions, and analyse how these influence their responses.

Another line of research revolves around incumbents utilising disruptive innovation as an offensive/competitive strategy (Mao et al., 2020; Rasool et al., 2018). Mao et al. (2020) challenges the theory's original recommended alternate paths of strengthening current business model or mimicking the disruptors one. Stating that these rarely lead to a competitive advantage and that retreat may cause inertia. Rather they suggest a two stage process to "Disrupt the disrupter" in order to gain a competitive foothold and maintain market leadership (Mao et al., 2020).

Park (2018) identify the advantage incumbents have over new entrants when creating a disruptive innovation. This unique perspective goes against previous suggestions that an incumbent's large rigid structure makes it ineffective at utilising disruptive innovations on its own (C. M. Christensen & Raynor, 2013; Wan et al., 2015; Yu & Hang, 2010). However Park (2018) provides examples within the CPU market of how an incumbent was able to re-shift industry dynamics through their disruptive innovation.

Other research aims to provide predictive frameworks so that companies can identify when their own innovation has disruptive potential (Rasool et al., 2018; Vriens & Sjøilen, 2014). These can be used either to utilise market opportunities, defend positions or at-

tack competition. Overall the strategy selected by the incumbent to respond to the disruption is based on multiple elements spanning from their industry position, the competencies they poses, and the rate that the disruption is occurring (Charitou & Markides, 2003).

2.1.3 Future

As technology is developing at rapid pace, the theory of disruptive innovation becomes even more relevant. Technological advancements are enabling processes to take place more efficiently with fewer resources (Braganza et al., 2009). It is predicted that efficiency (enhancing) innovations (Denning, 2016) such as artificial intelligence and IoT, will radically change the way in which many industries operate, shifting the weight of decision making from humans to machines (Syam & Sharma, 2018). Scholars are predicting that the fourth industrial revolution is imminent (Rane & Narvel, 2021) and that disruptive innovation will play a large role in how different industries advance into the future (Hopp et al., 2018).

A large portion of research revolves around the sharing and collaborative economy (K. Kim et al., 2018; Kuhlmann et al., 2023; Oghazi et al., 2022; Santa-Maria et al., 2022), identifying how disruption will likely take place; what the effects on networks will be; as well as predicting the implications for incumbents. A collaborative economy will be a key attribute to the fourth industrial revolution (Syam & Sharma, 2018), where platform and ecosystem networks will dominate business models as well as industry architecture. This will lead to high interconnectivity, collaboration and mutual reliance (Oghazi et al., 2022; Parida et al., 2019).

Kuhlmann et al. (2023) apply the theory's original concept an 'innovator's dilemma' to describe the disruptive challenges incumbents can expect with the shift toward circular and collaborative economies. They go on to make structural and innovation strategy suggestions to help firms navigate this change (Kuhlmann et al., 2023).

Kumaraswamy et al. (2018) describe how the latest edition of disruptive innovation theory fails to account for disruptions caused to whole ecosystems and networks, rather than only to individual incumbent players. They therefore suggest a relational perspective that observes how the interconnectivity and links between players within industries, and more specifically ecosystems, get disrupted by new innovations (Kumaraswamy et al., 2018). Recent examples of this in empirical research can be seen in studies by Prayag et al. (2022) investigating relationships between industry actors as well as Oghazi et al. (2022) who study the perceptions of ecosystem players in the face of disruption.

A prominent theme that can be observed within disruptive innovation research within the collaborative/sharing/circular economy shift, is the strong influence of the dynamic capability school of strategy as a theoretical framework to deal with the disruption (Kuhlmann et al., 2023; Oghazi et al., 2022; Santa-Maria et al., 2022). This refers to a firm's ability to effectively sense, leverage, re-configure, acquire and release resources and change competences to maximise strategic opportunities (Teece et al., 1997). Incumbents will need to realise the capabilities required to effectively sense and seize ecosystem based opportunities and be able to adapt to highly uncertain playing fields (S. (Shaz) Ansari et al., 2016; Kuhlmann et al., 2023; Oghazi et al., 2022).

A large portion of disruptive innovation research identifies ways in which incumbent firms can monitor disruptions within their industry, as well as proactively react to them in order to avoid disruption. This requires both high sense making, ambidexterity and adaptability capabilities (C. M. Christensen et al., 2018; Kuhlmann et al., 2023; Wallin et al., 2021). Firm processes must be effectively structured and well-resourced to detect and stay on top of innovative change, as well as agile enough to adapt to be harvest these opportunities (Oke, 2007; Santa-Maria et al., 2022).

Disruptive innovation within emerging economies has been another focus of research into the theory's future application. Linking disruptive innovation with emerging markets was first formally present in 2002 with Hart and Christensen's article *The Great Leap:*

Driving Innovation from the Base of the Pyramid in Sloan Management review. This suggested the theory to be a prime opportunity for poorer developing economies to enter into and thrive in the global marketplace (Hart & Christensen, 2002). Since then advancements in communications, technology and transport has created an even more globalised society, which greatens the opportunities for disruptors to emerge from these developing economies (Corsi & Di Minin, 2014).

Govindarajan and Trimble (2012) suggest that emerging economies and their markets will be essential for the development of future innovations, and that these innovations will have a high possibility to be disruptive threats to developed economies. Evidence of this has already been observed by Wan et al. (2015) in China and other emerging economies. Their findings go on to discuss unique structural and business model implications associated with this type of disruption (Wan et al., 2015).

Sustainability issues and implications regarding disruptive innovation have emerged in studies, especially regarding MNC's disruptive interactions with emerging economies, as well as economic impacts associated with disruptions (Corsi & Di Minin, 2014; Heenkenda et al., 2022). Several scholars have applied the theory drive the creation and transitioning to sustainable solutions (Heenkenda et al., 2022; Kivimaa et al., 2021; Kuokkanen et al., 2019)

Disruptive innovation research has a promising and exciting future looking at the changes in global structures and technology advancements. With coming advancements and applications in the fields of artificial intelligence, IoT, blockchain, servitization and big data (Kumaraswamy et al., 2018), it is predicted that disruptive innovation and related implications will be core logic frameworks for firms to navigate with in the future. The theory application extends further from solely being about incumbents trying to survive changes to their commercial positions, but expands towards initiating transitions that impact societal and sustainability realms (Kivimaa et al., 2021; Kuokkanen et al., 2019).

Reverting back to initial theory evolution and development, scholars believe that future disruptive innovation research should focus on a firm's internal capability to respond with business model changes to tackle disruptive threats (Mao et al., 2020; Yu & Hang, 2010). Industry specific disruptive innovation research lines will continue to emerge in the future, as already seen in examples within the energy sector (C. M. Christensen et al., 2018).

2.2 Disruptive Innovation within Hospitality

Research into disruptive innovation within the Hospitality industry has only started taking place within the last decade, courtesy of the establishment of Airbnb as well as the buzz it has created within the industry. That said, minimal research has been explicitly conducted around the theory that excludes the presence Airbnb as a focal point. Traditionally the hospitality industry falls into the stream of criticism that the theory of disruptive innovation is too broad to be applied to highly dynamic industries.

This suggestion looks back at the original theory origins where the concept was designed against industries and products that were more straightforward in nature. Original examples revolved around offerings that only included a few performance dimensions where customers could measure the value against (King & Baatartogtokh, 2015b). The hospitality industry on the other hand involves an intricate network of different dimensions working cohesively to produce value to their target. Different dimensions are more prominent to different targets, and targets groups themselves greatly differ throughout the service tiers of the industry.

This makes applying one concept that exists homogeneously throughout the industry exceptionally complicated. This is echoed throughout the reviewed hospitality literature, where regional variables have a large influence on results, even though methodologies remain consistent (Prayag et al., 2022). Non the less the hospitality industry, primarily

accommodation and lodging sectors, provides a unique setting for a concept such a disruptive innovation to be studied and tested. Prior to Airbnb, there have been minimal radical changes to the industry's business model and structures (C. M. Christensen & Dillon, 2020). Incumbents exercised sustaining innovation by developing offering mixes through brand portfolios that combined or de-constituted services; as well as expanded geographical offerings (Zach et al., 2020).

Disruptive innovation research within hospitality appears to revolve around two primary topics (Dumoulin & Giacomel, 2020). As mentioned, the most recent and popular stream especially from an industry-outsider perspective is Airbnb's market/industry entry through a sharing economy context (D. Guttentag, 2015; Prayag et al., 2022; Zach et al., 2020). This example follows a more traditional low-end entry approach to disruptive innovation.

The second research stance is more contemporary and could be argued, from a practitioner's perspective, as being more impactful across and throughout the industry. This involves is the introduction and expanding influence of Online Travel Agents (OTA's). These players utilise platform technologies to distribute hospitality services to both business-to-customer (B2C) as well as business-to-business (B2B) segments. OTA influence in the industry has opened an interesting perspective involving sub-research streams such as into disruption through compliments (Adner & Lieberman, 2021; Blal et al., 2018; Heo et al., 2019) as well a disruptive digital technology (Adeyinka-Ojo & Abdullah, 2019; Ziad Alrawadieh et al., 2021; Högberg & Willermark, 2023; Prayag et al., 2022). Although more limited in scope and revolving literature, the disruptive implications of OTA's within the hospitality industry should be addressed and reviewed.

The following section of the literature review will identify research approaches towards both topics, as well as discuss key findings and academic discourse directions. Each section will be concluded with a visual depiction of how the innovation can be overlaid onto the original theory based on the literature findings. This is done by applying

Christensen and Bower's (1995) original disruptive innovation performance trajectory graph to the hospitality industry, taking into consideration specific attributes and players involved. A narrative describing the key phases within the disruptive cycle will link and identify core theory elements within the industry contexts.

2.2.1 Airbnb as a Disruptive Innovation

Disruptive innovation literature within the hospitality industry context weighs heavily towards Airbnb and its entry into the market space. It has been quoted multiple times by the theory's creator himself as being a prime example of disruption (C. Christensen et al., 2016; C. M. Christensen et al., 2018; C. M. Christensen & Dillon, 2020) as well as by numerous management scholars over the years (Denning, 2016; Högberg & Willermark, 2023; Hsu & Cohen, 2022; Kumaraswamy et al., 2018; Martínez-Vergara & Valls-Pasola, 2020; Rasool et al., 2018; Si & Chen, 2020).

A large majority of hospitality and tourism management scholars have also suggested that Airbnb follows characteristics of those found within the theory of disruptive innovation (Adeyinka-Ojo & Abdullah, 2019; Ziad Alrawadieh et al., 2021; Blal et al., 2018; D. Guttentag, 2015; D. A. Guttentag & Smith, 2017; Heo et al., 2019; Prayag et al., 2022; Zach et al., 2020). Yet multiple influential practitioners, such as CEOs/Chairs of Hilton worldwide; Intercontinental; Choice Hotels, have publicly voiced their dismissal of Airbnb as a threat to their incumbent positions within the market, suggesting that in the long run their operations and status will not be disrupted (Bryan, 2015). This variance between industry leaders and scholars has further fuelled research into the phenomena.

Airbnb provides both a unique and interesting case that has fascinated researchers and practitioners alike, regardless of their business contexts or stance on disruptive innovation. Airbnb has been able to penetrate and thrive within a market that is infamous for high entry and operating barriers. They have done this by bypassing traditionally high investment requirements and sunk costs (Blal et al., 2018), by choosing not to own any

property, to create a unique and flexible value proposition to an undersupplied segment of the market (Adeyinka-Ojo & Abdullah, 2019).

Through re-modelling the typical lodging business model, Airbnb can capture value through commission percentages that their partner hosts are charged, thereby avoiding involvement in the operations side of the business. In doing so they have circumvented the fierce competition experienced in being involved in the supply networks. Moreover, Airbnb's model focuses on keeping full control of their distribution strategy, selling their offering solely through their channels and taking away the powerful influence that distribution 'partners' (such as OTAs) exert onto the industry.

Within the context of disruptive innovation literature, debate tends to revolve around measuring the impact Airbnb has had on its industry environment, often observing the disruptive case from a business model innovation perspective (Blal et al., 2018). More specifically focusing on the disruptor's ability to siphon market share away from the incumbent firms with investigations being conducted in several ways. Some researchers (BCEC, 2017; D. A. Guttentag & Smith, 2017) have approached this from a demand perspective, analysing the extent that Airbnb's offering disrupts market patterns and related characteristics within consumer perceptions.

Another approach to research takes on a supply-side perspective (Blal et al., 2018; D. Guttentag, 2015; Neeser, 2015; Zervas et al., 2017), observing and measuring changes in supply KPI's to determine the disruptive effect. Where-as other scholars have observed the unique networks and relationships involved between Airbnb and industry players, relating these structures to models found within the theory (Heo et al., 2019; Prayag et al., 2022).

Although limited in scope, some research has followed up to observe incumbent's direct reactions to Airbnb's presence within the hospitality market. Majority of studies observe the updates in pricing strategies implemented by hotels (Zaid Alrawadieh et al., 2020;

Dogru et al., 2020; Heo et al., 2019; Neeser, 2015; Prayag et al., 2022; Zervas et al., 2017), however others such as Liu et al. (2023) study quality control responses in which they argue are more sustainable in certain circumstances. Dumoulin and Giacomel (2020) take an even broader approach to observe the diversification strategies that leading hospitality players have implemented to combat the rise of Airbnb and similar entrants (Dumoulin & Giacomel, 2020).

Due to the high variability experienced between industry locations and segments, a vast majority of research is conducted with a focus on a specific geographical market. Researchers tend to isolate different markets, typically based on city; region or country, in order to observe nuanced market attributes and characteristics (Blal et al., 2018; Heo et al., 2019; Issaka et al., 2022; Koh & King, 2017; Zach et al., 2020).

This allows them to pinpoint and assess the extent that disruptive innovation has affected a particular area as well as understand the specific disruptive forces involved. These unique environmental factors, along with the distinct organisational structure, play a key role in shaping incumbent response strategies (Zach et al., 2020). This type of analysis is common within broader empirical disruptive innovation literature, with similar studies being conducted in fields such as manufacturing (Wallin et al., 2021) as well as telecommunications (Madjdi & Hüsigg, 2011).

Dogru et al. (2020) noted that results regarding Airbnb's impact are highly sensitive to the unique dynamics of the different environments as well as the market contexts in which they exist. They proceed to criticise other empirical studies which do not consider other market factors that influence results, particularly in studies solely observing pricing, supply and profitability (Dogru et al., 2020).

It can be concluded that results regarding the applicability of the theory of disruptive innovation to the case of Airbnb tend to vary. In other words, not all researchers are able to effectively label Airbnb as a disruptive innovation; and the 'disruptiveness' exhibited

is heterogeneously scattered location to location. It is therefore apparent that disruptive innovation, as well as the extent that disruption occurs within the hospitality industry is relative to the external environmental factors at play. In other words, disruption may occur in one location/area but may not have nearly the same impact on another.

This does relate to Christensen and Raynor (2013) theory update, emphasising the relative nature of the theory. However that was within the context of market players rather than the markets themselves. This then raises the debate regarding the applicability and use of the theory within such dynamic industries (Danneels, 2004; King & Baatartogtokh, 2015a; Si & Chen, 2020) ,such as that of hospitality.

In addition to empirical research, scholars have applied several additional management theories to their studies when investigating disruptive innovation within hospitality. It is important that these are addressed as they provide key insight into the logics involved in the research. For example Kim and Mauborgne's (2005) Blue Ocean Strategy tends to be regularly referenced within the context of Airbnb's entry and business model logic, as well as within reactive and regulatory strategy generations (Koh & King, 2017; Rasool et al., 2018; Yang, 2012).

Strategic business modelling and Business model innovation (BMI) has been observed to be used as a reactive framework (Mao et al., 2020; Samavi et al., 2008; Santa-Maria et al., 2022), where-as Multi-level perspective (MLP) and Actor-Network-theory (ANT) have been used observe network and ecosystem structures (Prayag et al., 2022). Finally elements of Porter's Five Forces framework (Porter, 2008) have been referenced when describing Airbnb's unique entry and competitive position with hospitality markets (Blal et al., 2018; Heo et al., 2019).

To summarise this review of literature regarding Airbnb within the disruptive innovation theory, it can be concluded that the disruptiveness is relative to the unique environmental characteristics, attributes, and forces of competition of the area being studied. There

are multiple angles in which scholars have attempted to measure disruption and debate still exists regarding how parallel the case of Airbnb is aligned with Christensen's theory. This is reiterated by Blal et al. (2018) who suggest that not all segments will be disrupted by Airbnb, and even within the segments the effects will be highly variable.

However it is not enough to merely suggest that an entrant poses no disruptive threat just because they operate within another segment (Martínez-Vergara & Valls-Pasola, 2020). Koh and King (2017) concluded that Airbnb has potential to eventually move up and attack high-end markets. The report from BCEC (2017) also noted that drops in business travel have forced traditionally corporate segment hotels to migrate to other markets, drastically increasing the competition experienced. Therefore, due to the dynamic nature of the hospitality industry, combined with the ever-changing modern business contexts, there is high risk in assuming that competitive fields will remain static. By negating the potential threats that Airbnb poses, a company can leave itself vulnerable to disruption.

Successive research directions should also include analysing how applicable the theory is within such a dynamic industry that displays vast market to market nuances. As mentioned, this would relate to the debate regarding the theory's use and purpose in different industries. Alternative research lines can look at Airbnb as a completer/collaborator rather than a disruptor. Although this has been observed as a reactive strategy, it could be a direction towards a more sustainable market with the aim of eliminating the zero-sum game that tends to be perceived (Koh & King, 2017).

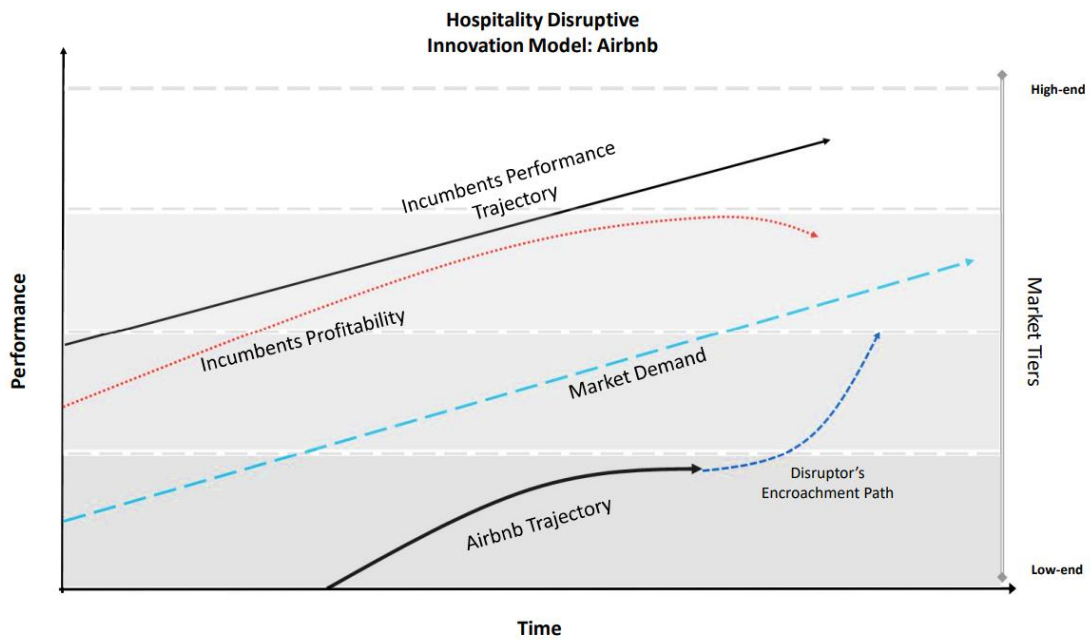


Figure 2. Airbnb Disruptive Trajectory. Adapted from Bower and Christensen (1995).

Figure 2 (Above) depicts Airbnb’s common entry into the industry. As noted, incumbent performance trajectory advances with the addition of new brands, greater property offerings and offerings that target the higher tiers of the market (Zach et al., 2020). Profitability (depicted in red) follows relatively the same trajectory, motivating their investment in sustainable/incremental innovations.

The market’s performance demand remains roughly in the center of the tiers, accounting for the varying accommodation requirements found within the segments. However, it too is increasing, reflecting patterns of increasing travel and demand. Greater demand requires greater supply, which is met by the incumbent’s sustaining performance trajectory.

Airbnb enters the industry at the lower tiers of the market well below the mainstream consumer performance demand. This is in accordance with the theory and can be seen as Airbnb’s original value proposition did not include typical value attributes such as, amenities, food and beverage outlets, insurance securities etc. The model allowed them to provide the basic offering of accommodation. However, as their offering developed,

they were able provide for higher ends of the market. Although they are not perceived as direct competition to the hotel incumbents, nor significantly encroaching on their market share, profitability did start to be negatively impacted as observed in research ((D. Guttentag, 2015; Neeser, 2015; Zervas et al., 2017). At this stage it can be deduced that an extent of disruption has taken place for incumbents (Schmidt & Druehl, 2008) .

The market expansion growth of Airbnb has however plateaued in recent years and a gap between their offering and the offering of incumbent hotels remains. This gap has protected incumbents from significant market encroachment thus far and will remain until Airbnb is able to incorporate additional value offerings into their business model that would attract the customers of the incumbent's target market. The graph depicts a predicted future trajectory of Airbnb should their business model be enhanced and observes a more dramatic impact on incumbent profitability once a significant portion of the customers are drawn away.

2.2.2 Digital Disruptive Innovation

Digital Disruptive Innovation (DDI) is a branch-off concept of disruptive innovation that focusses on new ways in which technology is applied to cause a disruption in an industry or organisational architecture (Wallin et al., 2021). Within the theory of DDI, an organisation is able to provide their offering at a cheaper, more convenient and streamline way due to an advancement or new application of technology (Adeyinka-Ojo & Abdullah, 2019). DDI tends to replace and eliminate the need for existing technology, procedures or practices; and alter structures as well as roles within not just an organisation but also a whole market (Högberg & Willermark, 2023).

A prime example of this is the application of platform services that allow organisations to access and serve customers in a new and unique way when compared to before. These changes have been a driving factor within the sharing economy movement that has emerged in recent years and continues to grow (Adeyinka-Ojo & Abdullah, 2019; Ziad

Alrawadieh et al., 2021). DDI not only impacts business model change but tends to directly influence consumer behaviour patterns within industries (Högberg & Willermark, 2023).

Within the hospitality sector, evidence of DDI can be observed throughout the industry, impacting multiple aspects of operation and business development. The primary and more generally discussed aspect of DDI is its role in driving the sharing economy through platform technologies (Adeyinka-Ojo & Abdullah, 2019; Ziad Alrawadieh et al., 2021; K. Kim et al., 2018), with research primarily looking at the technologies involved within the business model case of Airbnb. However, there are several other ways in which technology has shifted the industry standards and operations as well as nature of business. It is important that these significant shifts along with the nature of these changes are understood within the hospitality context, as well as within the larger theoretical background of disruptive innovation.

Online Travel Agents (OTA) have greatly impacted the hospitality industry, especially the lodging and accommodation sectors. OTA's provide a prime example of a Disruptive innovation as well as DDI from the perspective travel agencies which aligns itself accurately within the theory's framework (D. Guttentag, 2015). OTA's were able to utilise advancements in technology to create third party online platforms where transactions (information, booking and payment) could be done in an efficient, cost effective and simple way (C. M. Christensen & Raynor, 2013; Wan et al., 2015). However, research has expanded from their original disruptive effect on traditional travel agents and started observing modern effects on the hotel incumbents themselves.

OTA's have originally been viewed as a partner or complimentary service used to drive distribution; expand market reach; and improve visibility for guests (Högberg & Willermark, 2023; Lee et al., 2013). However their rise in dominance and power within the industry has been a major point of discussion amongst practitioners over the years (Ziad Alrawadieh et al., 2021; Lee et al., 2013). OTA's greatly influenced the way in which

business is conducted as well as has significantly changed the customer journey involved in utilising accommodation services (Högberg & Willermark, 2023; Viglia et al., 2016). Not only do these firms impact profits margins through the commissions they charge the establishment, they also restrict pricing tactics and revenue management strategies that the hotels were previously able to exercise (Lee et al., 2013).

Furthermore, OTA's have also changed the way in which hotels can collect and track their guests data, usually negatively impacting their consumer relations, business intelligence and market sensing (Högberg & Willermark, 2023). These changes in value control and consumer data handling relates closely to "Architectural Disruption" that has been studied by management and innovation scholars (Gans, 2016b).

Disruption to the architecture is unique in the sense that it does not impact the end-product offering, but instead changes the internal production processes and structures used by the firm to create value (Gans, 2016a; Henderson & Clark, 1990). In this context the introductions of OTAs into the booking processes causes changes to the traditional architecture, and the disruption can be observed within the customer journey and consumer data gathering (Ziad Alrawadieh et al., 2021). This has forced firms to re-angle their strategies and models in order to survive (Charitou & Markides, 2003; Högberg & Willermark, 2023) .

Adner and Marvin (2021) provide an interesting perspective to relate the DDI from OTA's to the hospitality industry by investigating disruption through complements. Their research suggests that disruption does not necessarily have to occur by new entrant acting as a substitute. Alternatively, disruption can occur through already established complementary companies who have traditionally worked to enhance joint value with the incumbent through a collaborative relationship. However over time, their role; influence; and power shifts to eventually capture increasingly more value and begin to infringe on the incumbent's share (Adner & Lieberman, 2021).

Furthermore, the role of compliments is especially important in circumstances of digital disruptive innovation, as shifts in power tend to come from the applied technology, which in turn has the potential to change the nature of the industry ecosystem (Adner & Lieberman, 2021, p. 106).

Research also observes reaction and defensive strategies implemented by incumbents in response to this new power shift. Some popular studies in this line include Högberg and Willermark (2023) digitised solutions strategy, which takes either a responsive or offensive approach by adopting innovation in order to internally restructure and become more effective at anticipating customer needs.

Alrawadieh et al. (2021) goes further by analysing the implication of specific technologies, namely intelligent revenue management software, to help drive the push back. Lee et al. (2013) observe several response strategies including incumbent collaboration to lessen the bargaining power of industry intermediaries as well as internal investment into proprietary online distribution channels and strategies. Viglia et al. (2016) further this by describing the digital tools that can be utilised to implement these strategies.

Although there are overlaps in the case on Airbnb, DDI research focuses on the technologies involved at facilitating peer-to-peer (P2P) transactions and its relationship with the collaborative/shared economy (Avital et al., 2014). Research has followed how these technologies have been applied to change the dynamics of the market (Adeyinka-Ojo & Abdullah, 2019). Other studies have observed how these technologies have been leveraged as a response strategy by some incumbent market players (Ziad Alrawadieh et al., 2021) as well as adopted into current models to drive distribution (Koh & King, 2017).

Högberg and Willermark's (2023) 'digitised solutions strategy' are used again to show how firms can utilise these technologies to adapt to changes in the field. Research has also investigated how OTA's are starting to mimic P2P platforms as well as how P2P platforms such as Airbnb are starting to collaborate with OTA intermediaries to broaden their

market reach (Prayag et al., 2022). This line of research also relates to suggestions by some scholars that hotel incumbents should leverage Airbnb as a collaborative resource and distribution option (Koh & King, 2017).

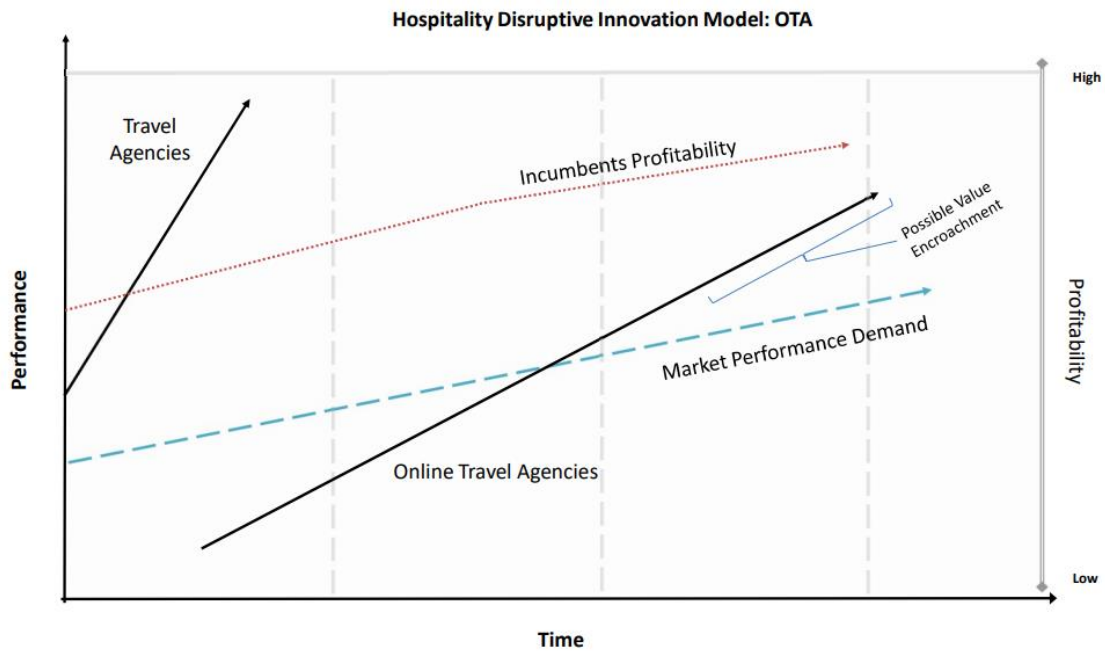


Figure 3. OTA Disruptive Trajectory. Adapted from Bower and Christensen (1995).

The digital disruption and introduction of OTAs into the hospitality industry reflects Disruptive innovation theory on several levels. The trajectory chart (**Figure. 3**) includes the traditional travel agency disruption which was the initial significant industry impact that has been studied and referenced in theory literature (C. M. Christensen & Raynor, 2013).

As depicted, traditional travel agencies had overshot market performance expectations, offering more value in the form of custom-tailored solutions and packages that the mainstream customer required. Online travel agencies rapidly encroached on their market share upon entry forcing them to either exit the industry or retreat to the higher ends of the markets with minimal market share.

An important addition to chart is the profitability of hotel incumbents which reflects another dimension of the disruptive scenario. Incumbent hotels experienced steadily increasing profitability with the traditional travel agents, and this was not initially affected by the introduction on OTAs. In fact, OTA commission rates were significantly lower than traditional travel agencies, therefore their profit margins may have even be higher than before.

However, as the OTAs grow and increase their industry power and influence, their involvement in the business model/customer journey is shown to exert revenue strategy restrictions as well as increasing commission rates, both negatively impacting the incumbent's profitability. This is observed in the plateauing effect of the profitability line.

OTAs are observed developing and increasing their performance offerings, to eventually exceed the industry demands for third party travel facilitators. This can be observed with the addition of OTA loyalty programs and complex network offerings which are no longer limited to pure accommodation. Their increasing data collection and processing capabilities open even further opportunities inside and outside of the industry. Disruption takes place once these factors significantly impact the incumbent hotels (Schmidt & Druehl, 2008) and it produces a prime example of disruption through complimenter theory (Adner & Lieberman, 2021).

2.2.3 Synthesis of Disruptive Innovation-Hospitality Literature

Disruptive innovation research within the hospitality industry context is plentiful, however scattered. It is apparent that majority of recent research revolves around Airbnb as a disruptor, although earlier studies exist looking into other disruptive forces. Non the less, Disruptive innovations within the industry appear to be technology focused, using advancements in digital innovations to shift and change business models, industry power and market contact.

It can be concluded from this review that two primary types of disruption are and have been most influential within the hospitality industry. The first one being the entry of Airbnb into the hotel and accommodation marketplace. Whereas the second is the rise of influence and power of Online Travel Agents (OTA).

Although technology plays a large role in both disruptors, OTA's tend to be associated with Digital Disruptive Innovations as the competition/influence primarily takes place within the digital space, as well as disruption through compliments (Adner & Lieberman, 2021). Whereas Airbnb tends to be associated primarily with business model disruption and disruption through substitutes (C. Christensen et al., 2016). Both disruptors relate to platform technologies as well as an extent to collaborative economy themes.

Although multiple management and economic theories and frameworks have been used throughout the studies, one in particular shows promise, albeit appears to be unrepresented. Elements of Porter's five forces often gets referenced within the literature; however, it is rare that a direct application of the whole model is applied when assessing the market space.

Examples of referenced elements include *barriers of entry* related to investment and sunk costs (Blal et al., 2018; Yang, 2012), legislation and policy making (Adeyinka-Ojo & Abdullah, 2019; BCEC, 2017) as well as *competitors power/rivalry* to strategically influence these decisions in a reactive manner (S. S. Ansari & Krop, 2012; Heo et al., 2019).

Supplier power has also been analysed and referenced, particularly within the challenges associated with breaking into established networks (S. S. Ansari & Krop, 2012; Prayag et al., 2022). *Consumer power* hasn't been a focus point directly related within industry competitiveness, however several studies have focused on consumer perceptions and choice of offering which would be related to the power the consumer has (Ziad Alrawadieh et al., 2021; BCEC, 2017; D. A. Guttentag & Smith, 2017).

Threat of substitutes is a major discussion point particularly within the Airbnb case (Blal et al., 2018; D. Guttentag, 2015; Heo et al., 2019; Koh & King, 2017; Zervas et al., 2017) as it is one of the primary elements used to assess disruptiveness according to the theory's parameters. Finally the research of Adner and Lieberman (2021) point towards *complimentors* as being disruptors. Which although is not a force in itself, is an influencing factor within the five forces framework (Adner & Lieberman, 2021; Porter, 2008; Zach et al., 2020).

Porter's Five Forces model provides an important perspective when analysing disruptiveness particularly given the heterogeneity of hospitality markets within different environments. The framework provides a lens to observe and assess the market threat/disruptive potential of industry players such as Airbnb and OTAs. Therefore, it will be applied and reflected to an extent in the later stages of this research paper.

3 Methodology

An empirical portion of research is conducted with the aim of observing and highlighting how the theory literature exists within a specific industry setting. This section focuses on the Finnish hospitality industry, particularly investigating the perceptions found to exist among incumbent hotel strategists when examining cases of disruptive innovation. The following section will begin by describing the research process, detailing the logics, created frameworks and methodologies implemented to study the phenomena. An outline of the case companies as well as the interview subjects will also be provided. Although to respect agreed confidentiality, names and identity specific details will be excluded for both the firm and individual.

3.1 Research Method

This study implements an abductive reasoning approach that investigates phenomena through observation refinement from insights drawn out of existing theory literature (Makadok et al., 2018). Abductive reasoning uses a combination of inductive and deductive approaches, alternating back and forth between theory and collected data (Saunders et al., 2012).

3.1.1 Research Design and Process

An inductive/deductive hybrid analysis will be used to execute the study. A deductive approach being used to derive established elements from the theory, whereas an inductive approach will identify and reduce themes from data stemming from the empirical portion of the study (Proudfoot, 2022). A visualisation of this process within the research context is provided in **Figure 4.** (below).

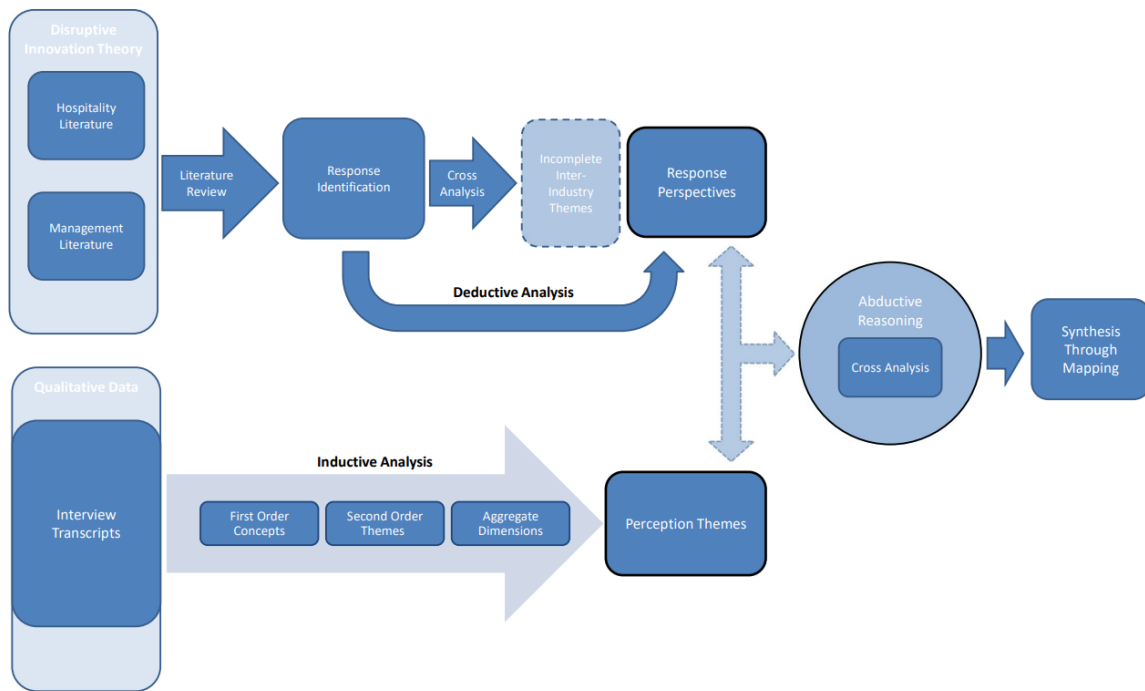


Figure 4. Research Process.

Disruptive innovation theory forms the base framework that sets the stage for the research questions. Deductive reasoning is used in the form of a cross literature analysis that will provide a lens to interpret the responses of the incumbent participants.

Thereafter inductive reasoning will drive the empirical section by constructing themes from gathered interview data to highlight incumbent perceptions. The subsequent findings from each of these streams will be combined in the form of a cross analysis discussion to produce a comprehensive understanding of the phenomena.

Through a thorough literature review, core theoretical elements and pre-proven cases will be isolated and investigated within the specific context of the Finnish hospitality industry. This is done to identify and examine similarities as well as discrepancies that may be associated with the unique industry context (Hyde, 2000).

The purpose of the study is not to create a new theoretical framework, rather explore and map how the concept takes shape within the chosen context. As suggested by Yin (1994) cases that do not align with the concept principles provide an opportunity for theory refinement, where-as findings that do align with concept tested elements will result in theory strengthening.

In essence the research follows a theory-driven qualitative design as the over-arching framework is based on disruptive innovation theory. However a degree of inductive reasoning is used in the empirical section to unbiasedly identify perceptions that exist amongst the participants. This empirical data is gathered through semi-structured interviews based on literature supported elements, specifically the proven examples of disruptive innovations within the industry.

3.1.2 Data Collection and Analysis

The semi structured interviews lasted 40-60 minutes in length and were conducted virtually, with a brief description of the topics being provided to the participants prior. The interview questions were structured around the two primary disruptive innovation concepts that are widely discussed both within literature and among industry practitioners.

Open ended questions were used to drive the discussion and resulted in the participants justifying their perceptions, opinions, and views towards the topics. An outline with the interview objectives (**Appendix 1**) was used to guide the discussion. The subsequent interviews were all recorded and transcribed with permission from the participants and initial pattern coding immediately proceeded.

Analysis utilised the Gioia coding method to identify patterns that exist within the data and will be used to explore the phenomena. The Gioia method provides a systematic reiterative process to organise and analyse the gathered qualitative data, categorising them by themes in order to produce and identify underlying patterns. From these patterns second order themes can deduced through literature comparison; after which

overlaying concepts can be highlighted in the form of aggregate dimensions. (Magnani & Gioia, 2022)

Within this research context, this takes place by identifying similarity patterns within informant perceptions, and then cross matching these against core literature to create a mapping of how incumbents perceive and respond to disruption. This method is selected to discover theory traits within a divergent data group which hasn't been analysed before. The Gioia analysis logic is also applied when presenting the findings, which involves continual reference back to first order codes to elaborate on the aggregate dimensions (Magnani & Gioia, 2022).

3.1.3 Validity and Reliability

Validity refers to the extent that the results can be used to effectively make and support a particular point. It is concerned with the soundness of results which stem from factors including research design and sampling (Saunders et al., 2012). Two categories of validity exist; external validity refers to how generalisable the results are to other contexts, whereas internal validity refers to the extent that the study design, process, and analysis are subject to biases (Saunders et al., 2012).

In regard to sampling, validity of the selection of participants was ensured through an unbiased strategic group analysis based on publicly recorded industry data. The sampling was further supported with the use of literature where the group characteristics had been established in other studies.

External validity was ensured as the sample participants covered a wide scope the industry. In other words although each company is similar in terms of size and market reach categorising them as incumbents (within their strategic groups), they all brought unique market approaches. This allows a level of generalisability as similar results cannot be attributed to purely homogeneous market positions.

Reliability refers to the degree that the results can be replicated in other studies and contexts. It is primarily concerned with the research structures and ability for other researchers to seamlessly apply the design in a different context to receive similar results. Reliability is also concerned with the logics used to analyse the data and processes involved in coming to the conclusions. (Saunders et al., 2007).

Reliability in this study is ensured through the archive of all transcript analysis phases. Furthermore the analysis logic used to derive aggregate dimensions is clearly presented within the findings (Figure. 7) as well as the discussion objectives used to guide the conversation (Appendix. 1). Both of these are provided for reader scrutiny.

Regarding the results, to rule out biases in perceptions based on participant opinions, where answers may be over exaggerated to emphasise a discourse position, answers required practical examples and evidence of implementation in order to be accepted. In other words participants were encouraged to make reference to examples of application when providing their perceptions on topics.

3.2 Case Selection

3.2.1 Selection of Incumbent Firms

The study focuses on the perceptions of incumbent firms encountering disruptive innovations within the Finnish Hospitality industry. Incumbent selection was based on descriptions found within disruptive innovation literature. Previous hospitality specific studies confirming disruptive innovations within the hospitality industry were used to identify which tier of hotel type was most at risk to disruptions according to the theory. Multiple studies concluded that mid-tier incumbent hotels would be at risk in parallel to the theory's nature (Blal et al., 2018; Heo et al., 2019; Issaka et al., 2022; Koh & King, 2017; Zervas et al., 2017) with one study confirming a disruptive effect does exist within the Finnish context (Neeser, 2015).

Interviewees were selected according to their roles and experience within the industry. The sample included three senior management level personnel who are involved in formulating and executing business development and corporate level strategies within the companies. Participants were deliberately selected to have influence and involvement in their company's revenue management activities, as are highly sensitive to both strategic and tactical responses to industry changes. Both of the disruptive cases will impact revenue management and business development decisions; therefore it was important that all participants were actively aware of and involved in these activities within their companies.

Although the data collection primarily focused on the perceptions and observations of the strategist from the incumbent firms rather than looking at firm-based evidence such as quantitative records, it is important that a picture of the companies and their structures is provided to facilitate context. Even though all three case companies share and operate in primarily similar market spaces, each employs a distinctive competitive approach and differing market perspective.

3.2.2 Strategic Group Analysis

A strategic group analysis categorizes organizations in an industry together based on shared characteristics and structural dimensions. These variables often lead the firms to adopt similar strategic outlooks within the industry as well as interpret market disturbances in relatively the same way (Porter, 1979). A strategic group analysis has been conducted to identify the case companies for this study, with data gathered from the Orbis database. The first analysis observes the financial outlooks of accommodation companies within Finland, identifying companies average annual revenue over the past three years, as well as the three-year EBIT averages (Orbis Database, 2023). The top 50 companies in terms of Turnover were included in the **Figure 5.** (below).

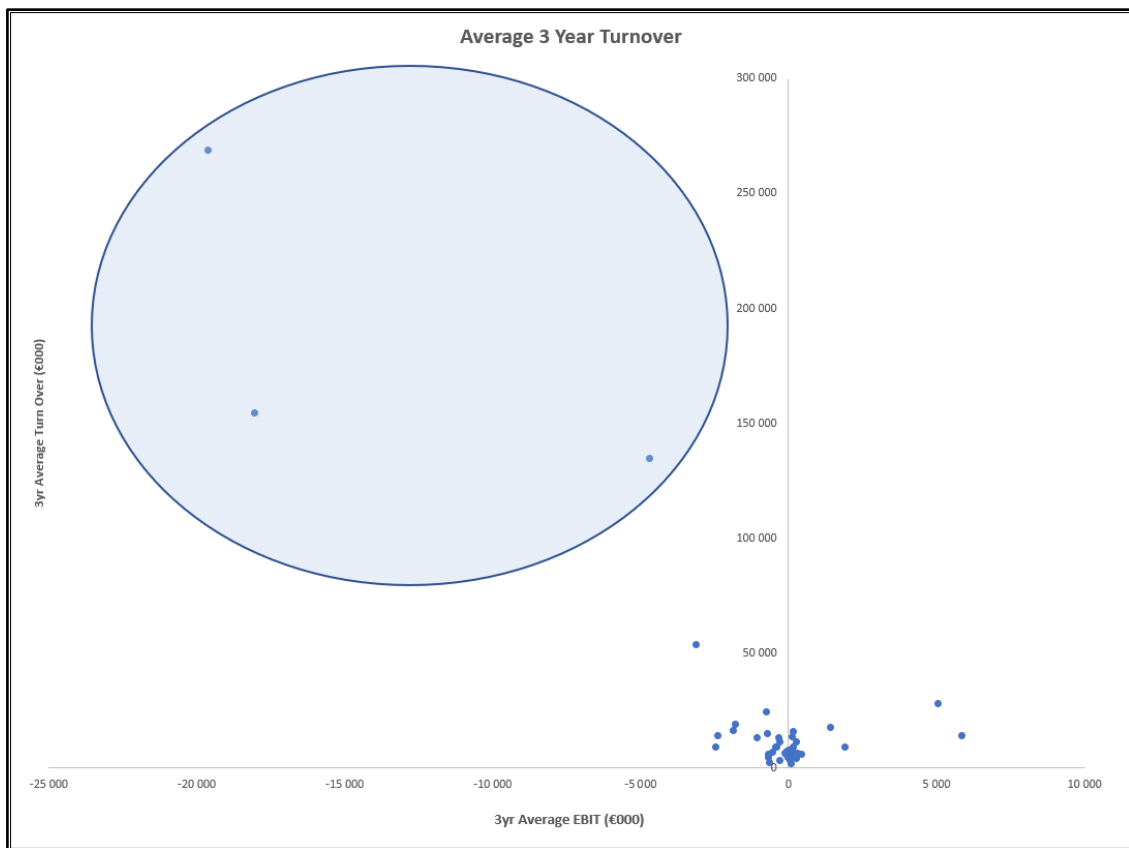


Figure 5. Strategic group Analysis: Average Turnover and Average EBIT figures (Orbis Database, 2023).

It can be observed that three companies are clearly leading the industry in terms of turnover as well as annual profit positions. The analysis continued by selecting the top seven companies and mapping out their positions in terms of geographical coverage and number of properties operated in Finland. This can be observed in **Figure 6.** (below).

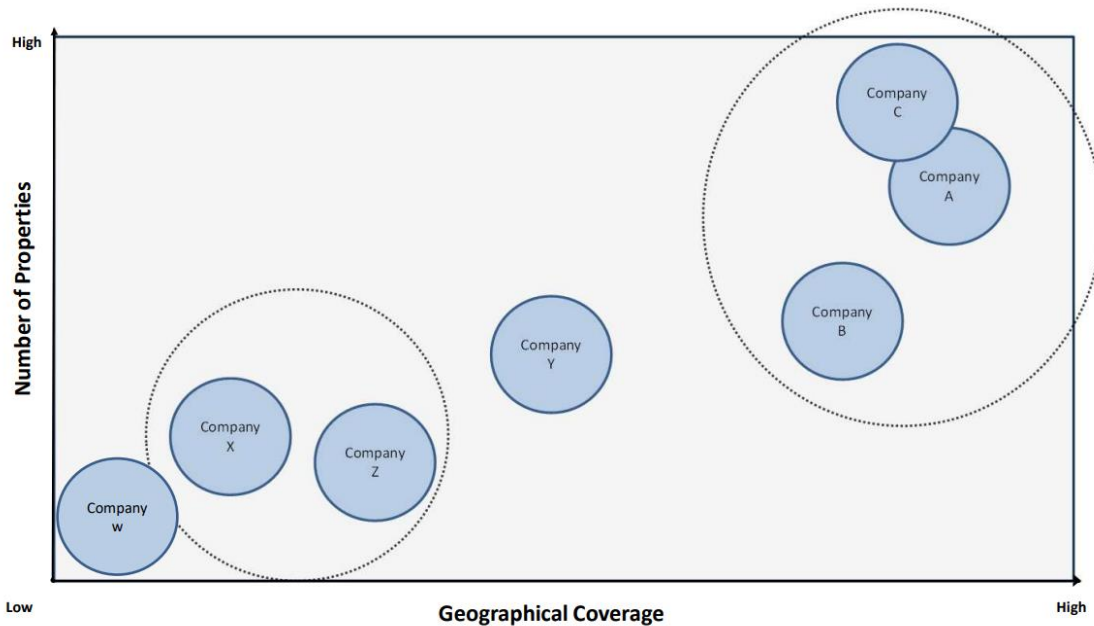


Figure 6. Strategic Grouping through Property and Coverage.

Once again, these dimensions confirm the original categorisation, placing the same three companies in a distinct grouping within the Finnish market. Although some degree of variance does exist between them in terms of turnover and property offerings, all three operate throughout the country and will have to account for the demands of each geographical segment.

3.2.3 Description of Incumbent Firms

The following section provides a basic overview of each company based on information gathered in the interviews. Since the interview participants and companies are to remain anonymous, no external references have been used and majority of the information was gathered through the interviews (referring to phase one of Appendix 1).

Company A

Is an international hotel company with their head offices based outside of Finland. The company has operated in the Finnish market since 1998 and operates hotels all across the country with approximately a third of them situated in Helsinki. Company A primarily operates in the mid-tier market however have had a recent introduction of a top-tier brand, although operational properties at the time of writing are minimal. The company has a Finnish support office that implements strategic processes that are issued from the overseas headquarters. Although the domestic office is involved in developing strategic processes, the core decisions get finalised and issued by the head office. Company A operates in both commercial and leisure markets. The target segments is generally dependent on the region in question. Revenue management decisions and strategies are formulated by the domestic commercial department and issued further to the individual properties around the country.

Company B

Company B is an established Finnish company that over recent years has been acquired by an international conglomerate. The company's head offices are based in Helsinki where corporate strategies are developed. Being one of the oldest hospitality chains in Finland, company B operates in multiple accommodation segments. Primarily targeting the leisure segments, their business mix is split between resort hotels and time share property sale and management. Although some resorts are situated in cities, majority of their properties utilise rural locations typically those with natural attractions such as ski slopes and watersides. Company B operates all properties within the mid-tier range of offerings, with varying business models implemented for different segments due to their strong time share property capabilities. Although Company B does include several properties outside of Finland, domestic customer segments make up the largest portion of their target market. As mentioned, strategy development and decision making takes place within the capital headquarters and these get communicated and implemented across properties accordingly. Revenue management and marketing teams work closely

together under a business development department, and they exercise full control over pricing strategies, tactics, and decisions.

Company C

Company C is a Finnish established and Finnish owned hotel group, showcasing the largest number of properties under their portfolio compared to any other company in the industry. Hotels are cooperative based; therefore they are privately owned however fall under the group umbrella which is responsible for branding and concept development. The head offices are based in Helsinki and provide support and recommendation guidelines to all properties around the country. The individual properties work together with the corporate office on strategic issues however they are responsible for revenue decisions and operational profit. Company C holds several brands within their portfolio, targeting a mix between corporate and leisure segments. Although their portfolio does include several high-tier service offerings, majority of properties fall within the mid-tier range with these hotels being situated within most major Finnish cities and holiday destinations. As mentioned, the corporate offices provide revenue and marketing support and guidance to the property owners, however decisions and implementations are controlled on a property level.

4 Findings

As mentioned, two separate analyses took place within the research process. This first being a cross literature review that relates response tactics found within hospitality literature to those falling under the broader theory of disruptive innovation. The second section of research includes an empirical investigation into the perceptions embraced by incumbent strategists when facing disruptive innovation cases. The findings of each of these analyses are detailed below with reference to supporting visuals.

4.1 Cross Literature Analysis of Incumbent Responses

A multitude of response strategies by hospitality incumbents have emerged from the review of Hospitality-Disruptive-Innovation literature. It is important that these responses are noted and categorically cross referenced with management literature to further understand how they relate within the disruptive innovation theory. Therefore, **Appendix 2** presents an analysis model has been created to map out this relationship.

Response strategies and perceptions are interrelated elements within the theory. Disruptive innovation focuses on how the incumbent firms perceive or fail to perceive the threat of new entrants and this is directly observable within their chosen responses. Clayton Christensen has even stated that the theory of disruptive is in fact a theory of competitive response (Christensen, 2015, as cited in Denning, 2016). Therefore, how the strategy makers come to those choices, perceptions being a key influence, is an important angle in understanding how the theory applies to a specific context.

The analysis begins with the basic perceptions involved with the incumbent players, that correlates with deductions from the empirical analysis (Figure. 7). Incumbents adopt different perceptions (Gilbert, 2005) of the innovation or entrant, which tend to vary and change over the different disruptive stages experienced. Three primary perceptions are

used in this analysis, and these can be observed at different levels of variability dependent on the context in view. For example, a firm may be accepting of the change/innovation (*Change Accepting*), acknowledging its existence as an impactful force in the industry, however, want to avoid its influence (*Offensive perception*). On the other end of the scale firms may resist the innovation either by purely ignoring and avoiding it (*Change resistance*) or attempting to push back without conceding to it.

These perceptions can be used to categorise a range of responses that have been observed within hospitality literature investigating disruptive innovation theory. **Appendix 2** highlights fifteen different incumbent responses that had been observed within the empirical studies in research paper on disruptive innovation within the hospitality industry. In other words, these response strategies are not based on literature reviews nor reflective references to the theory itself.

These responses can be categorised according to the perception layout, and it is noted that overlaps can occur with their offensive interpretations of the innovation. Because perceptions and actions are so interrelated some responses can be observed to be executed with differing motivations. This is why Osiyevskyy and Dewald's (2015) concept of *Exploitation vs Exploration* responses to business model innovation is incorporated within the next phase of the analysis, to help identify responses to disruptive innovation from general management literature.

Osiyevskyy and Dewald's (2015) provide a solid model for differentiating incumbent responses which is also highly linked to their perceptions, capabilities, and opportunities. It expands on Christensen's suggestions that firms either set up separate entities to adopt the innovation or retreat upmarket and concede their current market share. Although these provide a basic framework of responses, empirical findings show evidence that other dimensions of response exist that can prove to be more effective. Explorative

vs Exploitative responses expand the response options taking into account the incumbent's perception-based stances and include options such as holding their ground by exploiting their own capabilities.

The decision not to only include this framework in the categorisation of the literature review stems from the nature of disruptive innovations in hospitality. Minimal evidence in hospitality centred literature shows a purely explorative response where the incumbent fully adopts a new business model, nor is there solid evidence that the disruption has been so extreme that incumbents have had to completely retreat upmarket. On the contrary it is observed that incumbents tend to apply incremental responses to the noted 'disruptors', and the responses seem to be determined by whether they acknowledge their subsequent market impact or not.

'Acknowledgement' of the entry is used in addition to 'threat' as some of the disruptors are perceived as value enhancers that should be collaborated with, for example OTAs. In this sense incumbents are not exploring the innovation itself as described by the theory (C. M. Christensen & Raynor, 2003; Osiyevskyy & Dewald, 2015), but they are adopting the disruptor into their value chain (Högberg & Willermark, 2023).

The management literature review found ten responses that can be observed from empirical studies conducted. Similarly, the review only included references found within studies of disruptive innovation cases, additionally excluding pure theory exploration such as meta-analyses or reflective reviews.

These responses were then cross matched with those from the hospitality-based literature to highlight correlations within reactions. The more general management literature findings can act as *2nd order codes* for the industry-specific responses, to assist with mapping hospitality sector incumbent responses through the lens of disruptive innovation theory.

A pattern does emerge in line with the Explorative vs Exploitative framework, with correlations being predominantly on one side or the other. However, the specific approaches behind the responses differ based on the perceptions. For example, *Innovation model embrace*, a management literature response and explorative strategy, does relate to *Cooperation* and *Collaboration* responses on the hospitality literature side.

Although the way in which these are practiced differ greatly. For example, OTAs and their disruptive business models are adopted as a package into the value chain of incumbent hotels, where-as in management literature the incumbent tends to replicate the innovative model. Although these are in essence forms of business model embrace, the perceptions need to be taken into account to provide better context to the response.

This pattern occurs throughout the analysis; therefore, it is appropriate to conceptualise another dimension called Response Perspectives, which include an *Adoption Perspective* as well as a *Dismissive Perspective*. These are what will be used in conjunction with the empirical findings of this study to aid in mapping the positions the selected incumbent strategists have taken in regard to disruptive innovations in their industry.

4.2 Empirical Investigation

The findings from each of the case interviews were coded through a reiterative process which deduced them into themed categories and eventual aggregate dimensions represented in **Figure 7**. The perception patterns allow us to understand how they make sense of the industry innovation/changes/technologies, as well as provide context for their responses. These perception themes include the following: *Dismissive Perception*; *Adoption Perception* and *Threat Perception*. The pattern findings for each of these will be provided below.

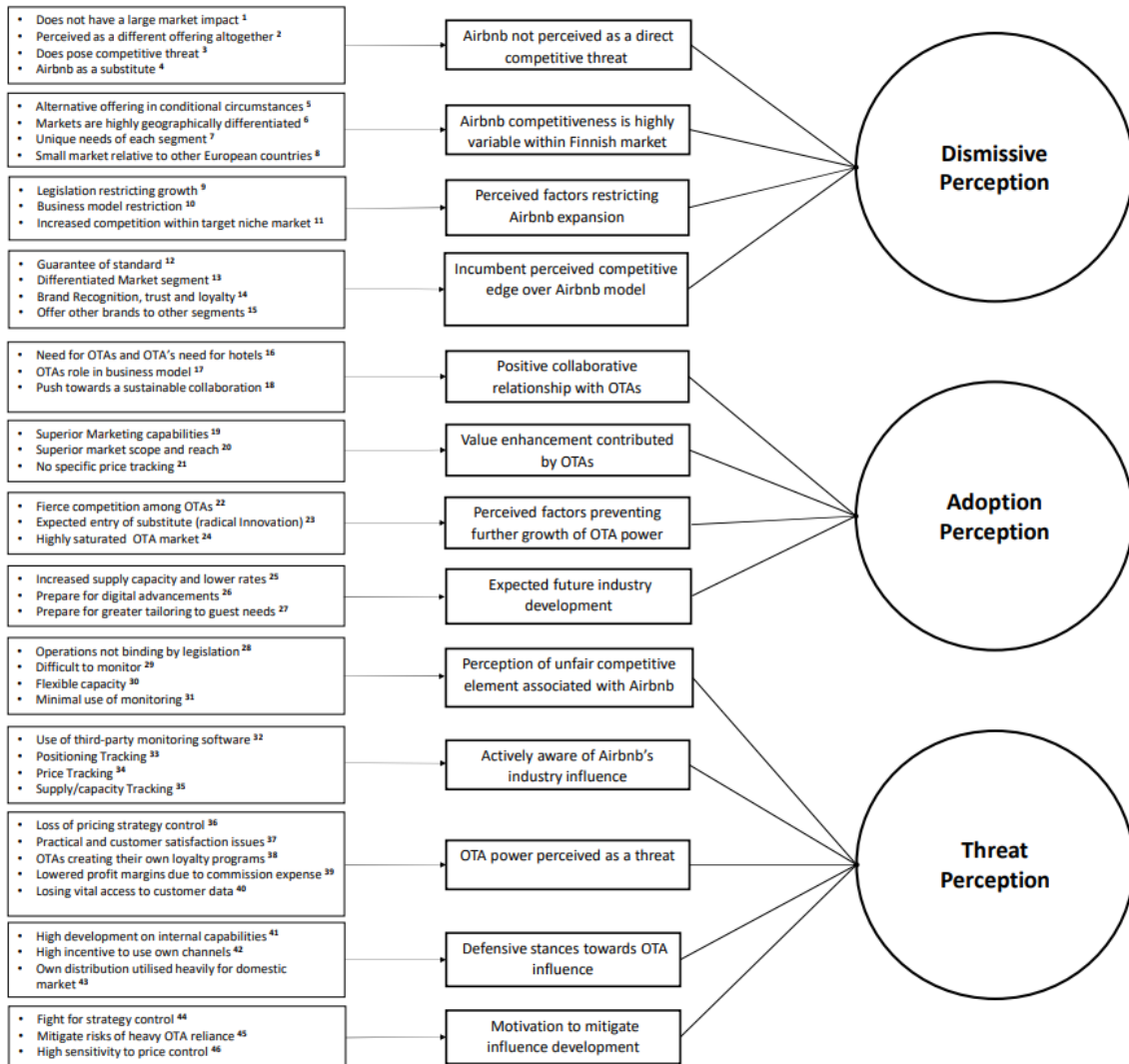


Figure 7. Perception Analysis

4.2.1 Adoption Perception

An Adoption perception was observed among all the subjects particularly regarding the influence and presence of OTA players in the industry. All interviewees acknowledged the importance in establishing and maintaining a healthy positive relationship with the third-party firms and perceived them as collaborative partners in value creation. All cases displayed a level of acceptance, adoption, and integration of these parties into their business model and value chains; however, the extent of incorporation did show some variance.

Variance of adoption and extent of incorporation were relative to the primary target markets that each company was aiming at. For example, Company A noted that their market split includes a large portion of international guests, therefore they utilize the opportunities presented by OTA superior marketing and market reach (codes ^{19, 20}) to maximize contact. On the other hand, Companies B and C have put greater weight on domestic markets and use OTAs as an extra platform in conjunction with their own distribution platforms.

All subjects relied on growth restriction factors (codes ^{22, 23, 24}) to mitigate major OTA development and future market encroachment. This justified their strong willingness to collaborate as they perceived the threat of future disruption as unlikely. Therefore, incumbents are not adapting their strategy to mitigate growth and reduce influence, rather they are trusting other industry and market factors to do so.

Findings show that incumbents exhibit an *Adoption Perception* when it comes to certain disruptive innovations within the industry. Several factors exist that motivate their pursuit of the innovation adoption and it is observed that the extent of adoption/incorporation is relative to their market and strategic positions. There was minimal evidence to show that the innovation itself was adopted and pursued by the incumbents, rather that the disruptor was incorporated into their value chain on a collaborative level and that there was a willingness to pursue a sustainable mutually beneficial relationship.

4.2.2 Threat Perception

Within the results a pattern of *Threat Perception* was observed to exist among incumbent strategists towards the disruptive topics discussed. These are perceptions that exhibit a level of caution as well as have evidence of offensive/defensive responses. All subjects expressed a level of threat perception to both disruptive innovations, regardless of their *Adoption vs. Dismissive positions*.

In the case of Airbnb incumbent strategists exhibited threat perception patterns primarily regarding its different operating and value creation nature. Subjects expressed concerns over difficulties in monitoring pricing and capacity changes, pointing to Airbnb's high level of flexibility allowing it to easily adapt to market fluctuations (Codes ^{29,30,31}). All subjects stated that it was unfair that Airbnb was not obligated to follow certain industry legal and regulatory requirements and expressed the pursuit of changing this. In these ways incumbent strategists were weary of Airbnb's future trajectories and applied a level of threat perception to the disruptive innovation. All strategists exhibited similar reactive patterns towards Airbnb threats, taking steps to increase monitoring capabilities and being aware of risk segments within their portfolios (Codes ^{32,33,34,35}).

The other area where *Threat Perception* was observed was among the influence of OTAs. Although all subjects noted the important role that OTAs play in the industry, a perception of threat was observed primarily when discussing elements related to control (Codes ^{36, 37, 38, 40, 44}). These perceptions were reiterated with themes of response strategies to regain control, noting both offensive and defensive stances (codes ^{41,43, 45, 46}). As observed among *Adoption Perceptions* the extent that the threat was reacted to varied highly based on the company's market and position strategy.

Threat Perceptions did vary between the innovations discussed however the perception patterns among incumbents were relatively similar. Airbnb was observed and responded

to as more of a potential threat, with future growth and competition potential acknowledged. Whereas specific parts of the OTAs and their incorporated presence within incumbent value chains are perceived as a current threat that requires response towards.

4.2.3 Dismissive Perception

Patterns pointing towards a *Dismissive Perception* were observed among the strategists interviewed. These perceptions point towards incumbent's disregarding the threat or opportunity of the innovation. Findings are heavily weighted towards Airbnb and their entry, position, and existence in the Finnish market.

Motivation associated with the perception to dismiss the innovation relate to the positions that the incumbents have established in the market. On one hand they perceive Airbnb as operating and targeting a substantially different niche relative to their market scope (Codes ^{2,3}). Therefore, they do not view Airbnb as an optimal alternative to their offering apart from exceptional scenarios such as city-wide events that require overflow capacity (Codes ^{4,5}).

Furthermore, subjects all referred to their unique competitive traits, that cannot be replicated by Airbnb's model, to protect their share in the market. This primarily revolved around their guarantees of standards and strong brand recognition (codes ^{12,14,15}), which gave the incumbent strategists confidence to dismiss the threat posed by the disruptive model.

Finally, the *dismissive perception* was further motivated by market forces that the incumbents applied to Airbnb's limited growth potential (codes ^{9,10,11}). These factors all contributed to the strategists embracing a *dismissive perception* towards Airbnb's potential threats and not attempting to offensively respond towards nor pursue the business model innovation for themselves.

4.2.4 Empirical Results Overview

The following perception categories describe how the incumbent strategists sense the disruptors within their industry and can in turn help categorize their responses. It is observed that the perception patterns can, and do, tend to overlap. This is seen with strategists embracing two perceptions at once, which is determined by the perspective applied to the topic. Some contradictions in data do exist with contradictive answers being given for some topics. For example, at times it was explicitly stated that Airbnb was not perceived as a threat, however later the subject expressed that there is a need to restrict their competitive advantage.

This can be explained in scenarios where similar justifications for disregarding a threat can motivate different responses. Within the findings, incumbents rely on specific market forces to limit the growth potential for both disruptive players (codes ^{9,10,11,22,23,24}), however responses towards each of these players are different. This can be explained by the strategists either embracing a *dismissive perspective* or an *adoptive perspective* in conjunction with their *threat perception*. These dimensions will thus determine their responsive moves.

4.3 Cross Analysis

The next section discusses the different perspectives that exist among the interview subjects and maps their company positions in the market in relation to the disruptive innovations. The case findings are cross analysed and compared to one another, with reference to the aggregate dimension framework of perceptions. These perception themes are used help depict how each of the strategists motivate their responses and positions within the industry. References to the cross-literature review will also be made when appropriate to link the perception-based motivations with the theoretical backgrounds. References are primarily associated with hospitality specific responses, however the related management responses can be observed through the cross-literature analysis

model (Appendix 2) to get a broader understanding of how they relate back to the original theory.

Each section is concluded by producing a matrix with the established *perception dimensions*, used to describe how the strategists sense the innovations, as well as the *Exploration vs Exploitation* framework create by Osiyevskyy and Dewald (2015), which aids in mapping their response stances. These models will elaborate how the incumbents position themselves relative to the innovations in question, as well as assist in creating a picture of the industry environment.

4.3.1 Perceptions towards Airbnb and P2P business model entry

Interview findings suggest relative homogeneous perspectives are shared among strategists regarding the presence of Airbnb within the industry. All participants recognised Airbnb as exerting a degree of influence and impact within the industry, acknowledging some extent of infringement on potential customers.

However, all strategists perceive that Airbnb's business model targets a separate market segment than the ones they currently operate within. They suggest that the P2P platform model will not be able to produce certain value dimensions that are paramount to their mainstream target customers. Examples of these value dimensions include security, standard guarantees, and consistency. These are the primary factors leading all incumbents to portray a *Dismissive Perception* towards the innovation.

However, there were mentions of seasonality changes to competition as well as special events that may push Airbnb facilities into the competition field. Furthermore, the competitiveness of Airbnb's model and the extent that it can be perceived as an alternative offering for incumbent hotel offerings was influenced by different geographical regions.

Company B for example, whose time share holiday home product offering ties closest with Airbnb's value proposition regarding their "home-feel" facilities (D. Guttentag, 2015), suggested that customers would see Airbnb as an alternative offering in more remote areas where their properties operate in standalone sites- not supported with other facilities and attractions. Within these areas Airbnb's value offer matches that of the establishment more closely and they have noticed a degree of increased competition.

However, within this specific market segment Airbnb is subjected to other competitive rivalry with companies offering similar value propositions through similar business models (Code ¹¹ from Figure 7). Lomarengas Oy has been noted as the largest competitor to Airbnb within this segment and was said to be monitored more closely by Company B, suggesting that they pose a greater threat within that market segment.

Company B was also the only example among the cases that showed evidence in adopting and pursuing the similar P2P business model, linking its perceptions with an explorative response. This is primarily applied to the time share portion of their business, where share owners can rent out their annual right to the property to private customers. This is done to add a value service to their owner customers and in a sense allows them to compete with a similar business model in a subsidiary section of their business mix.

However, in general all three subjects share a relatively strong *Dismissive response* towards Airbnb. None of the strategist indicated additional strategic steps in dealing with the innovation and other than basic monitoring there was general disregard for Airbnb's competitive presence. As mentioned, all strategists referred to the "unfair" advantage the P2P business model brings, however no active defensive steps such as lobbying were mentioned.

Figure 8. (below) provides a visual representation of these findings, mapping the incumbent subject's perceptions and stances. The model also places an estimation of Airbnb's position in the industry based on the interviews and represented with the red triangle.

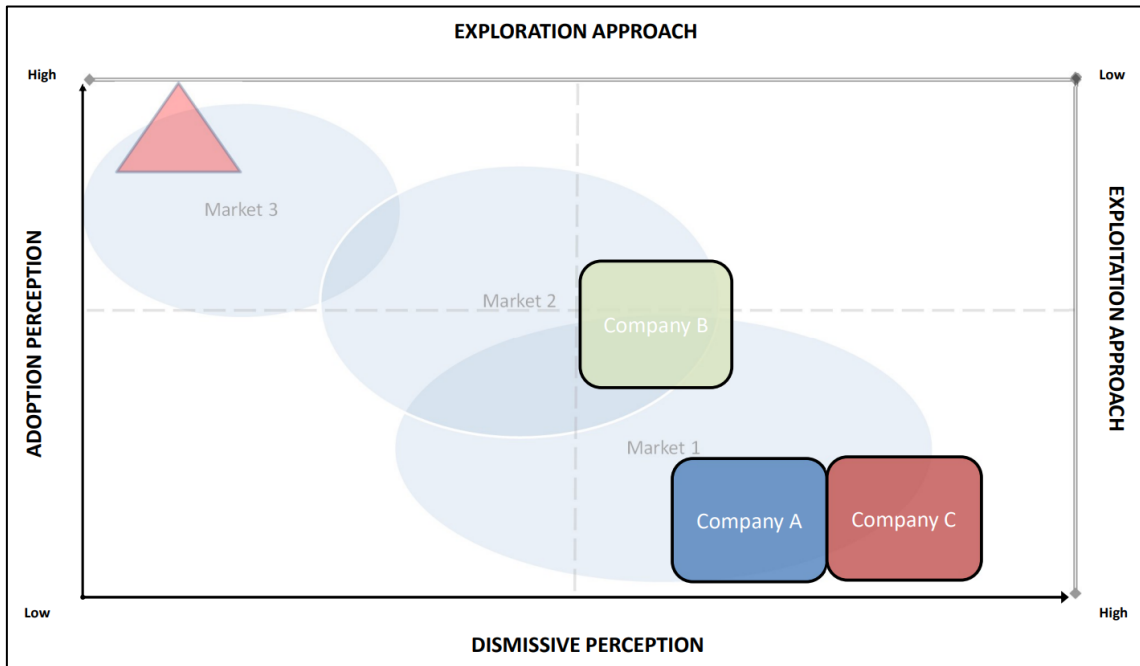


Figure 8. Perception Mapping of P2P Disruption.

In general, all three companies exhibit primarily dismissive perceptions towards these innovations having a direct impact on their market positions. Company C showcasing the greatest dismissal as well as exploitation of their existing capabilities. In other words, Company C can be observed to be reinforcing their existing models and focusing primarily on their existing market share. These point towards *traditional competency enhancing* (Ziad Alrawadieh et al., 2021; Högberg & Willermark, 2023), *brand strengthening* (Lee et al., 2013; Liu et al., 2023; Prayag et al., 2022) and *customer focus* (Adeyinka-Ojo & Abdullah, 2019; Liu et al., 2023) responses.

Company B is observed to exert the highest explorative approach in relation to the other companies due to their expansion into the P2P platform offering. Similarly, Company B showed the greatest impact and threat response to Airbnb and P2P models, putting it higher than other subjects in terms of *adoption perception*.

Responsive moves point towards *innovation adoption* (Ziad Alrawadieh et al., 2021; Koh & King, 2017; Zach et al., 2020; Zaridis et al., 2019) which appears to take place through

Innovation model embrace (Charitou & Markides, 2003; Hsu & Cohen, 2022; Kammerlander et al., 2018; Madjdi & Hüsig, 2011) and *capability reconfiguration* (Kuhlmann et al., 2023; Mao et al., 2020; Wallin et al., 2021). This is observed through their degree of P2P model application. Company B also can be observed pursuing a *brand strengthening* (Lee et al., 2013; Liu et al., 2023; Prayag et al., 2022) and *customer focus response* (Adeyinka-Ojo & Abdullah, 2019; Liu et al., 2023), showing an embrace of their current business trajectory.

Company A embraces an *exploitative* approach with holding onto their current business models, however presented less direct dismissal of Airbnb, suggested by the active scanning, and tracking of their market position. Therefore, they fall relatively neutrally in the *dismissive perspective* in comparison to Company C.

Regarding responsive moves to the disruption, Company A is primarily observed to *Fall Back* (Adner & Lieberman, 2021; Charitou & Markides, 2003; Gans, 2016b; Park, 2018; Wallin et al., 2021) on their traditional model by investing into traditional competencies. It must be noted that Company A has recently unveiled a new low-tier brand that will be aimed at budget conscious and low service requiring consumers. This would point towards a *portfolio expansion* (D. A. Guttentag & Smith, 2017; Zach et al., 2020) response however there was no evidence that this would be launched in Finland within the near future. Therefore it cannot be attributed to a Finnish industry response to Airbnb.

An interesting perspective applied to this model was to observe the different markets in which each incumbent operates within. These are categorised by 1,2 & 3 and provide a rudimentary layout of the industry in relation to the innovation. Company B operates in a fundamentally different market to companies A and C, focussing primarily on domestic leisure guests. A and C on the other hand have a greater focus on corporate guests, competing with a relatively similar value model which generally disregards P2P platforms.

The disruptor's value structure has both a high utilisation and adoption of the P2P model putting in the top left corner of the matrix. This market (3) represents primarily transient guests and highly niche/specialised segments including but not limited to budget travellers as well as sustainability conscious travellers who select sharing economy solutions. It is observed that this market does overlap with market 2 where Company B is positioned and that can be reinforced through the different model logics and customer bases expressed in the findings.

Overall, none of the interviewed strategists from the incumbent companies perceived Airbnb in a particularly disruptive nor impactful light. One explanation is that incumbent firms negate the threat of market infringement of Airbnb in line with the original theory (Bower & Christensen, 1995) and don't see that a separate strategy is as feasible nor economically justified. However this would imply that Airbnb's disruptiveness is not yet at full effect as suggested by other studies (D. A. Guttentag & Smith, 2017; Heo et al., 2019).

Looking through the lens of the Porter's five forces model, it is apparent that incumbents are putting their faith in barriers to entry (legislation and regulations) and consumer power (established behaviour and values) to reduce their perceived threat of Airbnb developing and encroaching into their markets.

4.3.2 Perceptions towards OTA and Disruption through compliments case

Findings show that mid-tier industry incumbents included within the study perceive the digital disruptive model of OTA's as a complements to their business models. Strategists suggest their incumbent status allows them to exert adequate degrees of market influence and bargaining power to dissipate the disruptive capability/threat of the third party.

All strategists agreed of the importance of holding and developing their own distribution networks and running them in conjunction with the OTA channels. The extent of which

they rely on these channels does however vary. Company A exhibits the strongest reliance on OTA channels for distribution, justifying the advantages they bring through strong international marketing capabilities.

Companies B and C on the other hand do not put as much reliance on OTAs for their distribution, with company B proposing the smallest adoption. This is primarily attributed to their unique consumer portfolio, with a large segment coming from the time share business, which inherently ties them into their local channels through the business model layout. In other words, company B requires customers to submit to their proprietary channels should they wish to fully optimise the business model benefits which occur in the form of promotions, incentives, and loyalty schemes.

The extent of reliance and incorporation of OTAs is observed to be directly related with the market portfolio mix exhibited by each company. As mentioned, Company A's portfolio includes a large portion of international customers whereas B and C focussing primarily on domestic markets. Strategist all perceived a currently sustainable relationship dynamic between OTAs and the incumbent hotels. Their opinion on the disruptiveness of the facilitator platform players mainly concerned smaller players within the market, i.e., privately owned single property businesses.

The interviewees all referred to the strong bargaining power that OTA's hold over these companies, allowing them to exert unfair levels of competition. Although all subjects showed evidence of an *Adoptive Perception* and collaboratively utilised OTAs to some extent, a level of *Threat Perception* did exist and showed variance among the cases. The extent that the companies dedicated their resources to keep control over rates and pricing strategies varied.

Company B presented the most offensive stance when it came to tracking and controlling rates, stating the importance of constant monitoring and control. Company A also mentioned the importance of keeping tight control over rate channels, whereas Company C

was observed to be the most lenient. Once explanation for this variance can be related to their organisational structures and property controls influencing their abilities to harmonise revenue strategies.

Figure 9. (below) visually represents the findings and portrays the perceptions and responses of the strategists in relation to one another. The top left corner of the matrix represents close to a sole reliance on OTAs for a distribution strategy and although this is rare in the industry, it can be observed with particularly smaller players who may not possess the necessary resources for their own channels. The subjects included in this study are mapped according to the interview results, based on the weight that each strategist put on OTA collaboration importance.

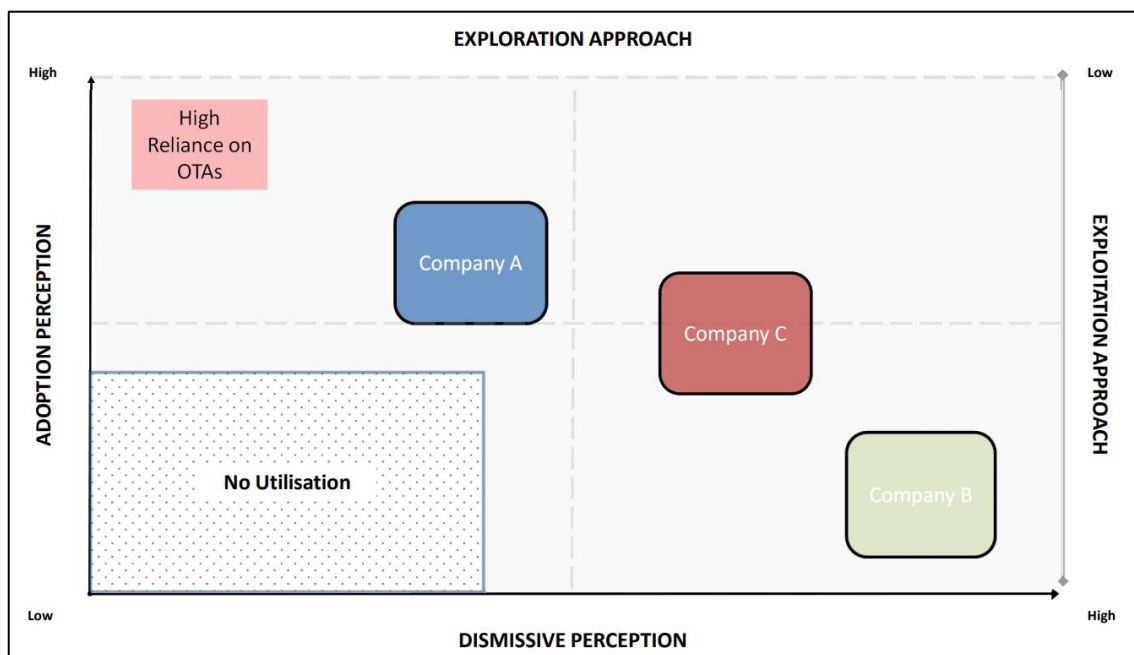


Figure 9. Perception Mapping of Complimentary DDI.

Company A is shown to perceive the highest level of OTA adoption within their business model offering, associating the greatest value to the collaboration and the least *dismissive perception*. It must be noted that dismissiveness within this context does not imply avoidance of the innovation. *Dismissive perceptions* relate to the extent that the innovation impacts and relates to their business model. In the case of company A, the

innovation is highly integrated within the value chain therefore a low level of dismissiveness is observed to be perceived.

Company A's perceptions and approaches show evidence that they are pursuing a *business model adaption* (Charitou & Markides, 2003; Hsu & Cohen, 2022; Kammerlander et al., 2018; Madjdi & Hüsigg, 2011) response to the DDI, accepting the compliment disruptor by integrating it into their value chain. Company A is more accepting of the losses (regarding control and commission percentage) and their value is re-shifted towards superior market reach which corresponds with their market strategy. This shows evidence of a *re-negotiation of value* (Högberg & Willermark, 2023) as well as a greater implementation of a collaborative response (Koh & King, 2017; Lee et al., 2013).

Company C is positioned relatively central within the matrix, acknowledging the need for collaboration with the DDI, but utilising less reliance than Company A. Furthermore, Company C presents a stronger stance towards *exploitation*, having noted their continuous investment into their own channels that show greater effectiveness for their target domestic market.

This position points towards a *Fall back* (Adner & Lieberman, 2021; Charitou & Markides, 2003; Gans, 2016b; Park, 2018; Wallin et al., 2021) and *customer focus response* (Adeyinka-Ojo & Abdullah, 2019; Liu et al., 2023), identifying the most effective methods to reach their customer base and maintaining primary investment weight in that direction. There is also evidence of *Adoption* as they do utilise the complimenter DDI and this shows signs of *Innovation model embrace* (Charitou & Markides, 2003; Hsu & Cohen, 2022; Kammerlander et al., 2018; Madjdi & Hüsigg, 2011) as well as a level of *renegotiation of value* (Högberg & Willermark, 2023).

Company B has positioned itself furthest from the collaborative DDI, exhibiting the strongest *dismissive perceptions* as well as *exploitation approaches*. This is related to their unique business model and value chain dynamic which requires a more tailored

distribution approach which they are capable of providing through their own competencies. It is noted that some degree of *Adoption* as well as *Exploration* exists, however these are not the dominant portion of their distribution strategy.

Response strategies of company B are predominantly situated towards the bottom half of the cross-literature response analysis (Appendix 2). Company B portrays a *strong customer focus* (Adeyinka-Ojo & Abdullah, 2019; Liu et al., 2023) through *traditional competency enhancement* (Ziad Alrawadieh et al., 2021; Högberg & Willermark, 2023). Furthermore, responses such as *fall back* (Adner & Lieberman, 2021; Charitou & Markides, 2003; Gans, 2016b; Park, 2018; Wallin et al., 2021) through *communicating unique features* (Prayag et al., 2022) is evident from the discussion findings. As mentioned, there is a level of collaboration adoption as Company B does utilise OTA channels to an extent, therefore there may be evidence of *new market exploration responses* (Hsu & Cohen, 2022; Kuhlmann et al., 2023; Mao et al., 2020) through adoption of the innovation.

The bottom left quadrant of the chart presents a highlighted area representing zero-minimal utilisation of the collaborative DDI. An interesting perspective worth noting is that Airbnb would fall into this category should they be represented in this analysis as they do not utilise OTA channels. All companies in the study did utilise OTA channels and incorporate the collaboration within their value chain and subsequent business models to some extent.

The subjects all pointed to the value of these collaborations and referred to the necessity they provide to the current hotel business models, often referring to the “*Need for OTAs*” (Code ¹⁶ Figure 7) in the modern hospitality industry. Airbnb’s business model appears to bypass this need thus avoiding the constraints and trade-offs associated with a collaborative distribution strategy. Although it is not evident in this research, some hotels have even been observed to adopt Airbnb as a distribution partner, utilising their platforms (Zaid Alrawadieh et al., 2020).

These findings produce a fascinating angle to observe the disruptive nature of OTAs, which in other studies have been labelled as a clear industry disruptor (Zaid Alrawadieh et al., 2020; Ziad Alrawadieh et al., 2021; D. Guttentag, 2015; Högberg & Willermark, 2023). Based on the incumbent strategist perspectives it appears that OTA influence is observed as a sustaining innovation rather than a disruptive one. This is in line with the theory as it show-cases the relative nature of disruptive innovations (C. M. Christensen & Raynor, 2013), exhibiting disruptive effects for certain incumbents and sustaining effects for others (Madjdi & Hüsigg, 2011).

Furthermore, the strategist down-play the potential future disruptiveness of OTAs by relying on the hostile market forces that they (the OTAs) are subjected to, specifically in terms of fierce competition and threat of substitutes. Additionally, it was stressed by the strategists that the current OTA business model heavily relies on the hotel business to pull customers through them, highlighting their industry bargaining power. All strategist perceived OTAs, as well as their platform technologies, as complimentary players to their business models. Although all stressed the importance of continuously investing into and maintaining their own channels, which can be perceived as a form of incremental innovation (Norman & Verganti, 2014; Oke, 2007). This is done primarily with motivation to distribute risk and not as an aggressive move to resist the OTA influence.

One area in which disruption through compliments (Adner & Lieberman, 2021) can occur, exists in the insight that OTA's are developing their own loyalty schemes, infringing directly on a vital part of the hotel's revenue model and value chain. Concern for this was highlighted in some of the interviews and it will require future strategic responses, of which were not yet evident among the sample subjects. From the OTAs perspective this is a natural development to further add value to their customers and could show evidence of a commoditisation scenario described by Adner and Lieberman (2021).

5 Discussion

5.1 Synthesis of Results

In understanding how the perceptions exhibited by strategists relate to the responses shown by the incumbent firms, we are able to effectively map how these companies position themselves within the Finnish hospitality industry in relation to the disruptive innovations in question. Through analysis and discussion it is apparent that perception regarding the innovations are relative to the structures and business logics adopted by each company, confirming the stance taken by Charitou and Markides (2003). Therefore variances in strategist's acceptance, acknowledgment and response to the disruptive innovations is evident.

Although common patterns in perceptions can be observed, responses to the disruptors varies according to the position in which the firms have committed to. Although the disruptors in question do express less extreme evidence of influence compared to other industries and markets found in previous studies (Heo et al., 2019; Koh & King, 2017; Neeser, 2015; Zervas et al., 2017), their presence within the Finnish hospitality industry is apparent and does constitute a responsive position regardless of the perspectives employed. While responsive moves in the industry may be limited by sunk costs and path dependency scenarios, literature is rich with multiple response angles of which several have been observed in this study.

Referring back to the original research questions and subsequent hypotheses, it can be concluded that incumbent strategist do display varying perceptions towards different disruptive innovations. However their response strategies tend to imitate those of sustaining innovations, rather than direct competitive countermeasures. In other words the extent of disruption has not forced a direct strategic response to the innovations in question. Instead incumbents rely heavily on external forces to limit the disruptors growth

and significant encroachment onto their own market. Furthermore threat *dismissive perceptions* are prominent perspectives incumbent strategists take when interpreting the existence of disruptive innovation.

Therefore hypothesis one (*H1*) can be confirmed as the incumbents studied do not perceive immediate disruptive threats among the innovations. However it can be argued that the incumbents in this study and their subsequent perceptions are based on innovations that have already had a disruptive impact. Although the impact is less significant than in other markets or in comparison to other industry examples, evidence shows that an impact has nevertheless taken place (Neuser, 2015) and therefore disruption has occurred to some extent (Schmidt & Druehl, 2008). In this sense care needs to be taken when making comparative assumption as most theory literature focuses on incumbent perceptions prior to (ex-ante) disruption taking place. Therefore the extent that this study's findings align with the perceptions found within the theory requires further examination.

Following this, the secondary objective of this paper (*RQ2 and H2*) can be addressed which investigates the state of existence of disruptive innovation within the Finnish hospitality industry. Although literature does include evidence of a disruptive effect of both innovation types (business model and technological), the extent of displacement and encroachment appears to be minimal from the subjective perspectives of incumbent strategists. Visual representations (Figures 8 and 9) which are based on the findings show that there is some influence in position from the innovations, primarily observed through adoption and collaboration. However an overall dismissive theme was projected towards each of the innovations among all participants.

This rejects the original hypothesis (*H2*) that the disruptiveness will vary locationally, and different levels of response will apply accordingly. In actuality a relatively blanketing approach is adopted towards the disruption, generally dismissing the potential impact it may have on different geographic markets. Although some acknowledgment was made

towards different markets being impacted more than others, there was no evidence or discussion of counter responses to these at-risk segments.

5.2 Managerial Implications

This study provides an interesting perspective for leaders and strategy makers in the industry. It provides insight into the logic behind responses and positions taken when faced with market developments. The study also elaborates on the ways in which disruption has occurred in the industry, and more importantly has the potential to develop in the near future potentially causing even greater threat.

By understanding their internal perceptions as well as those of their competitive counterparts, managers can more intentionally and effectively plan for future scenarios by considering other perspective stances. The linking of hospitality related responses to those of other industries can provide insight into unconventional ways that a firm can position themselves to respond to future disruptions. This may provide greater opportunity for a competitive edge over rivals and allow them to adopt the most effective response rather just conforming with mainstream directions.

The influence that perceptions have on subsequent responses has been a critical element in this study. It is important that strategists understand the constructs of perceptions toward industry impacting forces, as well as pinpoint where potential influences and biases stem from. This inherently must be done within their organisational contexts taking into account their case specific attributes and positions within the market.

Following the contributions of Gilbert (2005) as well Osiyevskyy and Dewald (2015), opportunity and threat sensing is vital for firms to avoid inertia when faced with innovative changes. Therefore before action is taken, it is important that perceptions are made based on a comprehensive review of the internal and external factors. One way in which strategists can do this is through traditional SWOT analysis or the more comprehensive

TOWS matrix analysis, which highlights strategic directions through linking external threats and opportunities to the organisation's strengths and weaknesses (Wehrich, 1982). Through this firms will be able to both reduce the risk of inertia as well decrease the chance for unforeseen disruption and possible displacement.

5.3 Theoretical Contributions

This study achieved its aim to broaden the understanding of how the theory of disruptive innovation exists within the Finnish Hospitality context. The research sheds light on real life examples of how incumbent strategists perceive proven disruptive cases within their industry and how these perceptions have been linked to their responsive stances. Therefore this contributes to research on perceptions and response strategies adopted by incumbent firms. Furthermore the study adds to the discussion regarding the inter-industry applicability of the disruptive innovation theory, primarily providing insight on how the theory exists within service-oriented industries when compared to the traditionally manufacturing-centric industries.

Moreover the research conducted provides an opportunity to build on the findings and further investigate other theory specific elements within the industry. The cross-literature analysis of responses helps lessen the inter-industry gap encountered when relating approaches from differing contexts. The new response dimensions created does this by taking into account hospitality specific conditions and positions companies face when responding to a new innovation.

The study contributes to theory discussion regarding incumbent reactions, perceptions and strategies when faced with disruptive innovation. The study also provides a unique ex-ante perspective of incumbent's positioning decisions when facing a disruptor whose full potential may not yet be realised. Naturally this relates to the debate on the predictive capabilities and usefulness of the theory.

5.4 Future Research Directions

The initial research objective planned for this study was to evaluate the extent that Airbnb acts as a disruptive innovation within the Finnish hospitality industry. However during the research planning phase it was discovered that gaps existed in regarding the theory application within a Finnish industry context, and these needed to first be investigated and analysed with the intention to broaden our understanding. This paper has mapped out a picture of the industry within this context, providing both insight into the disruptors at play as well as the incumbent positioning. Therefore a natural line of research would be to gather objective evidence on how these innovations have disrupted the industry and to what extent they can be classified as disruptive innovations.

An additional direction would relate this study's original research question (*RQ2*) and investigate specific industry factors that contribute to the extent of impact a disruptive innovation exhibits. This adopts an ex-post approach and will require looking back at data to measure the impact of specific disruptors in different sectors of the industry. From the literature review it is apparent that several research models, both qualitative and quantitative, can be used to conduct this.

Finally, to build off the findings of this study relating to perceptions, a promising line of research would be to investigate the biases and heuristics of managers dealing with disruptive innovation. This can be done by understanding leaders' cognition and can be related to multiple aspects such as risk of inertia, motivation to respond, and threat interpretation. Prominent scholars in this area within the theory are Osiyevskyy and Dewald.

5.5 Limitations

This study is not exempt from limitations and there is opportunity to improve the accuracy of the adopted research design. A primary limitation regards the scope of the study where data was gathered from only three participants. Although multiple studies in this field have conducted research using similar sizes of sample cases, investigations tend to take place over multiple levels of the organisation to provide a wholistic perspective. This also accounts for individual biases or prejudices that a single participant may bring which risks not representing the organisation.

Furthermore this study only focused on one participant from a single level within the company. Although they were all involved in the strategy processes, the individual's perspectives may differ greatly from those in different positions and/or departments. Therefore the perceptions of the strategists may not accurately represent those of the company.

The findings in this study are not completely representative of the industry as only three incumbent representatives were investigated. Although justifications for the selected company cases was provided, the sample excludes other prominent incumbent hotels that would potentially contribute differing perspective. Therefore this study is limited in its ability to make generalised assumptions about all incumbents within the industry.

6 Conclusion

6.1 Closing Words

To conclude the findings from this study provide an interesting insight of how the Finnish hospitality industry has reacted to the introduction of certain innovations. Despite these innovations not incubating as radical of an array of responses as observed in other cases, the insights provide useful preparation of future industry shakeups. The mapping frameworks utilised can offer a practical guide on both sensing industry player positioning as well as strategizing for response. This study has shown that disruptive innovation theory provides a fascinating lens in which industry dynamics can be observed and offers many more research potentials given the rate and direction of today's technological development.

There is however a risk that must be acknowledged when blanketing applications of theories, such as disruptive innovation, onto complex industries such as hospitality. Oversimplification does both the theory injustice, as well as the unique and interesting environments that are being studied. Although disruptive innovation provides an interesting perspective to observe industry structure, it is essential that an industry's unique attributes and dynamics are taken into consideration, and it is trusted that evidence of this is portrayed within this paper.

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Appendices

Appendix 1. Interview Question Guide

Phase One: Company Structure and Subject's Strategic Role

- Identify subject position within the organisation
- Get an outline of the organisational structure and layout in Finland
- Identify target markets and segment splits
- Discuss the strategy process; establish where decisions are made and by who
- Identify revenue management structures

Phase Two: Disruptive Forces

- Identify position regarding Airbnb business model within the industry
 - Highlight effects on the company's strategy or influence on strategic decisions
 - Discuss the level of threat experienced
 - Examine perceptions of P2P business models within the industry
 - Identify factors/steps that protect the company from encroachment
 - Discuss monitoring attempts of competition
-
- Identify outlook on OTAs and experience throughout their history
 - Discuss the company's involvement with OTAs
 - Examine effects on revenue management decisions
 - Examine future predicted directions for the OTAs
 - Identify factors/steps that protect the company from encroachment

Phase Three: Closing

- Identify other related industry developments
 - Identify predicted possible disruptions
 - Discuss the direction of the industry and disruptive player
 - Chance for concluding thoughts
-

Appendix 2. Literature Cross Analysis of Responses

