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The Innovator's Dilemma, with a New Foreword: When New Technologies Cause Great Firms to Fail - A Book Review

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Abstract

This review examines the updated 2024 edition of *The Innovator's Dilemma* by Clayton M. Christensen, a seminal work on disruptive innovation and its impact on established firms. Christensen's theoretical framework, which explains why market leaders fail in the face of disruptive technologies, remains highly relevant. At the same time, this review critically assesses the transferability of his theory within the context of contemporary management research. Particular attention is given to the applicability of Christensen's concepts to European and German firms, with a focus on structural, regulatory, and sectoral differences. This review highlights key limitations and outlines potential avenues for future research that could better integrate managerial decision-making, industry- specific dynamics, and institutional frameworks into the study of disruptive innovation.

Keywords: Disruptive Innovation, The Innovator's Dilemma, Innovation Management, Upper Echelons Theory, Corporate Governance

Paper type: Book and Conference Review

In the ever-changing landscape of business and technology, The Innovator's Dilemma by Clayton M. Christensen remains a seminal work that continues to challenge conventional wisdom on innovation and corporate success. First published in 1997 and reissued in 2024 with a foreword by Marc Benioff, cofounder and CEO of Salesforce, the book examines the paradoxical relationship between established firms and groundbreaking technologies. Christensen's central thesis—that the very management practices enabling companies to become industry leaders may also contribute to their decline when faced with disruptive innovation—remains as relevant today as it was nearly three decades ago.

The 2024 edition of The Innovator's Dilemma not only reaffirms Christensen's original insights but also incorporates new case studies and analyses that reflect the rapid technological advancements and market shifts of the 21st century. This review examines the key concepts and themes in the updated work and critically analyzes the applicability of Christensen's conclusions to Germany and Europe, particularly in relation to established management theories such as the Upper Echelons Theory.

The Innovator's Dilemma examines why successful companies, despite their market leadership, frequently fail in the face of disruptive innovations. Christensen argues that such technologies are typically simple at first and target small, overlooked markets that established firms tend to neglect. He highlights the fundamental differences between emerging technology-driven markets and traditional ones, which incumbents frequently misjudge. Christensen emphasises that a culture of risk aversion and intolerance for failure hampers innovation within large corporations, while slow, difficult decision-making processes are exacerbated by limited information about disruptive technologies. He further contends that conventional marketing strategies are poorly suited to disruptive innovations. . The core dilemma is that successful companies have little incentive to abandon established technologies in favor of disruptive (initially inferior) innovations, a reluctance that can ultimately lead to their downfall. Firms that remain committed to their existing customer base and market structures risk being overtaken by disruptive technologies. Echoing this perspective, Marc Benioff in his foreword stresses the need to challenge traditional business models, move beyond conventional business strategies, and embrace new technologies and

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shifting market demands.

Christensen's research approach is based on the systematic examination of real-world cases from economic history, from which he derives general principles to develop a comprehensive theory. He employs an empirical research methodology to formulate his theory of disruptive innovation, incorporating several key components. First, he analyzes historical case studies, examining various examples from economic history (e.g. IBM, Honda) to identify patterns in the failure of established firms. This is followed by a pattern recognition process, through which Christensen identifies recurring trends associated with corporate failure in the face of specific innovations. Selected companies are then examined in greater depth to uncover the underlying causes of their decline. Building on these observations, Christensen develops further theoretical concepts.

The theoretical foundations of his work rest on several key principles that explain the dynamics of innovation and market development. Central to his framework is the S-curve of innovation, which illustrates how new technologies initially grow slowly, then accelerate exponentially before reaching saturation. Christensen distinguishes between sustaining innovations, which enhance existing products, and disruptive innovations, which create new markets or replace established ones. Disruption occurs in two forms: low-end disruption, offering simpler, cheaper solutions for price-sensitive customers, and new- market disruption, which establishes entirely new markets.

Like Phelan (1999) on dynamic capabilities, Christensen links the challenges of disruptive innovation to organizational capabilities, emphasizing processes and values as key factors shaping managerial and employee innovation priorities. While he places greater emphasis on organizational processes and systems, Christensen also addresses the role of management, arguing that leadership style and managerial decision- making are critical determinants of a firm's ability to navigate disruptive innovation successfully. Recent research has further explored the relationship between managerial personality traits (such as risk aversion) and corporate success in the context of innovation (e.g., Benischke et al., 2019; Cain et al., 2014; Gordon et al., 2021). Moreover, the nature of leadership, as highlighted by Christensen, has been extensively studied in relation to innovation outcomes (e.g., Chen et al., 2022; Hauck & Prügl, 2015).

In contrast to prevailing Upper Echelons Theory approaches (Hambrick & Mason, 1984), Christensen largely downplays the impact of individual managerial characteristics on innovation outcomes. At the same time, he suggests that, while management is responsible for the efficient allocation of resources and thereby plays a pivotal role in steering innovation, the workforce remains ultimately responsible for implementation. In this respect, Christensen does not directly contradict Upper Echelons Theory but instead provides complementary insights.

Like many recent studies (e.g., Lertpiromsuk et al., 2024), Christensen identifies organizational culture as a key lever influencing corporate innovation. He demonstrates that established organizational values and decision-making processes in incumbent firms often impede radical innovations, partly due to a reliance on existing knowledge and familiar sources of information. Radical innovations, Christensen argues, often introduce discontinuities in knowledge, rendering previously relied-upon knowledge bases obsolete in new technological and market contexts. Building on concepts like ambidexterity (O'Reilly & Tushman, 2008) this review encourages further research on the interplay between managerial decisions and organizational structures.

Christensen differentiates between firms threatened by disruption and those driving it, often focusing on small businesses while overlooking the innovation potential of large corporations. Examples include, Aldi, which has restructured the traditional business model of the grocery retail sector, and Siemens, which has established the open innovation program Siemens Dynamo and its own disruption unit. This retrospective approach, also criticized by Blank (2014), may underestimate the adaptability of incumbents. Nevertheless, even backward-looking studies on innovation factors can provide valuable predictive insights. A key limitation of Christensen's work in the context of European and, more specifically, German, firms lies in his predominant focus on the United States and Asia. While his theories regarding large, established firms can, to some extent, be applied to other economies, they do not explicitly account for companies operating in structurally, culturally, and regulatorily different regions. For international practitioners, it is therefore essential to reinterpret Christensen's insights in light of factors such as corporate governance and data protection regulations. While Christensen's latest edition does touch upon emerging technologies such as artificial intelligence, blockchain, and digital platforms, it does not provide a detailed analysis of the regulatory and privacy differences between the US, Asia, and Europe, which significantly shape innovation behavior.

Moreover, Christensen places limited emphasis on industrial goods and service providers, concentrating predominantly on technology and IT firms. This focus also applies to his conceptualization of disruption. When analyzing German firms and their innovation strategies, this sectoral emphasis may limit the applicability and generalizability of his theories. In 2024, the manufacturing sector contributed 19.7% of Germany's total gross value added, maintaining a traditionally greater significance than in other major EU economies (Statistisches Bundesamt, 2025). The omission of this economic sector constrains the direct transferability of Christensen's findings. This limitation is not unique to Germany but extends to other

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economies with strong manufacturing industries, where Christensen's framework may require adaptation to reflect the sector- specific characteristics. Integrating case studies from these industries could enhance the model's applicability.

Despite these limitations in applying Christensen's work to different economies, the Oslo Manual 2018 by OECD/ Eurostat (2024)—used to assess the innovation success of German firms and incorporates several aspects of The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail (1997)—demonstrates the continued relevance of Christensen's ideas for contemporary innovation research.

In summary, even in its updated 2024 edition, Clayton M. Christensen's The Innovator's Dilemma remains a foundational work for understanding innovation dynamics and the challenge established firms face in times of change. Limitations are evident in the areas of country-specific differences, diverse industries, and managerial roles in innovation. Recognizing global shifts (e.g., COVID-19, artificial intelligence, and geopolitical tensions) is crucial, as disruption is driven not only by technological innovation but also by external shocks and societal changes. This underscores the ongoing relevance of the theory of disruptive innovation in understanding contemporary technological and economic challenges.

Conflict of interest:

The author declare no conflict of interest.

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