Disruptive innovation through a dynamic capabilities lens: an exploration of the auto component sector in India

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Abstract: Innovation has gained momentum for the development; spread; and survival of auto industrial firms in India. In this paper; we study the less-explored aspect of organisational response focusing on discontinuous innovation. The Indian auto sector requires a tool for long-term market dominance; particularly owing to the rapid change in the business environment. This can be achieved through a special kind of discontinuous innovation known as disruptive innovation (DI). We further affirm how developing DI is facilitated by the firm's dynamic capability (DC); to substantiate our claims; we develop and utilise a survey instrument to test a hypothesised model with responses from various firms affiliated with the Indian auto component industry. Our findings confirm the positive roles of DC and research and development (R&D) expenditure as antecedents to DI. We further conduct exploratory analysis to study factors such as R&D and environmental turbulence as moderators of the DC-DI relationship. We offer the following contributions: the operationalisation of DC and DI for the Indian context, a sector specific study and critical results pertaining to moderating role of R&D and environmental turbulence on the positive DC-DI relationship.

Keywords: dynamic capability; disruptive innovation; automotive sector; emerging economy; Indian economic liberalisation.

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1 Introduction

"Developing countries are ideal target markets for disruptive technologies…business models that are forged in low-income markets travel well; that is, they can be profitably applied in more places than models defined in high income markets." [Hart and Christensen (2002), pp.52]