



# RESPONDING TO DISRUPTIVE INNOVATION: A STUDY ON HOW AND WHY STAFFING AND RECRUITMENT AGENCIES RESPOND TO DISRUPTIVE



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# How and why established recruitment agencies respond to disruptors in their industry.

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Major: New business and entrepreneurship

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Date: 26 October 2017



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## **Preface and acknowledgments**

Writing my Master thesis means the end of a study, which I rather describe as journey that gave me unforgettable moments, without wearing a camera.

When I decided to take off, with the Part-time Master of Business Administration at Rotterdam School of Management, Erasmus University (RSM), I was motivated for several reasons. At first the honour and acknowledgment of a Master degree. More important did I expect to be challenged again, by other influencers than the company I had started 16 months earlier. Like most journeys I faced unexpected surprises, mostly in positive way and always were I learned, on professional and personal level. With finishing my Master thesis, I leave the RSM and will look forward enjoying everything and everybody to which I have been introduced.

This Master thesis is a result of a long process, in which I was accompanied by many who supported me during this period. Therefore, I would like to thank my thesis coach Dr. F. Jaspers, for his flexibility, useful feedback, professional communication and challenging me on the way. I would also like to thank Dr. R. Olie, who provided me with useful comments and critical feedback. Another thank you goes to M. Dirks, my friends and family who have supported me from the side line.



## Abstract

You are 'running scared' for being the next one disrupted, or belong to the others who explore the opportunities of how to become the next Netflix or Airbnb. 'Disruptive innovation' is worldwide discussed by senior management, professionals and entrepreneurs, and the term continues to grow in popularity due the impact on industries, businesses and our daily lives (Chafkin & Newcomer, 2016; Sujata, et al., 2015).

Its definition was first introduced by Clayton Christensen in 1997 (Christensen & Raynor). Its meaning originated from the 'hard-disk' industry and was initially used for describing a type of technology (Christensen C. M., *The Innovator's Dilemma*, 1997). Nowadays, many products, services and business models are considered to be disruptive (Yu & Hang, *A Reflective Review of Disruptive Innovation Theory*, 2010).

Its meaning scares, due its 'surprise factor'; disruptive innovations could exist for long and not be noticed, until they start overtaking your business rapidly (Christensen, Raynor, & McDonald, *What Is Disruptive Innovation*, 2015).

Therefore, disruptive innovations gained huge interest from students and professors as well. They attempt to discover its actual meaning and find ways to respond, in order to prevent existing businesses from being overtaken unexpectedly. However, in a recent article from Christensen (2015) it is argued that theories on response strategies do exist, but are often generic and remain elusive. Existing strategies mostly relate to a generic perspective, such as its type; product, service or business model.

Markides et al. (2003) developed a model which tends to explain how companies respond to strategic disruptive innovations; business models. Their theory explains how response strategies depend on a companies' 'ability' and 'motivation' to respond. Fewer knowledge is gained on response strategies for particular industries. Especially within the service sector, even though it is considered the most dominant economic sector worldwide World bank (2014). Due its economic relevance, staffing and recruitment agencies are chosen for this study. The recruitment industry faces disruptive innovations increasingly and is expected to face huge impact from it (Deloitte, 2012).

Therefore, this study develops theory, based on Markides model (2003), on how and why established staffing and recruitment agencies can respond to disruptors in their industry. It is found that the suggested moderator 'motivation' (Charitou & Markides, 2003) should be replaced by market 'awareness' in order to predict response strategies based on a company's 'ability'. Also, it was discovered that 'company size' influences the adoption and embracement of innovations. Large companies adopt innovations more often.

Further research is advised with the suggested conceptual- and alternative model, to validate its generalizability and applicability outside of staffing and recruitment agencies.



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# 1. Introduction

In this chapter, the motive for the thesis is outlined, followed by an introduction of the problem definition and related research questions. The practical and academic relevance, followed by the structure of this thesis close this chapter.

## 1.1. Motive

WhatsApp was founded in 2009 and sold to Facebook for 19 billion 7 years later. In between, it was capable of distributing its service to one billion active users in 180 countries. (CNBC, 2015; Business Insider UK, 2015; Independent, 2015; Bloomberg, 2016). Another fast growing and internationalizing company, named Airbnb, facilitates home sharing through an online platform since 2008 and celebrated their 100 millionth guest on July 11, 2015. Nowadays, its 'room inventory' overrates the Hilton, Marriot and InterContinental together and its value is worth +30% compared to the Hilton hotel chain (Chafkin & Newcomer, 2016). Besides their fast growth and internationalization, this type of companies seems to shake the market. Due Uber, a well know app to get somewhere cheap and convenient by car, the yellow cab drivers in New York saw their average of 440.000 taxi trips per day, drop down with 20% in 2015 (Schneider, 2016). In between 2012 and 2020, telecom service WhatsApp, makes telecom operators face a strong decrease of revenue in messaging (+/- 19,7%) and voice (17,6%) (Sujata, et al., 2015).

They are named 'born globals' (BGs) or 'international new ventures' (INVs). Its definition refers to their rapid international expansion (Canonne & Ughetto, 2013) (Hennart, 2013). Their growth is recognized, as especially service companies used to face barriers for internationalization, due the intangible, perishable and poor replicability aspect of services (Javalgi & Martin, 2007). BGs seem to overcome these barriers through digitization (Grönroos, Internationalization strategies for services: a retrospective, 2016).

However, digitization only, doesn't explain mass success in terms of gaining new customers and market share rapidly. These companies do offer something radically different from what was previously available and improves the lives of its users significantly.

New processes, products or services that challenge existing practise and distances from what currently exists, often follow from innovation. Baregheh et al. explains the term innovation as a multi stage process which is transforming ideas into new or improved products, services or processes with the aim to successfully advance (when it considers process innovation) and compete or differentiate from what exists (Bargheh, Rowley, & Sambrook, 2009).

The above described companies have a similarity to Christensen's theory of 'disruptive innovation', which was introduced in 1995. He described the idea as "a process whereby a smaller company with fewer resources is able to successfully challenge established incumbent businesses, by targeting overlooked segments and gaining foothold by delivering more-



suitable functionality frequently at a lower price”, while existing customers of incumbents, often consider these innovations inferior from the start. Disruptive companies are also recognized by their business models, as they often differ from incumbents (Christensen, Raynor, & McDonald, What Is Disruptive Innovation, 2015). An example is the company Netflix, which started as a mail order company for DVD's in 1997. Its service was picked up by the early adopters of online shopping, but was considered inferior for most customers of movie rental stations. Nowadays Netflix engages mainstream customers from former incumbents as 'Blockbuster' worldwide with their online streaming offering. (Investopedia, 2015; Christensen, Raynor, & McDonald, What Is Disruptive Innovation, 2015; Satell, 2014). Compared to disruptive innovations as the cellular phone, mini computer and discount retailers, as defined by Christensen (Christensen C. M., Key Concepts, sd), Netflix is a clear example of a disruptive innovation in the service sector.

More companies are becoming service providers and industries transform to service industries (Grönroos, Internationalization strategies for services, 1999). According to World Bank (2014), service companies represent the dominant economic sector in terms of employment for developed and emerging economies, and account for close to 66% of the worlds' output. The United States service sector alone counts for 80% of worldwide employment (Javalgi & Martin, 2007). Due increasing competitiveness on local and global scale, manufacturers are switching their focus on product differentiation more to service differentiation. Services enable them to develop competitive advantage and add value, compared to the more transparent and price driven markets pure manufacturers act in (Javalgi & Martin, 2007; Grönroos, Internationalization strategies for services, 1999).

The recruitment industry is part of the service sector and currently faces disruption based on research by Deloitte (2012). The recruitment industry is considered one of the industries that faces disruption and will have enormous impact (Deloitte, 2012). The Netherlands only indicates to have 12.800 companies operating as staffing and recruitment agency (Centraal Bureau voor de Statistiek, 2017). As BGs and their disruptive innovations proven to have significant impact on incumbent's markets by influencing their performance in these markets negatively, it is relevant to question what response strategies companies can consider. In the past two decades literature on disruptive innovations was enriched and so is knowledge on response strategies. However, research seems to be limited when both subjects are related to the service industry. Therefore, this thesis will have the purpose to build theory on how and why established staffing and recruitment agencies can respond to the development of rapidly growing disruptive competitors.



## **1.2. Problem definition and research questions**

How and why can established recruitment agencies respond to disruptive 'born globals' in their industry?

1. What is disruptive innovation?
2. In what service industries do disruptive innovations prove to have significant impact on the performance of established service companies?
3. In what service industries do born global disruptors occur?
4. How and why do staffing and recruitment companies respond to these born global disruptors?

## **1.3. Academic relevance**

Disruptive innovation has gained huge popularity among students, professors and business managers in the past two decades. Even though some argue its validity (King & Baatartogtokh, How Useful Is the Theory of Disruptive Innovation?, 2015) and others find the theory is often incorrectly interpreted (Christensen, Raynor, & McDonald, What Is Disruptive Innovation, 2015). Due its popularity as well its impact on businesses worldwide it is relevant to discover what definition of disruptive innovation can be considered valid as starting point for further research (Christensen C. M., Key Concepts, sd; Satell, 2014; Investopedia, 2015).

Secondly, theories on response strategies have been developed, but are generic and remain elusive according to Christensen et al. (2015) and are gener. This research tries to enrich existing findings on response strategies by gathering information on industry level.

## **1.4. Practical relevance**

During the introduction of this thesis it was outlined how disruptive innovations impact industries and the established companies within. Established companies are hurt in their market share, revenue streams and net results. Compared to competitors in the field, most established companies are surprised by the speed and exact impact of disruptive innovations. Companies often didn't see it coming. In the case of Netflix, it was Blockbusters that turned down a partnership with Netflix 10 years before it filed bankruptcy due Netflix. It wasn't able to foresee the future development of its industry influenced by technical innovations. By building theory on a 'respond strategy' this research might offer practical insight for established service companies on how to respond to disruptive innovations in their industry.



## **2.Theory**

In this chapter the theory is outlined. The concepts 'disruptive innovation', 'the established service company' and 'born globals' are described. This chapter as well answers the first three research questions and explains what is left to be researched in order to answer the main research question.

### **2.1. Disruptive innovation**

In its book 'The Innovators Dilemma' (1997), Christensen introduced the term 'disruptive innovation'. He explained how disruptive technology transformed entire industries and erased incumbents in some industries who often didn't foresee (Sampere, Bienenstock, & Zuckerman, 2016). The theory and its impact gained huge interest from academia, made it spread among students, professors, business owners and managers worldwide and revealed new management practises over the past two decades (King & Baatartogtokh, How Useful Is the Theory of Disruptive Innovation?, 2015; Yu & Hang, A Reflective review of Disruptive Innovation Theory, 2010).

Of course, the theory found criticism as well. According the King et al. (2015) the validity and generalizability for the theory was rarely tested in academic literature. Based on their research, the 77 cases used by Christensen to describe disruptive innovation, only partly match the core principals of disruptive innovation which were described by him initially. According to Christensen et al. (2015) its core principals faded among many, due the intensive usages of the term in cases where often its actual meaning didn't apply. In order to define the term disruptive innovation and its core understanding, literature was studied and a definition for the purpose of this thesis is extracted.

#### **2.1.1. Definitions from literature**

Christensen et al. (2015) recently published an article with the title "what is disruptive innovation" to lead back to its core principals, and after almost 20 years, enrich it initial understanding with the development of the theory. Citing their understanding "disruption describes a process whereby a smaller company with fewer resources is able to successfully challenge established incumbent business". Others view disruption as a way to influence market dynamics. According to Yu and Hang (2010) "disruptive innovation is a powerful means of broadening and developing new markets and providing new functionality, which, in turn, may disrupt existing market linkages. Zuckerman's (2016) perspective on the core insight of the theory is explained as "the theory of the unexpectedly bridgeable chasm". In essence Zuckerman explains that the theory describes how niche market players become mass market players due the change of customer needs over time. From this perspective, it's not disruptors influencing if disruption occurs, but mainstream customers who change their needs over time.



Nagy et al. (2016) argue most definitions of disruptive innovation are related to market characteristics. By their understanding, definitions depend on external factors instead of intrinsic aspects and therefore create confusion. In their research, they refer back to general innovation characteristics that have potential to change markets. “an innovation that changes the performance metrics, or consumer expectations, of a market by providing radically new functionality, discontinuous technical standards, or new forms of ownership”. Dan et al. (2010) explain what is considered ‘disruptive innovation’, in general, depends from its perspective. In their example Dell switched from sales by email and phone to sales through the internet. For Dell it was considered a sustainable innovation. To its competitors, as IBM, HP and Compaq it was considered a disruptive innovation. A second example was found in the Apple’s iPhone, as it was considered a sustainable innovation in the smartphone market, but turned out to be a disruptive innovation in the laptop market as well (Christensen, Raynor, & McDonald, What is disruptive innovation?, 2015)

## **2.2. Characteristics of disruptive innovation**

Disruptive innovations have several characteristics which distinguishes them from other types of innovation. Four characteristics are discussed.

### **2.2.1. Products, services and business models**

Disruptive innovations can be products, services and business models. Christensen initially used the term ‘disruptive’ to describe a type of technology (Christensen C. M., The Innovator’s Dilemma, 1997). Later on, he as well others (Yu & Hang, A Reflective review of Disruptive Innovation Theory, 2010), explained how also services and business models can be disruptive (Markides, Disruptive Innovation: In Need of Better Theory, 2006). According to Markides (2006) they are considered three different types of disruptive innovation and should be treated distinctively.

### **2.2.2. The underperforming part**

Initially all disruptive innovations underperform, compared to what mainstream customers value from incumbents’ products and services (Schmidt & Druehl, 2008; Christensen, Raynor, & McDonald, What is disruptive innovation?, 2015; Yu & Hang, A Reflective review of Disruptive Innovation Theory, 2010).

Disruptive innovations are valued for their simplicity in use and convenience at lower cost (Schmidt & Druehl, 2008). Adner (2002) argues customers switch from the ‘old product’ to its disruptive substitute, as the price advantage and new values make up for the inferior aspect (Adner, 2002).



### **2.2.3. Low-end and new-markets**

The underperforming part leads disruptive innovations to the low-end foothold of established markets. According to most literature nowadays, disruption originates in either the low-end foothold of established markets but could appear in new-markets as well (Christensen, Raynor, & McDonald, What is disruptive innovation?, 2015).

Low-end markets are considered the overlooked markets by incumbents, due their focus on existing customers and improving through sustainable innovation to continues serve these customers even better. When spoken of low-end disruption it refers to disruptive innovations appearing in low-end footholds of existing markets (Schmidt & Druehl, 2008; Yu & Hang, A Reflective review of Disruptive Innovation Theory, 2010; Christensen, Raynor, & McDonald, What is disruptive innovation?, 2015).

New-market footholds are markets where non-consumers have turned into consumers. Schmidt et al. further differ new-market disruption in between fringe-market and detached market. The difference appears from customers' needs. Within a fringe-market customer's needs are incrementally different, compared to their needs in a detached market. Schmidt et al. refer to the (Morey, Theoharakis, & Madden, 2012) phone ('detached') as example, which created a new market and initially was adopted by business users only. As we experience nowadays the cell phone has radically changed how and when we communicate, compared to its predecessor (Morey, Theoharakis, & Madden, 2012).

Additionally, Govindarajan et al. (2006) claim the cell phone was an example of high-end disruption. High-end disruption was never acknowledged by Christensen. However, Govindarajan et al. support its distinction due the higher-price level of the cell phone upon market introduction.

### **2.2.4. It is a process**

Disruption is a process and consists of four steps (Christensen, Raynor, & McDonald, What Is Disruptive Innovation, 2015). At first, new entrants challenge the incumbents with an inferior alternative (1). Initially the incumbents do not respond (2) as they don't face actual damage yet and are focussed on gaining higher profitability from their existing customer base.

After a while new entrants move up to the mainstream market (3) as their product or service develops and fulfils the needs of mainstream customers, while it holds the advantages that got them attracted to the early adopters in the first place. According to Christensen et al. disruption occurs (4) as soon as mainstream customers start adopting the disruptive innovation in volume.

Opinions are divided when it comes to defining when disruption actually occurs. Dan et al. explain one could speak of disruption when the disruptive product or service actually replaced its predecessor in the mainstream market.



When taken 'outlet stores' as example, it might be noticed mainstream customers have adopted it, but brand- and flagship stores still exist. Compared to Christensen's explanation, disruption hasn't occurred yet by the definition of Dan et al.

The speed of disruption depends and is related to the moment encroachments starts. Encroachment is understood as the process where the new products starts to take sales from the old product (Schmidt & Druehl, 2008). According to Schmidt et al. encroachments starts immediately with low-end disruptions, whether encroachment of new-market disruptions only starts after the new-market was opened. Referring back to the cell phone, it initially created a new market for business users and didn't influence the market for landlines at all. However, not many years later, cell phones slowly took over the market from landline phones, as it was adopted by students and old adults (Morey, Theoharakis, & Madden, 2012) (Nagy, Schuessler, & Dubinsky, 2016). Nowadays, generations 'Y' and 'Z', moving into their new homes consider their cell phone as main phone and mostly do not adopt de landline phone anymore (Schmidt & Druehl, 2008).

The speed of disruption is as well influenced by other factors. Cost on production and related product-pricing could speed-up as well slow-down the process. For example, new technologies which often develop fast, do also lose their value fast as their improved replacement is expected shortly. Also does the speed of product development influence the speed of disruption. The improvement of disruptive products influences the adoption of the product by mainstream customers and (Schmidt & Druehl, 2008).

The overlapping aspect of all understandings is that disruption is not happening overnight but is considered a process, as Christensen described. It might happen fast, it might still be in progress or it might never actually happen, depending on what disruptive innovations and markets one refers to (Christensen, Raynor, & McDonald, What is disruptive innovation?, 2015) (Yu & Hang, A Reflective review of Disruptive Innovation Theory, 2010).

#### **2.2.5. What 'disruptive innovation' is not**

As the theory developed misunderstandings appear. Christensen initially compared sustainable innovation with disruptive innovation in order to clearly distinct. Explained by Christensen, 'sustainable innovation' is making good products better, where 'disruptive innovation' offers an underperforming alternative in the first stage of its development. Sustainable innovation should be considered the counterpart.

Secondly, in the examples where disruptive innovations where mentioned, they mostly replaced the incumbent's business completely. However, this is not the case in all circumstances. Often incumbents survive by focussing on its most demanding and less price sensitive customers.



At last, compared to radical innovations, disruptive innovations are not destructive to existing solutions from the start. They start in the low-end with low price, and over time reach the customer needs of mainstream customers. Therefore, radical innovations cannot be assumed to be disruptive in general.

#### **2.2.6. Disruptors**

Disruptors can be small and large companies (Yu & Hang, A Reflective review of Disruptive Innovation Theory, 2010; Christensen, Raynor, & McDonald, What is disruptive innovation?, 2015). Christensen refers to small or smaller companies when speaking of the ones initiating disruption. In literature, generally speaking, disruptive innovations are considered to be initiated by new entrants. Its prejudice leads back to the initial comparison where Christensen compared innovation performance in between incumbents and new entrants; it was where new entrants who were outperforming incumbents on disruptive innovation, while they underperformed on sustaining innovation (Christensen, Raynor, & McDonald, What is disruptive innovation?, 2015).

However, it was discovered large companies develop disruptive innovations and can be new entrants. Apple is a good example of an incumbent in the market for personal computers, but is considered a new entrant and disruptor in the music industry with the introduction of the iTunes platform.

#### **2.3. The definition of ‘disruptive innovation’**

So far, we learned disruptive innovations are often found by small(er) companies, compared to the size of incumbents, or new entrants. They occur in technology, products, services and business models, and have the underperforming part in common, when compared to the incumbent’s counterpart. Their advantages contain simplicity and more convenience at lower cost, and are adopted by previous non-consumers or consumers in the low-end foothold of existing markets. Disruptive innovations are generally considered to be noticed difficultly. Disrupting is considered a process and most innovations are only noticed at the end of the process, when actual damage is done to incumbent’s markets. Opinions are divided when it comes to defining disruptive innovations and successful disruptors. The similarity in all explanations is that disruptive innovations made actual impact due the adoption of mainstream customers and thereby damaged the incumbent’s business.

*Disruptive innovation* - Based on the findings in this research we define disruptive innovations as; “An inferior product, service or business model, first launched in a low-end market, or new-market foothold, offering early adopters a simpler, more convenient and lower priced solution, when compared to its incumbent counterpart.”



*Disruptor* - In literature often was referred to small companies, smaller companies or new entrants. In this thesis, all three segments have been left out for the definition of disruptors. At first it was discovered large companies could disrupt as well, referring back to Apple with iTunes. The term ‘new entrants’ imply companies in an existing market have no capability or intention to disrupt. However, in literature no findings were discovered which support this. In this research disruptors are considered to be; “companies which target the overlooked customer segments in low-end or new-markets with products, services or business models that fit the description of disruptive innovations.”

*Disruption* - Opinions are divided when it comes to acknowledging disruption has occurred. For this thesis, we quote the definition provided by Christensen et al. (2015) in their most recent article “what is disruption”, with the reference to ‘smaller companies’ left out; “Disruption describes a process whereby a company with fewer resources is able to successfully challenge established incumbent business.”



Figure 1: disruptors versus incumbents.

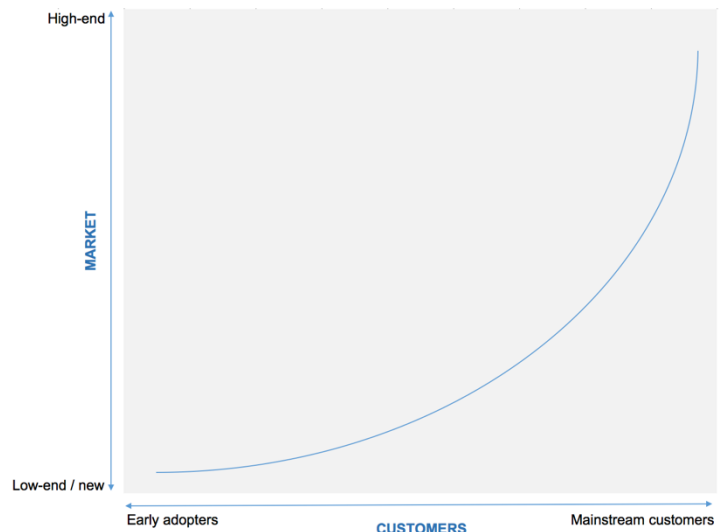


Figure 2: process of disruption.

## 2.4. Disruption in the service industry by ‘Born globals’

This paragraph answers the second and third research question. It will further explain the service industry and gain understanding of ‘born globals’. The paragraph ends with examples of born global disruptors in the service sector.



#### **2.4.1. The service sector**

According to World Bank (2014), service companies represent the dominant economic sector in terms of employment for developed and emerging economies, and account for close to 66% of the worlds' output.

More companies are becoming service providers and industries transform to service industries (Grönroos, Internationalization strategies for services, 1999). Due increasing competitiveness on local and global scale, manufacturers are switching their focus on product differentiation more to service differentiation (Javalgi & Martin, 2007) (Grönroos, Internationalization strategies for services, 1999).

Manufacturers adopting services to their portfolio and actual 'output', might confuse the understanding of what is considered a service company. Initially the word 'service industry' differed the industry from manufacturers. According to Silvestro and Johnston (1990) organisations within the service industry "do things for you. They don't make things" (Johns, 1997). As well do organisations exist that provide services that serve the needs of society and are publically owned (Johns, 1997), but therefore cannot be compared to manufacturers or privately-owned service companies.

In order to define 'service company', the characteristics of a service are described. First of all, services are 'intangible'. Something untouchable and unable to feel (Javalgi & Martin, 2007; Johns, 1997). Note that services can consider tangible parts. As for example a bar that 'serves' drinks. In this case the drinks are tangible, the 'service' isn't. On the other end tangible products might come with intangible services. As for example the warranty or service contract provided with the washing machine.

Another aspect of services is its 'inseparability'. The customer or 'consumer' is part of the 'delivery' or 'production' process. As a result, services are often delivered the same time as they are consumed. Referring back to previous given example, the drink is only consumed after it was produced, while the 'serving' was 'consumed' during its 'production'.

As well are services considered to be 'perishable'. Something a company or institution can't hold inventory on. Back to the Bar; the bar might have employees that could potentially do an amount of servings within a given timeframe, but it can't stock 'servings' like it can with coca cola cans (Javalgi & Martin, 2007).

At last services are considered 'heterogeneous' as services often can't be reproduced identical, or consumers at least don't experience it similar to other consumers. Their experience, by others (Johns, 1997) also referred to as 'service quality', should be seen from providers view as well from consumers view.

In the example of the Bar, all named aspects could easily be explained. In the world of digitization platforms as Airbnb.com might lead to confusion for the understanding of what is considered to be production or a service company.



To begin with last named aspect, as the service is provided by a software, read; coded, platform, the reproduction of the service can be identical for 100%, from at least the 'providers view'. Similar to its perishability. It doesn't actual stock its services, but the technology does offer the same benefits of stock: delivering at any given moment in any given quantity. However, the aspects 'intangibility' and 'inseparability' keep up. The platform might be considered tangible, but should be compared with the waiter or waitress serving the drink. As well its functionality cannot be experienced unless you take part in the process.

Defining a service company, for at least the understanding in this thesis, it is described as:

*a privately-owned entity which's core business is providing a service. Services are understood as performances delivered to whom consumes and takes part of the delivery process, while most of its features are experienced to be intangible from the provider's view.* Services companies are often known as locally produced solutions and therefore their producing firms as local establishments. However, services companies have become more international and can grow big (Grönroos, Internationalization strategies for services, 1999).

#### **2.4.2. Born globals**

The globalization of the world economy during the 1990's and its continues development in the recent millennium have increased the possibilities for marketing services abroad and are now the fastest growing part of international trade (Grönroos, Internationalization strategies for services, 1999).

First of all, liberalization and the removal of economic and political barriers as the establishment of the World Trade Organization, NAFTA, GATT (1993) and the European Union have positively influenced internationalization by enterprises (Rammal H., Rose, E., 2014).

Secondly, telecommunications technologies lowered the barriers of trading services over national borders to customers in foreign markets (Javalgi & Martin, 2007). Internet has opened access to information worldwide. Consumers and companies can have access to services on a global scale through this channel. Not only does information technology reduce communication costs, it also enables information-intensive services to unbundle its production and consumption which influences its tradability positively. Services considered non-tradable in the past are traded worldwide nowadays due information technology as enabler (Primo Braga, 1996).

Service companies increase in their international presence and overcome (previous) barriers through digitization (Grönroos, Internationalization strategies for services: a retrospective, 2016). With that, the definition of born globals (BGs) rised-up. It refers to companies who rapidly expand international.



In literature BGs, also named as international new ventures (INVs) and global start-ups (GSUs), are described as new enterprises that started their foreign activities within 3 years of their inception and gain a significant part of their revenue outside their domestic market (Canonne & Ughetto, 2013) (Hennart, 2013).

Literature explains their early international expansion and performance is related to several aspects. Even though BGs regularly seem to take the conventional steps in the internationalization process (Hennart, 2013), BGs seem to proceed through the process in a much shorter time and early stage of their firm development.

First of all, business environments become more attractive for expanding abroad, due globalization and homogenization of buyers' preferences, technological development and international (trade) agreements.

Although the environment supports internationalization, not all companies operate outside their domestic country and one may assume therefore other (internal) factors have a stronger influence. Gerschewski et al. researched performance drivers of BGs from the resource based view (RBV) and network perspective, and defined companies' main drivers to be; international performance, understanding financial performance, operational performance and perceived success. International entrepreneurial orientation of BGs management, considering a global vision, pro-activeness, innovativeness and perseverance, significantly influences the international performance of BGs as well.

Another relevant aspect is BGs company culture. An innovative company culture facilitates environments to develop knowledge, which is unique and inimitable, and lead to organizational capabilities and unique innovative products/services.

As well does the quality of products and service matter. They are considered preconditions for expanding abroad, also characterized as one of the strongest performance influencers. Both relate to early internationalization and as well superior performance in international markets (Knight & Cavusgil, 2010).

At last, does Hennart (2013) refer to the BGs' business model. In contrast with above theories Hennart (2013) argues the BGs business model is the strongest influencer of the internationalization of BGs. They have a unique and mostly knowledge intensive and quality niche product or service to sell, sold in a particular way, through low cost communication and delivery methods (Hennart, 2013). Even though, Hennart (2013) views BGs internationalization performance drivers from a different angle, overlay in these theories can be found in the need for a quality product and BGs adaption of technological advancement for developing, communicating and distributing their products or services to their customers (Hennart, 2013).



Aside from Hennarts, limited research is found on to the role of business models in internationalization, and therefore how it influences the international performance of BGs as well non-BGs.

### **2.4.3. Disruptive Innovations by ‘born globals’ in the service sector**

As the concepts for ‘services companies’ and BGs’ have been described, this paragraph follows with examples that fit their descriptions in a variety of industries. It also provides insight on the impact those disruptive innovations have towards their industry and industry leaders (incumbents).

#### ***Radio***

Many of us listen to the radio, at home, in our cars or at the office. The first radio broadcast was a weather forecast, in morse code, on 9XM in 1916 (Wikipedia, 2017). Nowadays, the US only, counts for 10.927 radio stations (Statista, sd).

The rise of internet usage enabled providers to offer radio services online. Pandora is a platform based service, providing personalized radio through the internet (Choudhary & Muralidharan, 2014). It was launched in 2000, but actually started providing their services to the public 5 years later. It was accessible to internet users only (*new market*), offered a more convenient solution (*less advertising and more personalized radio*) and was similar priced at \$0, - when it started. Within *two years* it had paid customers in in the United States and Europe. In 2007 the companies’ revenue was counting 14.3 million and developed within 10 years to almost 1.4 billion (Statista, sd). Even though over-the-air radio still has the largest market share overall, Pandora is considered to be today’s market leader in the United States with 81 million active users (Statista, sd). In line with the characteristics of disruptive innovations, companies as Pandora and Spotify are harder to compete with due their business models. They earn most of their revenue through subscription fees and differ from over-the-air radio stations.

#### ***Hospitality***

Hospitality, refers back to Hospice, which is French for “taking care of others”. Worldwide Hotels, Motels and Bed & Breakfast initiatives take care of travellers, with hotel chains as InterContinental, Hilton and Marriott International as their markets incumbents. Its worldwide retail value is estimated 493,76 billion, with 189,5 of it alone in the United States (Statista, sd). In 2008 Airbnb started offering others ‘space’, to whom searched for a ‘place’ to stay. The offerings are made through an online platform. Airbnb is considered disruptive from a business model perspective (Bashir & Verma, 2016). Basically, individuals owning or renting, a house or apartment, are offered the possibility to rent out their place to anyone searching for a place (*low-end foothold*).



Individuals searching for a place are offered a free platform that could accommodate them cheaper, compared to most Hotels (*low priced*), worldwide (*more convenient*). When it was launched in 2008 it had offerings in US only, but they expanded international within three years (*born global*) after their launch. Initially, individuals risked being accommodated in places that didn't match the information provided online (*inferior*). Nowadays its online rating system for 'place'-owners and 'place'-visitors improved the platform and led them into serving 'mainstream' customers as well.

By 2016 Airbnb is active worldwide in over 34.000 cities in 190 countries (Solomon, 2016), overachieving the worldwide offering of 'places to stay' compared to Marriott's 1.1 million rooms (Statista, sd), and has a record valuation of \$24 billion (Bashir & Verma, 2016; Chafkin & Newcomer, 2016).

In terms of impact and according to a report of HVS consulting, Airbnb negatively influenced the logging industry in New York, and New York City economy for an estimated \$2 Billion. Previously it was mentioned how conducted research, limited to the state of Texas, showed how Airbnb negatively influenced the income of lower-end hotels and hotels not serving business travellers, with a causal impact of 8-10% on hotel revenues streams (Zervas, Proserpio, & W. Byers, 2016).

### ***Movie rental***

Movie rental locations previously served us with the latest movies at our home cinema's by renting them at the nearest establishment. As explained previously, Netflix disrupted the industry as soon as online streaming was accessible to mainstream customers. Initially Netflix started shipping DVDs' to customers who ordered them online (*new market foothold*). Its initial DVD offering was limited to 'old' movies and customers had to wait 2-4 business days due shipping time (*inferior*). However, its solution was cheaper and more convenient as it wasn't necessary to leave your home for renting a movie. Within three years after its online streaming service was launched, Netflix provided its service to Canadian citizens in 2010. Since, Netflix has expanded to 190 countries worldwide (*born global*). Blockbusters, which used to be United States largest movie rental company, filed bankruptcy in 2010. Others explain how Netflix, since its online presence (2007), directly influenced the decrease of spending's on buying and renting movies, from 1.2% to 10.3% per year in the United States (Broadband TV News Correspondent, 2016).



## **2.5. Responding to disruptive innovation**

This paragraph starts with explaining why disruptive innovations are often overlooked, how they could be identified and why companies don't respond that have identified disruptive innovations. Preparing for answering the main research question this paragraph ends with outlining the existing knowledge on response strategies.

### **2.5.1 Why they are overlooked**

Companies often overlook disruptive innovations. In the case of Blockbusters, it was Netflix who disrupted the market by its online video streaming service and replaced its incumbent when it filed bankruptcy in 2010. When Netflix founder proposed a collaboration to Blockbuster in 2000, the company didn't consider the option, but most important wasn't foreseeing the potential impact it could have 10 years later. It is one of the examples which imply incumbents don't foresee disruptive counter parts, or acknowledge them only when feasible impact is made.

At first, disruption is considered a process and might take decades. Secondly, disruption appears at the end of the process and mostly because it causes actual damage to incumbent's business at that time (Christensen, Raynor, & McDonald, What is disruptive innovation?, 2015). In the Netflix case, 10 years passed before incumbent Blockbusters experienced its impact.

According to Christensen, incumbents often miss on disruptive innovations due to institutionalized sustainable innovation processes, which complicate initiating disruptive innovation projects.

Another aspect is the return on investment (ROI) established companies are used to gather from sustainable innovation. On sustainable innovation projects companies are often able to predict its ROI, compared to the uncertain ROI on disruptive innovation projects. As well as responsible managers often held responsible for improving the financial results. Investing in disruptive innovation includes a higher risk of failure and worse financial results on the short term (Christensen, Raynor, & McDonald, What is disruptive innovation?, 2015).

Govindarajan and Kopalle (2006) argue in the opposite direction, companies who are willing to cannibalize their business, have higher chance of initiating disruptive innovation (Govindarajan & Kopalle, 2006).

As discussed, disruptive innovations are often overlooked as its feasibility by others occurs mostly at the stage of disruption. Besides, established companies are more likely to focus on improving their service and products towards existing customers, compared to exploring new markets and innovations.



### **2.5.2. How they could be identified**

In order to find disruptive innovations in an early stage, it is discussed how they can be identified. As its primary definition lacks consistency, theories related to its identification should be considered from more perspectives as well. For example, if disruptive innovations evolve by customer expectations and market dynamics, one cannot predict disruption from the innovation's perspective only (Nagy, Schuessler, & Dubinsky, 2016).

Others researched disruptive paths and applied 'reverse development' in order to explain. Based on their findings they tried to formulate theories and models to create predictive value. However, most theories were considered 'confirmatory' compared to 'predictive'. (Nagy, Schuessler, & Dubinsky, 2016). As, by the definition of Christensen, disruption occurs as soon as the disruptor takes over the incumbent. By Christensen, disruption is considered a process and, even though it only occurs at the end, a process has a 'beginning' and therefore should be able to identify (Yu & Hang, A Reflective Review of Disruptive Innovation Theory, 2010).

Some proposed a model with predictive value, but it applied a market instead of a specific organisation. Schmidt (2004) proposed a model to assess if a market is ripe for disruption. He explains, when primary attributes of products are overshoot and secondary attributes are underserved, there will be room for a low-cost product that will sacrifice the primary attributes over the secondary attributes (Schmidt G. , 2004)

Nagy et al. (2016) recently argued that most theories on 'identification' to be confirmatory instead of having any predictive value, or where predictive to markets instead of companies. Complimentary they proposed a three-step model, including the value chain theory.

At first, one should identify an innovation in general and define its 'functionality', 'technical standard' and form of 'ownership'. Secondly, be able to describe its own value chain and designate where in the value chain the innovation is used. Finally, one should compare the functionality, technical standard and form of ownership of the new technology with the existing technology, in order to predict any degree of potential disruption. When new technology affects primary activities, compared to the secondary activities, one should take immediate action (Nagy, Schuessler, & Dubinsky, 2016).

To conclude, based on existing literature only fewer have been able to develop theories with any predictive value. In the case of Nagy et al. it does apply to a company specific. However, in the first step of their model, 'identifying an innovation', it is assumed companies are able to identify innovations. What if ordering DVD's online isn't considered an innovation due the fact one does not have access to the latest movies and should wait three days before one can be watched (Netflix)?



### **2.5.3. Why companies don't respond**

Once a (potential) disruptive innovation is identified, management is left with the challenge to respond. Before describing potential 'defend strategies' from findings in literature, it is relevant to discuss the capabilities of organisations to respond.

At first, capabilities are strongly influenced by internal factors. For example, the willingness and ability to respond of a company might differ. Its ability is internally as well externally influenced.

Secondly, the thoughts of the incumbent's employees and management are often deeply entrenched due to the past years of experience. Foreseeing the potential of disruptive innovations is understandably more difficult if the reference framework is limited to these thoughts (Henderson, 2006). Besides, middle managers are mostly challenged with improving 'what we have today' and have short term incentives to accomplish the related goals. According to Govindarajan and Kopalle (2006) long term goals and incentives would trigger more new opportunities. As well is the position of middle managers considered most vulnerable and are they more likely to operate risk averse to benefit their careers. Founders of 'disruptors', where often more confident to make changes and had the freedom to do so. Employees with personalities more risk taking will be more likely to explore new opportunities and positively influence innovation (Christensen, Raynor, & McDonald, What is disruptive innovation?, 2015). As well, incumbents' have a cost structure which requires to be funded. In general, it is most likely disruptive innovations don't fund these from the start. Management's focus, as well the companies' resources are therefore appointed to its current business. As a result, investments are made to improve 'what is today', at low risk, instead of making long term investments for what can be tomorrow's new main source of income. Also, does the cost structure often not allow to compete with disruptive innovations from a price point, as disruptive innovations are low priced.

Another influencer is company culture. Culture is considered crucial for innovation and companies vary in the way they try to influence innovation through culture. As mentioned previously, deeply entrenched values often disturb innovation processes as they try to challenge the 'status quo'.

Finally, it is the companies structure that influences culture as well processes. It offers guidance and stability for daily operations. But, as with culture, when processes and procedures are deeply entrenched, they might conflict with innovation projects.

Tushman and O'Reilly (2002) therefore introduced the concept of ambidextrous organizations. Meaning, two entities within the same organization operating separately from each other. One exploits existing business (model), while the other explores new opportunities. Due to separation of resources, processes and values, one doesn't interfere with the other.



Senior management would be the only stakeholder in both informal (or formal) entities (Christensen, Raynor, & McDonald, What is disruptive innovation?, 2015).

#### **2.5.4. Responding to disruptive innovations**

Creating ambidextrous organizations has shown how companies increase their innovation projects. However, increasing the level of innovation doesn't foresee or protect companies from disruption in general.

Before one responds to disruptive innovations it should be aware of the differences in between disruptive innovations. According to Christensen's theory disruptors overtake incumbent's business, whereas Markides (2003) explains how disruptive business model innovations' relatively grow fast, gain 10-20% market share, but fail to overtake (Markides, Disruptive Innovation: In Need of Better Theory, 2006).

As disruptive innovations differ, so do their response strategies. Disruptive business models, technological and new-to-the-world product innovations might have equally disruptive effects on incumbent firms, but develop different markets and therefore require a different approach when it comes to responding to them. (Markides, Disruptive Innovation: In Need of Better Theory, 2006).

Responding to disruptive innovations was researched by Markides (2003) and resulted in five key responses.

At first, companies may decide to ignore the innovation. In this case the disruptor might be active in the same industry, but is not considered a threat in the same market. Companies might be active in a niche that doesn't consider the disruptor a threat as the disruptors approach doesn't match the needs of their niche market customers. Secondly, companies might acknowledge the disruptive innovation and decide to respond by investing in their current business, through sustainable innovation. They intend to focus on their own business. Their response is to 'improve' what they do today, to compete with the disruptive alternative.

Another strategy is the ambidextrous organization. 43% of the companies from Markides (2003) research decided to adopt this concept; explore with the disruptive innovation in a separate unit while exploiting their existing business. Markides and Geroski (2005) later suggested incumbents should take the position of 'feeder' towards innovative start-ups, instead of walking the path of disruptive innovation themselves. They should focus on exploiting their existing business by consolidating young markets into mass markets. (Markides, Disruptive Innovation: In Need of Better Theory, 2006)

Others decided to embrace the disruptive innovation completely and abandon their existing business over time.



The fifth strategy was used by Swatch (watches) in Switzerland. They decided to disrupt the initial disruptors Seiko and Timex, in the market for Swiss made watches, by offering a significant lower priced model in a low-end foothold, while exploiting the reputation of 'Swiss made' watches.

What response strategy suits best to a particular incumbent depends on several aspects; the company's position in the industry, the competences they have, to what extent the disruption is growing and what impact the disruption has to the existing business of the incumbent currently (Markides, Disruptive Innovation: In Need of Better Theory, 2006). Whether companies respond depends on the factors 'motivation' and 'ability'.

*Motivation* is related to factors as to what rate the innovation grows and is hurting the existing business. To what extent is the new business strategically related to the existing one? The more related, the higher the company's motivation. Behaviour of managers with regard to business model change was researched by Dewald and Osiyeskyy (2015). They found perception of threat or opportunity as well dispositional factors as risk attitude and industry experience, relevant for explaining the decision-making process. Whether an innovation is considered to be a threat, is related to the perception of managers within companies.

They found companies more likely to resist when a perceived disruptive business model innovation is considered a threat. According to their research the perception of threat doesn't show any positive relation towards exploration or even exploitation. It even impedes exploitative business model change.

The perception of opportunity results in the opposite direction. The perception of opportunity is positively related to the intention of managers to explore a disruptive business model. When a perceived disruptive business model innovation is considered an opportunity, companies are more likely to adopt.

The most influential dispositional factor is considered to be the managers prior experience in making successful changes. A previous positive experience strengthens the motivation to change, explorative as well exploitative, while 'industry experience' does make the manager more rigid.

As well did Markides find companies motivated to create disruptive business-model innovations when they would enter a new market where others had first mover advantage, when their existing business model proves to be inappropriate or when companies introduce new products for mass markets (Markides, Disruptive Innovation: In Need of Better Theory, 2006).

*Ability* is related to the company's portfolio of skills, resources and time available. Skills refer to knowledge and experience with making significant strategic changes. Resources are mostly financially related and is somehow related to time as 'resources' are often required to create 'time' for explorative projects.



Another important influencer of ‘ability’ is the level of influence a disruptor has. “The higher the degree of conflict, the lower to ability to respond”. It refers to the impact a disruptive innovation has on incumbent’s performance. Companies which strongly experience the influence of disruptors, like Blockbusters with Netflix, are less likely to respond. (Dewald & Bowen, Strom Clouds and Silver Linings: Responding to Disruptive Innovations Through Cognitive Resilience, 2010; Dewald & Osiyevskyy, Explorative versus Eploitative Business Model Change: The Cognitive Antecedents Of Firm-Level Repsonses To Disrputive Innovation, 2015).

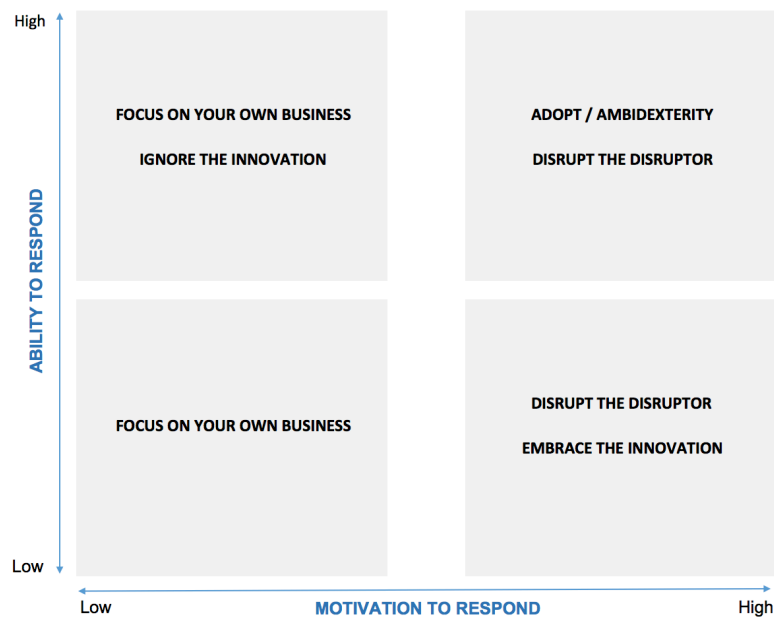


Figure 3: response strategies (Constantinos & Markides, 2003).

To conclude, disruptive innovations differ in type and so do their response strategies. Markides et al. (2003) proposed a model for responding to disruptive business models. It suggests one or two strategies based on a companies’ ‘motivation’ and ‘ability’ to respond. This research builds theory on response strategies and used the model as a starting point. In figure 4 the conceptual model is found. The factors influencing ‘ability’ are considered independent variables. The ‘motivation’ is considered the moderator, as it influences the relation in between the independent and dependent variables.

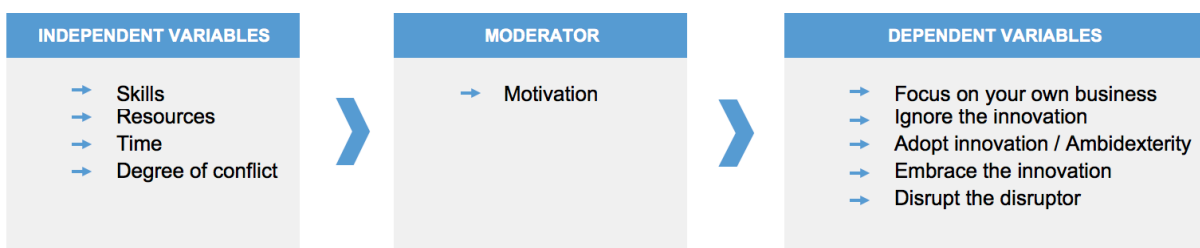


Figure 4: conceptual model.



## **2.6. Further research**

In previous paragraphs, it was described what we consider to be disruptive innovations, disruptors and when disruption occurs. The definitions were followed by examples in the service sector that were able to expand globally in a relatively short time and make significant impact towards incumbents in the same industry. Therefore, research was done to knowledge on response strategies.

It was found most theories are generic and/or lack scientific substantiation for generalization. Found response strategies are explained from the perspective of product, service or business model innovation, but cannot substantiate the applicability on industry level (Bakhit, 2016). From management perspective, it's known what factors influence strategic choices, but knowledge is rare on how particular factors correlate with particular response strategies. Therefore, this thesis builds theory on how and why service companies can respond to strategic disruptive innovations, considering the circumstances within a particular industry. The found theory and model of Markides et al. (2003) is used as a starting point.

### **2.6.1. Staffing and recruitment agencies**

For this research, the recruitment industry is chosen. In the motivation for this thesis was referred to the recruitment industry and recruitment agencies in particular, due their economic relevance in the service sector and recent findings on disruption in this industry (Deloitte, 2012). One particular industry is chosen, as time is limited to research multiple industries. According to research by Deloitte (2012) on digital disruption, disruptive innovations are expected to be found in the recruitment industry. In their research, it was described what industries will face disruption and what impact they expect to have. The recruitment industry was considered one of the industries facing disruption on the long term and expected to have enormous impact (Deloitte, 2012). Long term was considered four to ten years. At the moment of this research five years have passed since. Therefore, it is relevant to discover if disruptive innovations are found since.

The recruitment industry is in the business of finding and qualifying talent. In the past decades' traditional recruitment agencies found competition as well support from job boards as Indeed.com and platform based online networks as LinkedIn.com. Recruitment agencies were one of the first to adopt LinkedIn. Nowadays most of their businesses depend on LinkedIn, while LinkedIn encourages employers to recruit with LinkedIn tools instead of using recruitment agencies. With 500 million users in 200 countries LinkedIn.com has global impact on how people are connected. Based on previous provided definitions LinkedIn.com is a disruptor in the industry.



Concluding, staffing and recruitment agencies are facing disruption with digital services and business models that challenge the status quo. With 12.800 companies or individual entrepreneurs in the Netherlands, it is valuable to research how and why existing staffing and recruitment agencies respond to them. Therefore, the following research question was formulated.

How and why can established recruitment agencies respond to disruptive 'born globals' in their industry?

### **3. Methodology**

In this chapter is described what research strategy and method is chosen, how the required data is gathered and analysed, and to what extent the quality of the research is guaranteed.

#### **3.1. Research strategy**

In conducting scientific research, theoretical and practical research can be distinguished. This research intends to build on existing theory and therefore is considered theoretical. In between research methods one can choose from qualitative or quantitative. Quantitative research allows to formulate results numeric. Qualitative research allows to research 'what', 'how' and 'why' things happen. For this research, the qualitative method is chosen as it intends to better understand why strategies are chosen.

Potentially, strategies could arise from a diversity of influences. In order to understand and prove the relation in between disruptive innovations and response strategies, it is required to gather information on the company's motives aside from the strategies that followed.

During this research information is gathered empirical and therefore considered inductive.

#### **3.2. Research instruments**

In order to conduct qualitative research semi-structured interviews will be held. Semi-structured interviews contain predicted questions but leave space to deviate, in case the interviewer would like to get more detail on subjects or phenomena that appear unexpectedly during the interview.

The use of predicted questions is required to gather information on subjects that allow results to answer the research questions and compare the results with the formulated propositions.

Beneficial to the validity of this research, nine interviews will be held with management of staffing and recruitment agencies. In appendix A the interview questions are outlined.



In order to strengthen the explorative character of the research and because it can't be said on forehand if the interviewees are aware of disruptive innovations, nor its meaning as defined in this research, the predicted questions do not refer to 'disruptive innovations' and potential 'response strategies' directly. For example, the researcher could ask how one responds to disruptive innovations within the recruitment industry. Instead, the research questions formulated question the interviewees on their past, current and future general strategies, the market developments they notice or have noticed and the skills or resources they have or wish to develop. During analysis, the results are placed in the perspective of this research. For example, to what extent, the market developments noticed by interviewees, fit the description of disruptive innovation as defined earlier.

The interviews with staffing and recruitment agencies are followed by three interviews with experts within the recruitment industry. They are questioned on their perspective on market developments and response strategies by their notice, which can be compared later with the conclusions from the interviews with staffing and recruitment agencies.

### **3.3. Case selection**

Markides explains how the position of a company within a particular market may influence their response strategy, as well how other factors affect the 'ability' of a company and therefore might be of influence. As well, how management's motivation is influenced by their perception of disruption, distinguishing 'opportunity' from 'threat'.

Before the path towards response strategies can be reasoned, information needs to be gathered on the 'ability' and 'motivation' of recruitment agencies. A qualitative research is chosen and conducted through semi structured interviews with staffing and recruitment agencies.

The quality of the research influences the generalizability and hence its relevance.

The validity and reliability of the research are common standards to judge a research's quality. In a qualitative research, the validity is influenced by the quality of the selected cases. The quality of cases can be influenced by the diversity of cases. Diverse cases imply different outcomes and therefore support the explorative character of the research (Golafshani, 2003). For this research, the diversity in cases will be related to the independent variables of the described conceptual mode, referring to a company's 'ability' to respond. As the 'ability' of companies affects the response strategy, it is recommended to select cases that differ in their ability to respond. According to Markides (2003), the ability of companies is influenced by their skills, resources, time and the degree of conflict.

For this research recruitment agencies are selected that differ in their ability to respond by choosing companies that vary in size.



It is assumed smaller companies have fewer resources compared to larger companies and therefore might choose a different path. Therefore, small, midsize and large companies will be interviewed equally.

According to the Central Bureau of Statistics in the Netherlands, the country counts 9.195 registered recruitment agencies. 70.1% are independent recruiters (freelance), 16,3% has 2 – 10 employees (small), 8,27% has 11-50 employees (medium), 3,48% has 51 – 250 employees (large) and 1,85% has over 251 employees (enterprise). Beneficial to the feasibility of this research, the geographical area is limited to the Netherlands.

The selection of cases was based on multiple criteria. At first, the variety of company size had to be guaranteed to improve validity. Therefore, companies have been selected to match all above described size-categories. Secondly, access was required to interviewees on management level. They are in the position to decide on changes that may affect the companies' strategy, and therefore are most likely to answer strategy related questions.

Besides, it is preferred to interview two people within the same company, except for the independent recruiters. It would increase the validity of this research as it would help to overcome the constructivism paradigm. Due limited time only one interviewee was questioned per company. In figure 5 the selection of cases is presented.

<b>100% Intermediairs</b> <b>Founded in</b> 2013 <b>Employees</b> 1 <b>Interviewee</b> Founder <b>Industry</b> Recruiting <b>Freelance</b>	<b>Bart Vink &amp; Partners</b> <b>Founded in</b> 2009 <b>Employees</b> 2 <b>Interviewee</b> Founder <b>Industry</b> Staffing and recruiting <b>Small</b>	<b>Reporting Insight</b> <b>Founded in</b> 2013 <b>Employees</b> 4 <b>Interviewee</b> Founder <b>Industry</b> Recruiting <b>Small</b>
<b>Het Recruiting Kantoor</b> <b>Founded in</b> 2012 <b>Employees</b> 6 <b>Interviewee</b> Co-founder <b>Industry</b> Recruiting <b>Small</b>	<b>Dag1</b> <b>Founded in</b> 2012 <b>Employees</b> 30 <b>Interviewee</b> Co-founder <b>Industry</b> Staffing and recruiting <b>Medium</b>	<b>Salesguide</b> <b>Founded in</b> 2013 <b>Employees</b> 27 <b>Interviewee</b> Founder <b>Industry</b> Recruiting/consultancy <b>Medium</b>
<b>Covebo / FIGY</b> <b>Founded in</b> 2001 / 2017 <b>Employees</b> 400 / 15 <b>Interviewee</b> Co-founder <b>Industry</b> Staffing and recruiting <b>Enterprise / Medium</b>	<b>Timing</b> <b>Founded in</b> 1994 <b>Employees</b> 450 <b>Interviewee</b> Marketing manager <b>Industry</b> Staffing <b>Enterprise</b>	<b>Young Capital</b> <b>Founded in</b> 2000 <b>Employees</b> 800 <b>Interviewee</b> Co-founder / CCO <b>Industry</b> Staffing and recruiting <b>Enterprise</b>

Figure 5: case selection; staffing and recruitment agencies.



Aside from case selection, triangulation positively influences the validity of a research.

Triangulation implies multiple data sources strengthen the validity of the research and therefore its generalizability. Triangulation may be related to the research method, by combining qualitative research with quantitative research, and the sources of data used aside from interviews or surveys. For example, financial reports.

Triangulation could as well apply to its researcher. By extending the research team with additional investigators or peer researches it overcomes the constructivism paradigm. Constructivism explains realities do exist in the perception of people but do differ for the same reason in practise. Reliability of research is of influence by the concept of constructivism as the outcomes may vary in the perception of others, or might change during the research in perception of the researcher.

In order to increase reliability triangulation is advised in form of several investigators or peers research, using quantitative as qualitative methods and external data (Golafshani, 2003). Due limited time triangulation is limited to the perspective of experts which were questioned through semi-structured interviews. In order to gain complimentary information, they were asked the same questions, but from a third-party perspective. For example, if a founder was questioned on what market developments might conflict strategically with its companies' business, an expert was asked, what market developments he/she foresees conflicting with the businesses of staffing and recruitment agencies.

The selection of experts was based on their experience and knowledge in the recruitment industry. Their experience had to transcend 10 years and all interviewees had to be still active within the industry. Both characteristics are required to assume relevant depth and actuality of their knowledge. Figure 6 shows the experts which have been interviewed.

Expert 1		Expert 2		Expert 3	
<b>Name</b>	Job Hoogendoorn	<b>Name</b>	Willeke Meijer	<b>Name</b>	Geert-Jan van Waasdorp
<b>Job title</b>	Board advisor	<b>Job title</b>	Co-founder	<b>Job title</b>	Founder
<b>Employer</b>	ERBS / self-employed	<b>Employer</b>	Ivy works	<b>Employer</b>	Intelligence group
<b>Industry</b>	Consultancy	<b>Industry</b>	Assessing	<b>Industry</b>	Data
<b>Experience</b>	20-25 years	<b>Experience</b>	10 - 15 years	<b>Experience</b>	15 - 20 years
Medium / Large		Enterprise		Enterprise	

Figure 6: case selection; industry experts.



### **3.4. Data-coding and analyses**

The completed interviews are transcribed and the data is analysed. The first data-analysis is related to the particular interview (within-case). In the second data analysis, the combined data is analysed (cross-case).

The within-case analysis started with selecting the phrases which answered the questions asked during the semi-structured interviews.

The interview transcriptions were coded through open coding followed by axial coding. The coded outcome was related to the explained dimensions of the conceptual model and the value of the outcome was measured by the theoretical perspective. For example, the level of 'motivation' to respond was based on the extent which managers valued market developments to be a threat or opportunity.

After coding, the data is analysed and the observations described. Each within-case analysis is introduced with an introduction of the company, followed by a visualization of the score on ability, motivation and response strategy. All three are explained through the information gathered in the interviews. Every within-case analysis is concluded with a comparison in between the outcome of the case and the existing theory.

In the cross-case analysis the results of all cases are outlined. The difference in between the existing theory on 'response strategies' and outcomes on industry level are compared.

At first, the concluded response strategies of staffing and recruitment agencies are compared with the outcomes of Markides model (2003). Secondly, it is measured to what extent company size is of influence in these results, as previously was described how a diversity of company sizes encourage diversity in case selection. Additionally, it is measured to what extent interviewees seem aware of market developments. As previously described in this chapter, disruptive innovations are often overlooked or hard to identify. Awareness of disruptive innovations is essential, if one would like to value its degree of conflict, threat or opportunity. At last, a similar comparison is made with the perspective from experts. The outcome of the cross-case analysis will lead to the conclusion of this research.

### **3.5. Reliability and validity**

The validity of qualitative research is lower compared to most quantitative researches. Interviews have a higher rate of subjective interpretation, compared to questions asked in surveys. Also, the number of interviews is often lower compared to the amount of surveys in quantitative research. In order to generalize the research results a deductive and quantitative follow-up research is advised. The construct validity might be influenced during the operationalization of the terms and concepts during the interviews. The interpretation of terms and concepts was subjective, two sides on and therefore might be less inadequate.



## 4. Findings

In this chapter, the findings of the research are outlined. The research was conducted through semi-structured interviews with nine staffing and recruitment agencies and three experts in the recruitment industry. At first within-cases analyses are made, followed by a cross-case analysis. The input from experts is used as a third perspective on the findings.

### 4.1. Within-case analysis

In the following paragraphs the within-case analysis are outlined that originate from the interviews with staffing and recruitment agencies, and experts. The within-case descriptions exist of an introduction of the company, followed by a visualized summary of the findings. Afterwards the 'ability' and 'motivation' are described. Based on the 'ability' and 'motivation' the level of awareness is valued and visualized. All within-case analysis end with the founded response strategy and a comparison with the theory of Markides et al.

#### 4.1.1. 100% Intermediairs

100% Intermediairs was founded by Daniel Scherpenzeel in 2013. The company is based and operates within the Netherlands. Daniel is the founder and only employee. Daniel provides interim recruitment services through 100% Intermediairs, towards corporate enterprises in the Netherlands.

Ability	Motivation	Response strategy
<ul style="list-style-type: none"><li>• Degree of conflict: Low</li><li>• Resources: High</li><li>• Skills: Average</li><li>• Time: -</li></ul> <p>• <b>Average</b></p>	<ul style="list-style-type: none"><li>• <b>Nor threat/opportunity</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Focus on your own business</b></li></ul>

#### *Ability*

The degree of conflict is considered to be low. Daniel does notice market developments which include the adoption of automation in the recruitment process and corporate enterprises which start to treat the recruitment process as a low-end administrative process, which doesn't include recruiters. However, when Daniel is questioned on market developments that might affect staffing and recruitment agencies or his company in specific, he explains not to face any development that currently obstructs his business. Nor does Daniel foresee initiatives or developments which might conflict strategically with his business in the (near) future.



When questioned on his ability to succeed in the future, his knowledge on recruitment (skills) is considered most relevant. Future growth of his company might include him growing into a managerial position with one of his future or existing customers.

Any obstruction for this development is only related to personal characteristics. Time or resources seem less relevant due the absence of these subjects in his response.

Based on the degree of conflict, the portfolio of skills/resources and availability of time, the 'ability' of 100% Intermediairs is considered 'average'.

### ***Motivation***

The market developments noticed by Daniel, are not considered an opportunity, nor a threat by him. During the interview, it is noticed that Daniel does adopt some new development in his recruitment process, when it does help him. Even though he doesn't label them as an opportunity or threat, these phrases do imply he treats them as opportunities by adopting. It has to be mentioned this was noticed only once. The perception of opportunity and threat is both valued as low, as well the related theory-based value. Therefore, the level of motivation to respond is considered low.



### ***Response strategy***

Daniel explains how recruiters can't be replaced by automation and will continue to be valuable to enterprises. He explains that no particular company strategy is formulated and will continue working in the way he currently does. Therefore, the response strategy of 100% Intermediairs is considered to be 'focus on your own business'.

### ***Theoretical perspective***

The relation in between 'ability', 'motivation' and 'response strategy' matches Markides model (2003). Figure 7 visualizes the comparison in between the strategy of 100% Intermediairs and the theory of Markides et al. (2003). The icon in the model, referring to 'lack of motivation', is out there to create awareness on the assumed absence of the moderator 'motivation' in this particular case.





Figure 7: comparison; theory of Markides et al. (2003) versus strategy 100% Intermediairs

#### 4.1.2. Bart Vink & Partners.

Bart Vink & Partners was founded by Bart Vink in 2009. The company is established in Utrecht, the Netherlands and operates within the Netherlands only. Bart Vink is founder of the company and initially started his company in collaboration with independent partners to cover multiple knowledge disciplines. Nowadays, Bart Vink & Partners exists out of two employees, including himself as founder.

The company is specialized in recruiting professionals with knowledge of information management, within the IT industry. Bart Vink & Partners provides its services to large- en corporate enterprises.

Ability	Motivation	Response strategy
<ul style="list-style-type: none"> <li>Degree of conflict: Low</li> <li>Resources: -</li> <li>Skills: Average</li> <li>Time: -</li> </ul> <p>• <b>High</b></p>	<ul style="list-style-type: none"> <li>• <b>Nor threat/opportunity</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Focus on your own business</b></li> </ul>

#### **Ability**

According to Bart Vink, his company doesn't face strategic interference from market developments. When asked about recruitment industry related market developments, Bart Vink explains he notices the rise of new technologies, such as artificial intelligence and machine learning. Both don't influence the market for staffing and recruitment agencies from his perspective.



According to Bart, LinkedIn positively influences the chance of success for recruiters, due creation of higher market transparency. However, LinkedIn created more competition as well, as all other staffing and recruitment agencies have the same advantage. Bart refers as well to ATS providers (applicant tracking system) who provide technology which 'promises' to help recruiters to perform better. According to Bart, ATS systems haven't developed to a level yet where they influence the ventures performance significantly. Bart further explains he doesn't foresee technology to replace the work of recruiters.

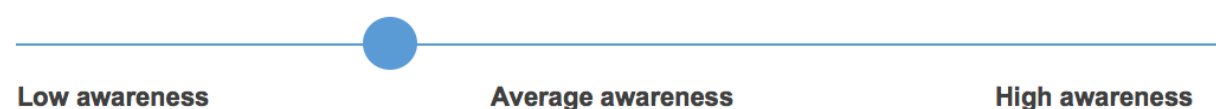
When asked about requirements for Bart Vink & Partners to succeed with their strategy, their knowledge on 'information management' is considered most valuable and well developed. Marketing skills are required to develop and do currently lack in the organization.

As the degree of conflict is low and Bart Vink & Partners considers themselves capable of succeeding in the near future, the 'ability' of the company is valued high.

### ***Motivation***

Market developments noticed by Bart Vink & Partners are not considered opportunities or threats, when talked about. However, Bart Vink & Partners explains they adopted LinkedIn and use an ATS system. As both were considered developments it is plausible they were seen as opportunities in the past, currently adopted.

The mentioned new technologies are not seen as a threat nor an opportunity. They are noticed but not adopted. Nor does Bart Vink & Partners seem to take action as a response to the rise of these new technologies. As the company, overall doesn't experience any threat and shows overall to be exploitative, it's motivation is considered to be low.



### ***Response strategy***

The interviewee further explains that he doesn't foresee reason to make strategic changes for his company and therefore the existing business model will stay. The existing strategy will be followed and includes further growth in the niche market of information management. Bart explains that it could be of value to further develop the image of knowledge centre for information management, and with that distinguish Bart Vink & Partners from other staffing and recruitment agencies in his field. However, for the moment he doesn't feel the need for change and explains it might never happen as long as the company continues to perform according to current financial performance. In general, Bart Vink & Partners acts exploitative and fits in the category of companies that focus on their own business.



### Theoretical perspective

Compared with Markides model (2006), Bart Vink & Partners seems to act in line with theory. Figure 8 visualizes the comparison in between the strategy of Bart Vink & Partners and the theory of Markides et al. (2003). The icon in the model, referring to 'lack of motivation', is out there to create awareness on the assumed absence of the moderator 'motivation' in this particular case.

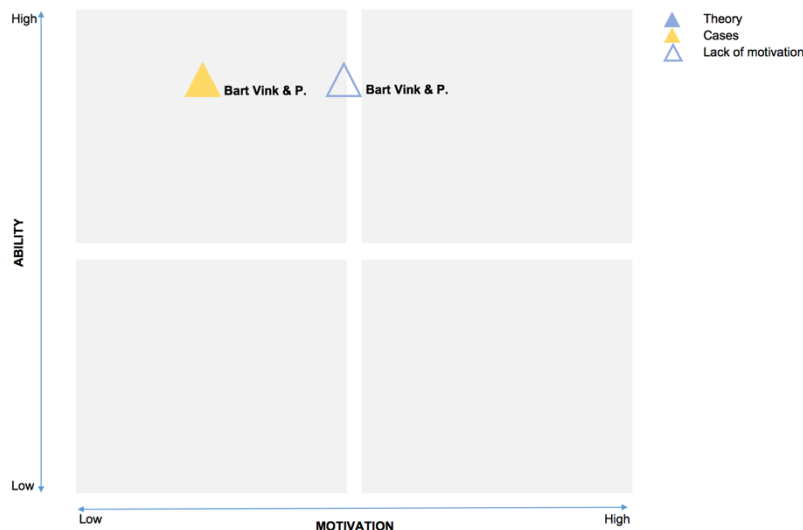


Figure 8: comparison; theory of Markides et al. (2003) versus strategy Bart Vink & Partners.

#### 4.1.3. Reporting Insight

Dennis de Gier started the company Reporting Insight in the year of 2013 and has grown to four employees including its founder. Reporting Insight helps midsize and large enterprises to find suitable financial professionals within the Dutch market. Its core business is recruitment. The core business was expanded in the 2016 with recruitment process outsourcing (RPO) activities and secondment of financial employees with similar customers.

Aside from exploiting its activities in the Dutch market, Reporting Insight started exploring international markets to provide its services.

Ability	Motivation	Response strategy
<ul style="list-style-type: none"> <li>• Degree of conflict: Average</li> <li>• Resources: Average</li> <li>• Skills: Average</li> <li>• Time: Low</li> <li>• <b>Average/low</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Threat</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Ignore the innovation</b></li> </ul>



### ***Ability***

Information on the strategic interference through market developments is twofold. Reporting Insight sees fewer new initiatives from existing staffing and recruitment agencies that might interfere with the business of Reporting Insight, other than the existing competition through similar services as Reporting Insight offers to their customers. Same is concluded from existing companies in the recruitment industry offering process automation tools, like ATS systems. The interviewee explains to be aware of the importance of automation and is aware of new technologies developing.

Reporting Insight does experience rising competition from brokers who tend to mediate in between end-customers and staffing and recruitment agencies, but in practise lower the chances and influence of individual agencies to succeed in placements. As well does the company notice a rise of corporate recruiters. These recruiters are hired by 'customers' or prospect and tend to replace the service of agencies by incorporating recruitment knowledge internally. The company explains these developments do obstruct the speed of growth.

According to the interviewee LinkedIn increased transparency, which is beneficial for agencies but also increasingly enables companies to succeed in recruiting new employees themselves. As well does Reporting Insight foresee LinkedIn to become more a threat as it has the potential to replace the added value of staffing and recruitment agencies.

When the interviewee is asked about the company's capability to succeed with its future strategy, he explains its network and current employees are most valuable, but lack of time and resources to hold the company from responding properly. Therefore, its 'ability' to respond is considered in between 'average' and 'low'.

### ***Motivation***

On the noticed developments that strategically conflict with the business of Reporting Insight, the company seems to be aware of its possible threat. Fewer developments are qualified as opportunities, other than LinkedIn and ATS systems are adopted in the daily processes.



### ***Response strategy***

When the interviewee is asked about future strategy he explains how Reporting Insight will continue to strengthen itself in its current niche market and put more focus towards midsize enterprises. Midsize customers enable Reporting Insight to communicate directly more often and don't have corporate recruiters who compete with its business.



Internationalization seems to be an ambition, as well expanding its portfolio of services. However, when asked about the execution of these ideas the founder admits lack of a clear vision on what direction to head for in order to create sustainable distinctiveness.

Reporting Insight acts mostly exploitative and its strategy seem to be in line with the theory of 'focus on your own business'. On the other end, the founder is aware of developments that might threaten his business, explains willingness to explore and shows to react by narrowing his customer focus in a way it doesn't have to face the most conflicting developments. The company puts its existing skills and knowledge in the area where its most beneficial to customers and therefore finds a way to ignore the innovation.

### Theoretical perspective

With an average to low 'ability', together with the awareness of threats, the response strategy of Reporting Insight is in line with the model of Markides (2006). Figure 9 visualizes the comparison in between the strategy of Reporting Insight and the theory of Markides et al. (2003).

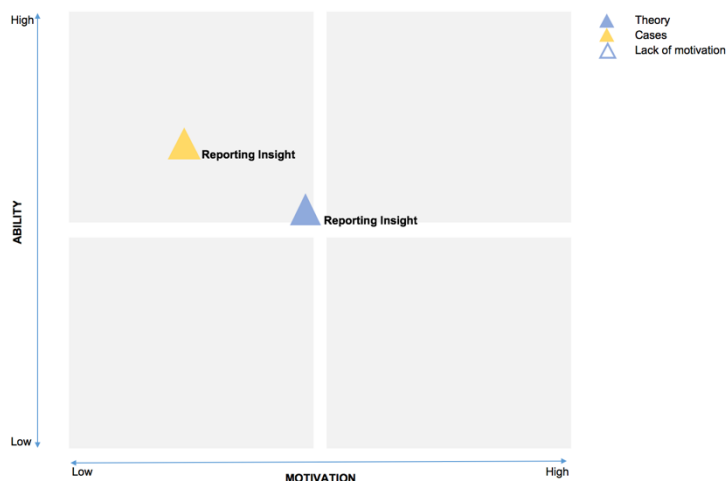


Figure 9: comparison; theory of Markides et al. (2003) versus strategy Reporting Insight.

#### 4.1.4. Het Recruiting Kantoor

Het Recruiting Kantoor was founded by Ron Jansen and initially operated as a network of independent recruiters. In the year of 2012 Ron Jansen and two co-founders decided to make change and start developing it as an actual company. They have started with providing Recruitment Process Outsourcing (RPO) services for corporate enterprises within the Netherlands. The principle of RPO by Het Recruiting Kantoor developed itself from 'filling in vacancies' to an all-round recruitment activity service, including employer branding and talent pool management.



The company recently started with training junior recruiters and deploy them on secondment basis with their customers. Nowadays Het Recruiting Kantoor counts six employees including its founders.

Ability	Motivation	Response strategy
<ul style="list-style-type: none"> <li>• Degree of conflict: Average</li> <li>• Resources: -</li> <li>• Skills: Low</li> <li>• Time: -</li> <li>• <b>Average/low</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Threat / opportunity</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Focus on your own business</b></li> </ul>

### **Ability**

Het Recruiting Kantoor sees several market developments. At first the amount of staffing and recruitment agencies still grows and is in line with the demand for qualified professionals. They as well compete directly with the services of Het Recruiting Kantoor.

Existing technology companies within the recruitment industry, mainly ATS providers, don't show significant development.

New concepts, mostly technology based, are introduced and are focussed on parts of the recruitment process. So far Het Recruiting Kantoor adopted some of the relevant technologies for their recruitment process.

Even though the rise of available data, existing staffing and recruitment agencies still lack using data effectively. Effective use of data is considered an opportunity by the interviewee, even though it still lacks using it effectively itself.

New technologies considered a treat by the interviewee are artificial intelligence and machine learning. The interviewee is convinced of their future impact, but has no clear answer on 'what' to expect 'when'.

Het Recruiting Kantoor was also asked about their future strategy and required skills, recourses and time.

Ron explains that they foresee their existing RPO knowledge as a strength, but the company lacks knowledge on the effective use of data and developing technology to do so properly.

The interviewee implies to be aware of market developments, faces competition of companies deploying existing business models and foresees competition of strategic related technological developments. However, it also explains how its is currently unable to respond properly due lack of knowledge. Therefore, the 'ability' of the company to respond is valued 'low'.



## Motivation

The interviewee seems to be aware of the developments and how they do or might affect its core business in the future. He is often aware of the opportunities and treats of these developments. When the development seems to be strategically related in his perspective, it is named a treat and responded with the intend to embrace it.



## Response strategy

When asked about their future strategy, Ron explains how they will continue developing their existing business and intend to embrace the opportunity of data usage for their services. When asked, it appears that a clear picture of the better use of data is missing for now.

Het Recruiting Kantoor acts in line with the strategy of 'focus on your own business'.

## Theoretical perspective

The response strategy is in line with theory. Figure 10 visualizes the comparison in between the strategy of Het Recruiting Kantoor and the theory of Markides et al. (2003).



Figure 10: comparison; theory of Markides et al. (2003) versus strategy Het Recruiting Kantoor.



#### 4.1.5. Dag1

Maartje Daamen co-founded Dag1 in the year of 2012. Dag1 is a staffing agency providing small, midsize and large enterprises suitable lower-educated personal. As a staffing agency, they strengthen existing teams of companies temporarily with their own staff.

Dag1 has grown to 30+ professionals by 2017, not included staffed personnel and was awarded for their company performance by several Dutch newspapers and independent juries.

Ability	Motivation	Response strategy
<ul style="list-style-type: none"><li>• Degree of conflict: Low</li><li>• Resources: High</li><li>• Skills: High</li><li>• Time: High</li></ul> <ul style="list-style-type: none"><li>• <b>High</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Opportunity</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Focus on your own business</b></li></ul>

#### **Ability**

From the perspective of the interviewee the market of staffing and recruitment agencies isn't changing. No significant developments or disruption takes place in general and so it doesn't strategically interfere with Dag1.

However, she does notice initiatives that make recruitment processes more efficient. According to Maartje, Dag 1 considers these developments opportunities they should embrace. However, she admits the company isn't able to invest enough time on adopting new technologies and falls behind. Instead Dag1 is focussed on how to encourage and embrace social innovation. Market transparency is what Maartje considers serious treat for the business model of Dag1, even though she doesn't believe complete transparency is achievable.

Dag1 aspires significant growth of their financial performance and considers it capable of realizing with the existing portfolio of skills, resources and time.

The 'ability' of Dag1 to respond is 'high' as it embraces opportunities and doesn't foresee future business models conflicting. As well it says it is highly capable of succeeding with their future strategy.

#### **Motivation**

The analysis of the interview shows Dag1 notices fewer market developments, doesn't foresee any treats and intends to adopt technological innovations that help the company to serve their customers better. Developments are seen as opportunities. However, acting on these opportunities seems limited to social innovation.



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Low awareness

Average awareness

High awareness

### Response strategy

When asked about future strategy the interviewee explains how they will continue their existing strategy. Dag1 tends to focus on providing more attention to the needs of the people they staff, compared to competing staffing agencies, and with that improve work pleasure.

As Maartje doesn't notice significant innovation its strategy seems in line with 'focus on your own business'.

### Theoretical perspective

The response strategy of Dag1 seems not in line with Markides Model as a high 'ability' is combined with high 'motivation'. Based on Markides model it is expected Dag1 would choose 'ambidexterity' or 'disrupt the disruptor', while Dag1 seems to follow the strategy 'focus on your own business'. Figure 11 visualizes the comparison in between the strategy of Dag1 and the theory of Markides et al. (2003).

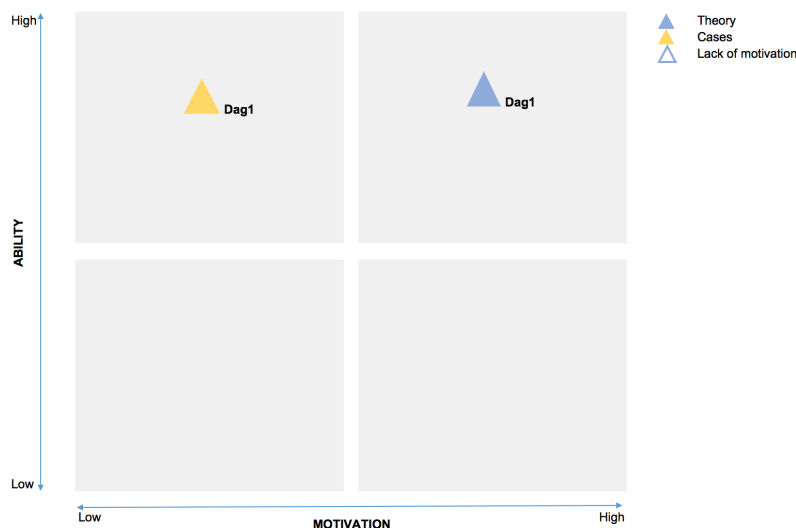


Figure 11: Comparison: theory of Markides et al. (2003) versus strategy Dag1.

#### 4.1.6. FYGI / Accent Covebo Group

FYGI is part of the Accent Covebo group and was co-founded by Dennis Denekamp early 2017. FYGI intends to outperform existing recruitment agencies by serving small and medium enterprises in the Netherlands through their vision of 'happy' independent recruiters.



Ability	Motivation	Response strategy
<ul style="list-style-type: none"> <li>• Degree of conflict: Average</li> <li>• Resources: High</li> <li>• Skills: High</li> <li>• Time: High</li> <li>• <b>High</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Opportunity</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Ambidexterity</b></li> </ul>

### **Ability**

When Dennis was questioned on market development he was able to clearly explain developments that influence the market for staffing and recruitment agencies direct and indirectly.

Developments considering the industry on global scale included globalization and the flexibility of people, referring to the increasing amount of people switching employers more often and the rise of professionals working abroad.

Secondly, the interviewee notices a high level of technology driven initiatives who intend to automate the recruitment process. Often, the initiatives tend to automate a part of the recruitment process only. Dennis foresees automation eventually will replace recruiters in their current 'shape'. As well, replacement is expected of LinkedIn and jobboards through new platforms, without knowing to what extent they might threaten the business model of staffing and recruitment agencies.

He explains how automation might decrease the average fee recruiters charge for their services in the future. Especially when scarcity in the labour market starts to decrease again. When asked about developments that might threaten FYGI's business, Dennis explains he doesn't foresee how the business model of FYGI might be threatened on the short term. FYGI's business model differs from most staffing and recruitment agency's as its staff is mostly independent and is surrounded with marketing and technology partners in order to adopt latest innovations.

As FYGI was recently founded, its strategy is still partly in development. However, Dennis is open about the skills it still has to develop, related to marketing and technology, in order to achieve their aspirations.

Compared to most start-ups, FYGI is funded and supported strongly by its parent company and doesn't lack resources for achieving their goals.

Its 'ability' to respond is high as skilled leaders with lots of market knowledge are involved in its founding and the availability of resources allow FYGI to develop skills fast they don't possess yet.



## Motivation

Reviewing the attitude of the interviewee towards the noticed market development, it is noticed FYGI qualifies the developments as opportunities they should embrace. Threats are foreseen when it comes to the decrease of placement fees but can be managed through the development of an efficient process through the adoption of technology.

Low awareness

Average awareness

High awareness

## Response strategy

Looking at FYGI's business model it was noticed it tends to organize the value chain differently, by attracting skills and knowledge through partners and independent recruiters.

Partners that strengthen FYGI's in technological innovation and marketing, and recruiters that mostly work independently, support by FYGI's as a platform.

With FYGI its parent company initiated a response to market developments that might affect their existing staffing and recruitment business in the future. FYGI can be considered an explorative initiative aside from exploiting existing business. Referring to theory it adopts innovation and separates its development, also known as ambidexterity.

## Theoretical perspective

With a high awareness and willingness to adapt the 'opportunities', combined with a high 'ability' to respond, FYGI's response strategy is in line with Markides model (2006). Figure 12 visualizes the comparison in between the strategy of Covebo/FYGI and the theory of Markides et al. (2003).

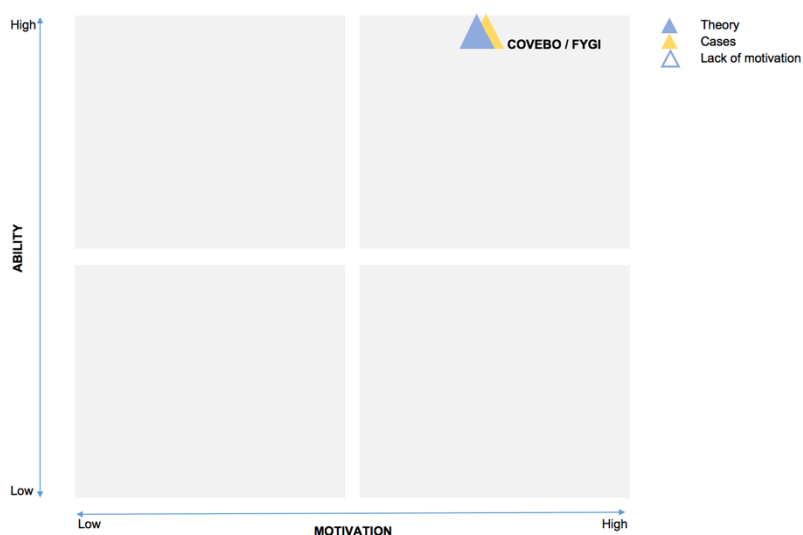


Figure 12: comparison; theory of Markides et al. (2003) versus strategy Covebo/FYGI.



#### 4.1.7. Salesguide

Salesguide was co-founded by Simon Evenblij in 2013 and currently exists out of 27 employees, including its founders. Salesguide started with a service to sell on no cure no pay basis, combined with recruiting sales professionals for its customers.

In the past years Salesguide has evolved towards a full-service sales agency that helps companies to perform better in sales through the people, processes and systems, provided by Salesguide. Customers of Salesguide differ from small and medium enterprises, large- and corporate enterprises.

Ability	Motivation	Response strategy
<ul style="list-style-type: none"><li>• Degree of conflict: Average</li><li>• Resources: Average</li><li>• Skills: Average</li><li>• Time: Average</li></ul> <ul style="list-style-type: none"><li>• <b>Average/high</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Opportunity</b></li></ul>	<ul style="list-style-type: none"><li>• <b>Embrace the innovation</b></li></ul>

#### **Ability**

With regard to market developments Salesguide notices an increase of people switching jobs with the average loyalty towards employers decreasing. In the current market of staff shortages, traditional recruitment agencies still seem to perform. From the recruitment methods 'referral recruitment' is increasing its popularity. Considering the world-wide labor market Simon sees an increase of flexibility.

When asked about developments which might influence the market for staffing and recruitment agencies, Salesguide foresees online platforms entering from foreign countries, entering our local market and gaining a part of the way in which division of labor is organized.

According to Simon, robotization is increasing and together with globalization they form the major threat for Salesguide in the future. The existing degree of conflict seems fewer. The initiatives conflicting strategically with Salesguide seem not to influence venture performance at this moment.

For realizing its future strategic goals, the interviewee considers their online platform with unique data, combined with the speed they can react towards customer request, their most relevant strengths. In order to succeed it is required to further develop the level of digitization Salesguide realized so far.



### ***Motivation***

When Simon is asked about the company's attitude towards the market developments above, he explains how they might be opportunities for Salesguide. Automation and organizing activities through scalable platforms is part of the company's existing strategy. The interviewee expects possible threat mostly from organizations outside the Netherlands, entering the Dutch market he is currently active in.



### ***Response strategy***

Salesguide is aware of the market developments which might influence its future. It considers them opportunities based on the interviewee explanation and future strategy.

As well does the existing strategy and development of Salesguide imply the adoption of the technological developments, the company considers possible threats as well. Another, non-technology development, is the position of Salesguide as a partner in Sales, instead of serving sales professionals to sales organisations. Whereas technology platforms might compete with data, the extended services do diversify Salesguide. Salesguide is best positioned as a company which embraces the innovation and abandons the old business.

### ***Theoretical perspective***

Reviewing the ability (average/high), motivation (high) and response strategy of Salesguide, it doesn't match the model of Markides (2006). Theory implies Salesguide would chose to create an ambidextrous organization or disrupt the disruptor.

Based on findings in this research Salesguide implies to embrace innovations. Figure 13 visualizes the comparison in between the strategy of Salesguide and the theory of Markides et al. (2003).





Figure 13: comparison; theory of Markides et al. (2003) versus strategy Salesguide.

#### 4.1.8. Timing

Timing is a staffing company, part of the 'ADG-dienstengroep', serving customers with 700 employees in the Netherlands. Timing is positioned in the market as a company deploying low-skilled employees with customers. In the past 5 years Timing increased the adoption of automation and continues to strengthen its market position through (technical) innovation. For gathering relevant information an interview was held with the company's marketing manager, Rob van Arnhem. Rob is working almost 10 years for Timing.

Ability	Motivation	Response strategy
<ul style="list-style-type: none"> <li>Degree of conflict: Low</li> <li>Resources: Average/high</li> <li>Skills: Average/high</li> <li>Time: High</li> <li><b>High</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Threat/opportunity</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Embrace the innovation</b></li> </ul>

#### *Ability*

The interviewee notices an increase of companies offering automation tools for recruitment processes. Automation tools rise for several parts in the process. For matching the interviewee didn't find tools yet succeeding with digitization. Developments which might influence the market are political related, as for the law 'DBA'. Other developments referred to is the entry the companies Google in the recruitment industry, with its recently launched 'Google for Jobs'.



Locally the company USG, one of Netherlands largest secondment companies, was recently added to the group of companies which also includes Indeed, one of the world's largest online CV and vacancy aggregators.

The position of USG 'offline', combined with the position of 'Indeed' online, could potentially threaten existing market players within the Netherlands.

Timing gained relevant knowledge on innovation and digitization in the past five years. It developed tools which allow the company to operate more efficient and has gained knowledge to innovate faster and more cost efficient in the near future.

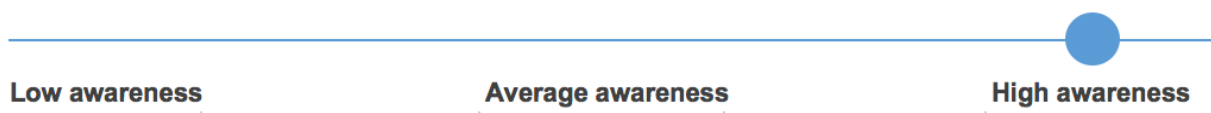
Its challenges appear from its existing employees, staff personnel, working at the offices of Timing. Their flexibility is required for change. Most will need to develop skills they were not relevant in the past. For example, analytical skills, which comes together with Timings' need of using data more effectively.

As well knowledge on technology development, whereas most technological development developed so far was developed with partners Timing currently relies on.

### ***Motivation***

Based on its former activity one may notice Timing anticipates on noticed market developments. The interviewee responds opportunity driven to most of these developments and speaks of innovations Timing will develop in order to continue its growth.

However, Timing foresees a clear threat as well, which they don't know yet how to respond to, when it considers Google entry in the recruitment industry.



### ***Response strategy***

When asked about its roadmap for the coming years, Timing will continue to increase its level of digitization in its processes. It has planned to further develop or to initiate new projects for automating steps in the staffing process, as matching, scheduling and recruiting.

During the course of this thesis an article was published where Timing announced a solution to serve unemployed in the application process, with use of IBM Watson technology (Bremmer, 2017). Timing explained its goal is to become a digital staffing agency. Based on its activity, we can conclude it embraces innovation with the intention to abandon its 'old' business.



### Theoretical perspective

Timings' awareness of threat is as sensible as its willingness to adopt innovation and therefore its motivation falls somewhere in the middle of both extreme. With its high 'ability' one can conclude the found strategy 'embrace innovation' is not in line with Markides theory (2003). Figure 14 visualizes the comparison in between the strategy of Timing and the theory of Markides et al. (2003).

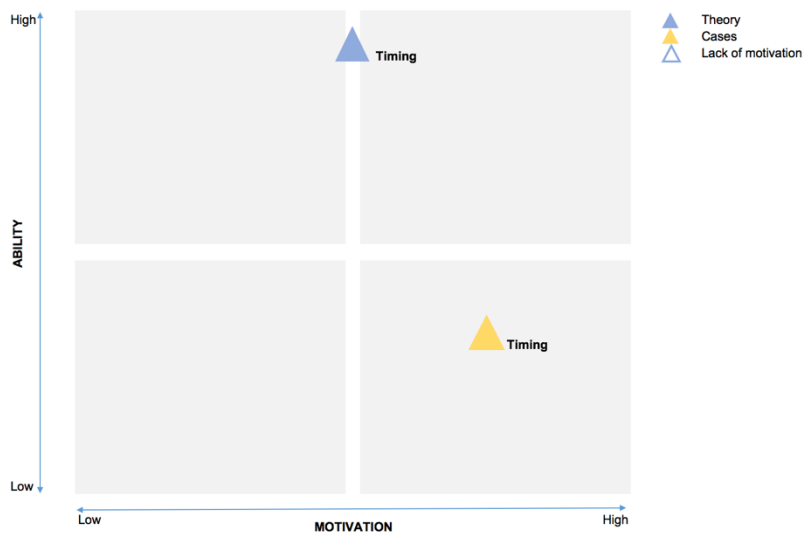


Figure 14: comparison; theory of Markides et al. (2003) versus strategy Timing.

#### 4.1.9. Young Capital

Young Capital was founded in the year 2000 by three co-founders. It initially started with an online platform where companies could place their job advertisements when searching for students.

It evolved into one of Netherland largest staffing agencies helping young professionals growing into temporarily or permanent jobs. Young Capital operates in Western-Europe, currently counts 700 employees and reached 203 million euro in revenue.

Ability	Motivation	Response strategy
<ul style="list-style-type: none"> <li>Degree of conflict: Low</li> <li>Resources: Average</li> <li>Skills: High</li> <li>Time: High</li> <li><b>High</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Opportunity</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Ambidexterity</b></li> <li><b>Focus on your own business</b></li> </ul>



### ***Ability***

Hugo de Koning, the interviewee and co-founder of Young Capital, explains that currently many parties on global scale try to develop automation solutions for recruitment processes.

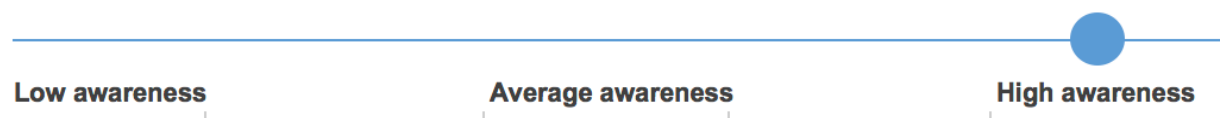
In contrast, the existing Dutch market leaders seem to adopt technological innovations slowly. Asides from tools optimizing the process, it is platforms like Indeed which grow fast. Even though he doesn't expect parties as Google to be able to disturb the businesses of staffing and recruitment agencies.

When asked about market developments which will influence the business models of staffing and recruitment agencies in the near future, the interviewee expects the use of data and 'machine learning' to have impact on the existing recruitment processes, used by these companies. He foresees digitization, in general, as a development influencing the development of Young Capital.

The company initially started as an online platform and held on to its technology driven approach since. Therefore, it feels capable of succeeding in its strategy where technology has a large steak. Its main concern is protecting its company culture which, according to the interviewee, is an important distinctive aspect of the company strategically. With many new employees to attract and a high staff turnover, it is challenging to keep cultural values in line with the company's strategy.

### ***Motivation***

Young Capital considers itself aware of market developments. Observing its activity in the past years and its strategy for the coming years, Young Capital adopts new developments and likes to initiate them. Market developments which are questioned for its potential threat seem not to concern the company.



### ***Response strategy***

In case of Young Capital its strategy seems twofold, from the perspective of Markides et al. (2003) theory. Based on its adoption of new technology Young Capital seems to adopt the innovation and finds ways to scale it up with their European expansion. Simultaneously, it explains how it invests in becoming an educational institute to align what students learned with the requirements of companies in practice. With that, it adjusts its business model and finds other ways to distinguish itself. From that perspective, one may conclude it focusses on its core business by improving what it exploits.



### Theoretical perspective

Adopting innovation is matching with the model of Markides et al. (2003) when the company's 'ability' and 'motivation' is considered. There can't be spoken of explicit ambidexterity as both are integrated within the same entity and are collaborating, instead of working separately from each other. Its activity, implies to focus on its core business as well, and therefore doesn't match. Figure 15 visualizes the comparison in between the strategy of Young Capital and the theory of Markides et al. (2003).

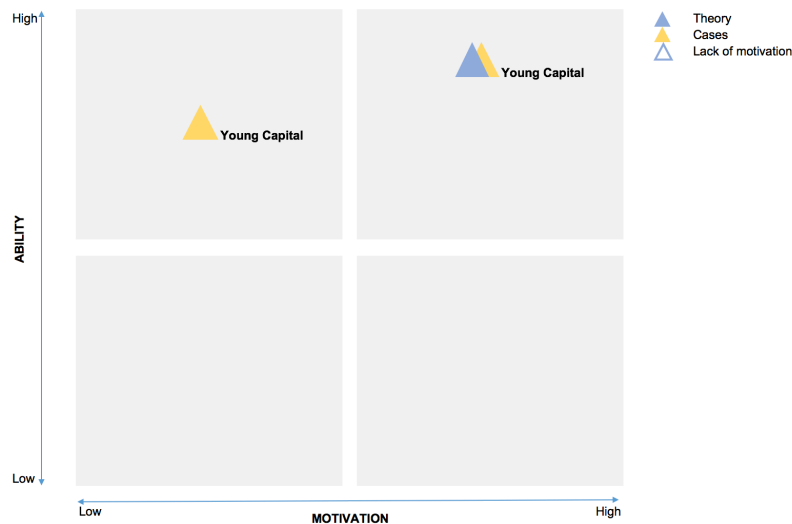


Figure 15: Comparison: theory of Markides et al. (2003) versus strategy Young Capital.

#### 4.2.1. Within-case analysis (experts)

For insight from a third perspective, interviews were conducted with industry experts who are not involved in staffing and recruitment agencies.

##### 4.2.1. Intelligence Group (Expert)

The experts interviewed are active within the recruitment industry but do not provide similar service to recruitment and staffing agencies. The experts have been interviewed and questioned on their market observations. As well, how recruitment agencies should respond from their perspective.

The Intelligence Group was founded by Geert-Jan Waasdorp in the year of 2003. The company exists of 14 employees. It provides labour market data for recruitment agencies, HR managers and others for which the data may be relevant.

Observed Response Strategy	Advised Response strategy
<ul style="list-style-type: none"><li>• Focus on your own business</li><li>• Ignore the innovation</li></ul>	<ul style="list-style-type: none"><li>• Unknown</li></ul>



### ***Market developments***

According to the interviewee three notable developments were observed in the past five years. At first, scarcity of skilled professionals puts pressure on the labour market. Secondly, in line with the growing scarcity, the amount of recruitment and staffing agencies increases. At last, innovation is positively influenced by scarcity and is found in automation of parts of the recruitment process.

Recruitment and staffing agencies don't show to be innovative or make changes towards their business model in the past years. The interviewee explains he has seen agencies operating 15 years without significant change in their methods. Nevertheless, it is relevant to name that agencies more often choose niche markets over mass markets.

When asked about future developments the interviewee explains it doesn't expect much change compared to the existing situation. It found fewer companies to innovate and governments an inhibitory factor. If the current labor market crash continues, the 'candidate experience' becomes more valuable to attract talent. Therefore, the attention of companies will grow in the field of 'employer branding'. The automation of parts in the recruitment process will continue. Developments as 'artificial intelligence' and 'machine learning' are used for marketing purposes but haven't shown relevant to be applicable.

### ***Response strategy***

The interviewee explained fewer developments are observed, besides the labor market development. Innovation is scarce. Therefore, actual 'response strategies' haven't been shared by the Intelligence Group, when asked.

However, he does foresee automation to compete with existing business models used by staffing and recruitment agencies in about ten years, through automated processes enriched with data that overrule the recruiter in its existing role. Figure 16 visualizes the comparison in between the observation of Geert-Jan Waasdorp (Intelligence Group) and the selected cases.



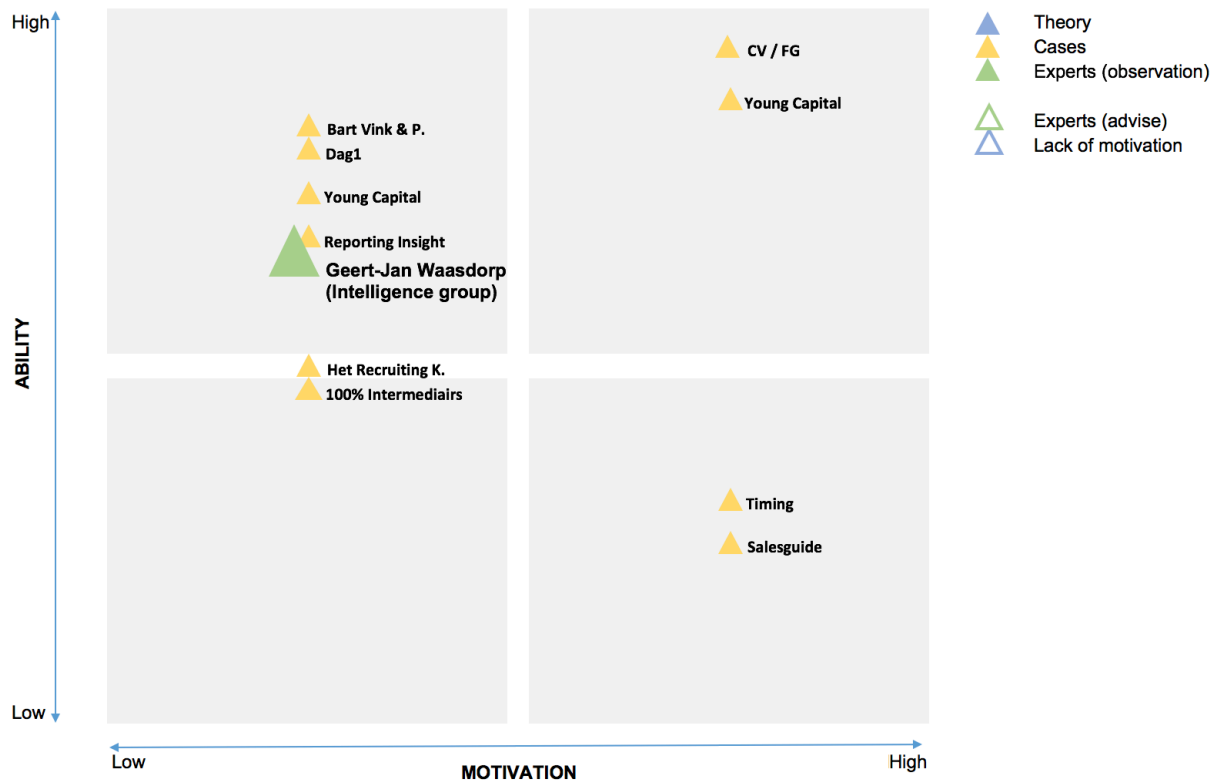


Figure 16: comparison; observation of Geert-Jan Waasdorp (Intelligence Group) versus the selected cases.

#### 4.2.2. IVY works (expert)

IVY works was founded in 2016 by Pascale Ligtenberg, who partnered with the interviewee Willeke Meijer six months later. IVY works is active within the recruitment industry. It provides organizations digital tools, mostly assessments, to get insight on their employees' growth potential. The could as well be used for selection in the recruitment process.

Observed Response Strategy	Advised Response strategy
<ul style="list-style-type: none"> <li>• Focus on your own business</li> </ul>	<ul style="list-style-type: none"> <li>• Embrace the innovation</li> <li>• Ignore the innovation</li> </ul>

#### *Market developments*

The interviewee notices a couple developments. Aside from the increasing interest in HR analytics by employers, it finds chat bots and other tools partly automating the recruitment process. As well, due the labor market crash, the discipline of recruitment requires to understand marketing more often.

The reaction of recruitment agencies towards these developments differ from her perspective. She finds most agencies using outdated recruitment methods and only some adopting and even developing new technology.



When asked about developments to expect, she refers to the continues development of automation related to the recruitment process. Automation will eventually take over in mass markets but ‘the recruiter’ will keep playing a role in the process when it comes to niche markets.

### Response strategy

Employers should increase the internal collaboration in between marketing, HR and recruitment departments. Agencies require new competences which include marketing and technology. New technology should be adopted fast or developed internally. Niche markets choices are strategically required for surviving.

In summary, the interviewee explains to embrace new innovations fast and position yourself in niche markets to be not in others field of business most of the time. Figure 17 visualizes the comparison in between the observation and advise of Willeke Meijer (Yvi works) and the selected cases.



Figure 17: comparison; observation and advise of Willeke Meijer (Yvi works) versus the selected cases.



#### 4.2.3. Dr. Job Hoogendoorn (expert)

As partner at Erasmus Research & Business Support and former Director of Rotterdam School of Management, Job Hoogendoorn has a background in HR and currently advises enterprises within the recruitment industry, including leading staffing agencies.

Observed Response Strategy	Advised Response strategy
• <b>Focus on your own business</b>	• <b>Ignore the innovation</b>

#### ***Market developments***

When questioned about market developments, the interviewee mainly refers to economic developments. Companies show higher willingness to pay increasing costs-per-hire, while the amount of job openings continue to increase. Besides, an increase in the use of data on top of resume's, a decrease of the cost of assessments and lots of new entrants in the recruitment industry.

As a response, he noticed staffing and recruitment agencies to hire more employees, more focus on the quality to deliver and still minimal use of data compared to the available data out there.

The interviewee foresees an increase of automation and its role in the recruitment process to be more significant, with robotization as one of them. The innovation is expected to come from small parties and new entrants, more often from foreign countries. Supplementary, the diversity of services as recruitment, assessment services and training will integrate more often. To conclude it is expected that mass market players will be taken over by automation while niche market players will be able to survive.

#### ***Response strategy***

When asked about ways to respond being a recruitment agency, it was advised to adopt the developments explained above; integrate services, increase the use of data and choose niche markets over mass markets. If companies do so they chose to change their business model while adopting innovations, in order to be able to ignore the actual innovations that might change the industry. Figure 18 visualizes the comparison in between the observation and advise of Job Hoogendoorn (ERBS) and the selected cases.



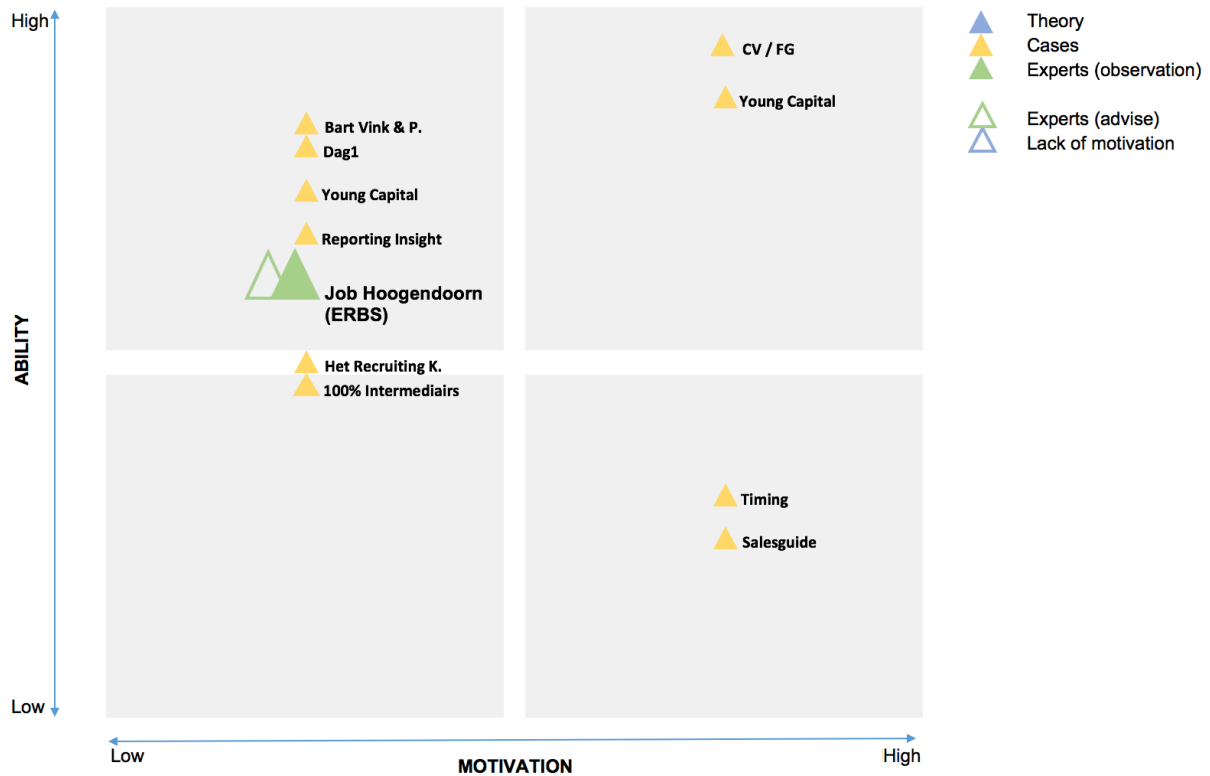


Figure 18: Comparison: observation and advise of Dr. Job Hoogendoorn (ERBS) versus the selected cases.

### 4.3. Cross-case analysis

In this paragraph, the cross-case analysis is made of all interviews. In table 1 the outcomes of cases are summarized. Secondly the influence of company size is addressed through a comparison in tables. In the following figures the outcomes of the cases are plotted and compared with the outcomes of Markides model (2003). At last the initial formulated propositions are compared with the research results.

		Category	Ability	Motivation	Response strategy
1	100% Intermediairs	Freelance	Average	Nor threat or opportunity	Focus on your own business
2	Bart Vink & Partners	Small	High	Nor threat or opportunity	Focus on your own business
3	Reporting Insight	Small	Average/low	Threat and opportunity	Ignore the innovation
4	Het Recruiting Kantoor	Small	Average/low	Threat and opportunity	Focus on your own business
5	Dag 1	Medium	High	Opportunity	Focus on your own business
6	Salesguide	Medium	Average	Opportunity	Embrace the innovation
7	Covebo / FYGI	Enterprise / Medium	High	Opportunity	Adopt / Ambidexterity
8	Timing	Enterprise	High	Threat and opportunity	Embrace the innovation
9	Young Capital	Enterprise	High	Opportunity	Adopt / Ambidexterity

Table 1: cases and results.



#### 4.3.1. Comparison with Markides theory

Markides theory intends to explain the relation in between the ‘ability’ and ‘motivation’ of companies to respond, and its response strategies. The model basically intends to predict/advise response strategies for when companies are confronted with strategic disruptive innovation. From the perspective of its model, companies could be positioned in one of the four ‘corners’ with related response strategies. In this cross-case analysis the possible outcomes from the combination of a company’s ‘ability’ and ‘motivation’ is compared to the findings in this research. At first, the suggested strategies are separately compared with findings. The comparison shows what cases match the response strategy and to what extent they are in line with the theoretical assumed ‘ability’ and ‘motivation’. Secondly, all cases and their outcomes are visualized in graphs.

*High ‘ability’ and high ‘motivation’; companies will adopt innovations/ambidexterity in the organisation or chose to disrupt the disruptor (Constantinos & Markides, 2003).*

In table 2 the companies are posted in an overview that match the level of ‘ability’ and ‘motivation’ above. Two out of three companies match with the theory of Markides et al. Dag 1 shows to focus on its own business. Young Capital is two folded.

1	Dag 1	Medium	High	Opportunity	Focus on your own business
2	Covebo / FYGI	Medium / Large	High	Opportunity	<b>Adopt the innovation</b>
3	Young Capital	Enterprise	High	Opportunity	<b>Adopt the innovation / Focus on your own business</b>

Table 2: comparison (A) in between cases and the theory of Markides et al. (2003).

*High ‘ability’ and low ‘motivation’; companies will focus on their own business or ignore the innovation completely (Constantinos & Markides, 2003).*

In table 3 the companies are posted in an overview that match the level of ‘ability’ and ‘motivation’ above. One out of two companies match the proposition. Timing follows a strategy which is not in line with theory.

1	Bart Vink en Partners	Small	High	Nor threat or opportunity	<b>Focus on your own business</b>
2	Timing	Enterprise	High	Threat and opportunity	Embrace the innovation

Table 3: comparison (B) in between cases and the theory of Markides et al. (2003).

*Low ‘ability’ and low ‘motivation’; companies will focus on their own business.*

In table 4 the companies are posted in an overview that match the level of ‘ability’ and ‘motivation’ above. Two out of three companies match with the theory. Reporting insight ‘ignores the innovation’ instead.



1	100% intermediairs	Freelance	Average	Nor threat or opportunity	Focus on your own business
2	Reporting Insight	Small	Average/low	Threat and opportunity	Ignore the innovation
3	Het Recruiting Kantoor	Small	Average/low	Threat and opportunity	Focus on your own business

Table 4: comparison (C) in between cases and the theory of Markides et al. (2003).

*Low 'ability' and high 'motivation'; companies will disrupt the disruptor or embrace the innovation and abandon the 'old' business.*

Salesguide doesn't match the scenario but findings show it chooses the related strategy.

6	Salesguide	Medium	Average/High	Opportunity	Embrace the innovation
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Table 5: Comparison (D) in between cases and the theory of Markides et al. (2003).

In figure 19 the theoretical predicted outcome is compared to findings and visualized.



Figure 19: comparison between Markides model (2003) and cases.

Based on theory its noticed that five out of nine cases seem in line with theory. The cases Bart Vink & Partners, as well 100% Intermediairs could be questioned as they lack the value of motivation and therefore are positioned in the centre of the X-axis. On the following page its visualized what companies act according to the theory of Markides et al.





Figure 20: comparison with Markides model (2003) and cases; in line with theory

The other three do differ. Based on theory Young Capital was expected to adopt innovation or attack back through disrupting only. The research found Young Capital to adopt innovation, but show strong characteristics of a company that 'focusses on their own business' as well. Dag1 Was expected to disrupt or adopt innovations, but seems to focus on their own business. Salesguide was expected to adopt or disrupt innovation, but instead seems to embrace innovations in order to abandon its former business. At last, Timing was expected to either focus on its own business or adopt innovations. In practise, the company choses to embrace innovations and abandon its existing business.



Figure 21: comparison with Markides model (2003) and cases; not in line with theory.



### 4.3.2. Company size matters

In the introduction of this chapter the cases have been categorized by its size. Five categories were defined. 'Freelance' up to category Enterprise. In the cross-analysis the company size was added to measure to what extent size is of influence for the response strategy. Based on table 7 size seem to be of influence. Larger companies seem to embrace innovations or adopt and separate them, more often than smaller companies.

		Category	Ability	Motivation	Response strategy
1	100% Intermediairs	Freelance	Average	Nor threat or opportunity	Focus on your own business
2	Bart Vink & Partners	Small	High	Nor threat or opportunity	Focus on your own business
3	Reporting Insight	Small	Average/low	Threat and opportunity	Ignore the innovation
4	Het Recruiting Kantoor	Small	Average/low	Threat and opportunity	Focus on your own business
5	Dag 1	Medium	High	Opportunity	Focus on your own business
6	Salesguide	Medium	Average	Opportunity	Embrace the innovation
7	Covebo / FYGI	Enterprise / medium	High	Opportunity	Adopt / Ambidexterity
8	Timing	Enterprise	High	Threat and opportunity	Embrace the innovation
9	Young Capital	Enterprise	High	Opportunity	Adopt / Ambidexterity

Table 7: company size versus the adoption/embrace of innovations.

Another insight came from the motivational aspect. When companies are smaller, they either don't actual experience threat or are to a lesser extent aware of opportunities. In comparison with larger companies, where either threat or opportunity is dominant. Table 8 illustrates above.

		Category	Ability	Motivation	Response strategy
1	100% Intermediairs	Freelance	Average	Nor threat or opportunity	Focus on your own business
2	Bart Vink & Partners	Small	High	Nor threat or opportunity	Focus on your own business
3	Reporting Insight	Small	Average/low	Threat and opportunity	Ignore the innovation
4	Het Recruiting Kantoor	Small	Average/low	Threat and opportunity	Focus on your own business
5	Dag 1	Medium	High	Opportunity	Focus on your own business
6	Salesguide	Medium	Average	Opportunity	Embrace the innovation
7	Covebo / FYGI	Enterprise / medium	High	Opportunity	Adopt / Ambidexterity
8	Timing	Enterprise	High	Threat and opportunity	Embrace the innovation
9	Young Capital	Enterprise	High	Opportunity	Adopt / Ambidexterity

Table 8: company size versus 'motivation'.



### 4.3.3. Awareness matters

Markides assumed, that response strategies of companies to disruptive innovations, depends on ones 'ability' and 'motivation' to do so. Based on theory, 'motivation' moderates the relation in between 'ability' and the chosen response strategy. In that case it is assumed all companies are equally aware of market developments and disruptive innovations that are part of it.

Previously it was explained that motivation depends on the awareness of market developments, as one can not value something that he or she is not aware of. Let alone, that it is possible to respond if developments are unnoticed.

In literature, it was already found that disruptive innovations or often overlooked and hard to identify. Findings in this research show that the awareness of companies differ.

In order to generalize its model, either companies are assessed on beforehand on their level of awareness, or the model should be adjusted. Table 9 shows 'company size' correlates with 'awareness'. Large companies are more likely to be aware compared to small companies.

		Category	Awareness	Ability	Motivation	Response strategy
1	100% Intermediairs	Freelance	Low	Average	Nor threat or opportunity	Focus on your own business
2	Bart Vink & Partners	Small	Low	High	Nor threat or opportunity	Focus on your own business
3	Reporting Insight	Small	Average	Average/low	Threat and opportunity	Ignore the innovation
4	Het Recruiting Kantoor	Small	Average/High	Average/low	Threat and opportunity	Focus on your own business
5	Dag 1	Medium	Average	High	Opportunity	Focus on your own business
6	Salesguide	Medium	Average/High	Average	Opportunity	Embrace the innovation
7	Covebo / FYGI	Enterprise / medium	High	High	Opportunity	Adopt / Ambidexterity
8	Timing	Enterprise	High	High	Threat and opportunity	Embrace the innovation
9	Young Capital	Enterprise	High	High	Opportunity	Adopt / Ambidexterity

Table 9: company size versus 'motivation'.

Based on findings from this research, an adjusted model is suggested for at least staffing and recruitment agencies. Figure 22 represents the suggested model.

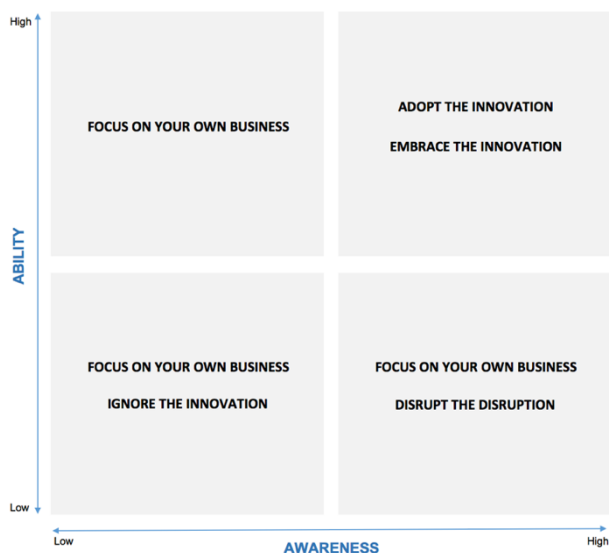


Figure 22: how to respond to disruptive strategic innovations; for recruitment agencies



When both models are compared the following five differences are found. At first, the value of the x-axis 'motivation' is replaced with 'awareness'. 'Awareness' refers to the extent a company is aware of the developments in its periphery. This suggestion is based on the above concluded; *"As companies grow they seem more aware of their periphery. This development is in line with a more optimistic view towards these developments."*

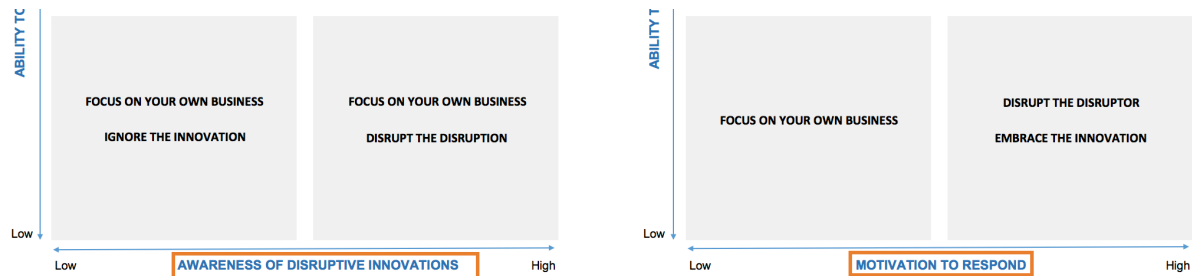


Figure 23: replacement of the x-axis value.

Secondly, when validating the company's ability, the 'degree of conflict' is suggested to be excluded. It was noticed that 'awareness' does influence the extent which one could value a degree of conflict. So, if one isn't 'aware' they couldn't possible value the degree of conflict. Besides, 'resources' was replaced with 'company size'. Company size proved to be of influence and indirectly refers to the access of resources, mostly financially; *"Secondly, company size matters. Larger companies embrace innovations or adopt and separate them, more often compared to smaller companies."*

In figure 24 the implications for the current conceptual model are visualized.

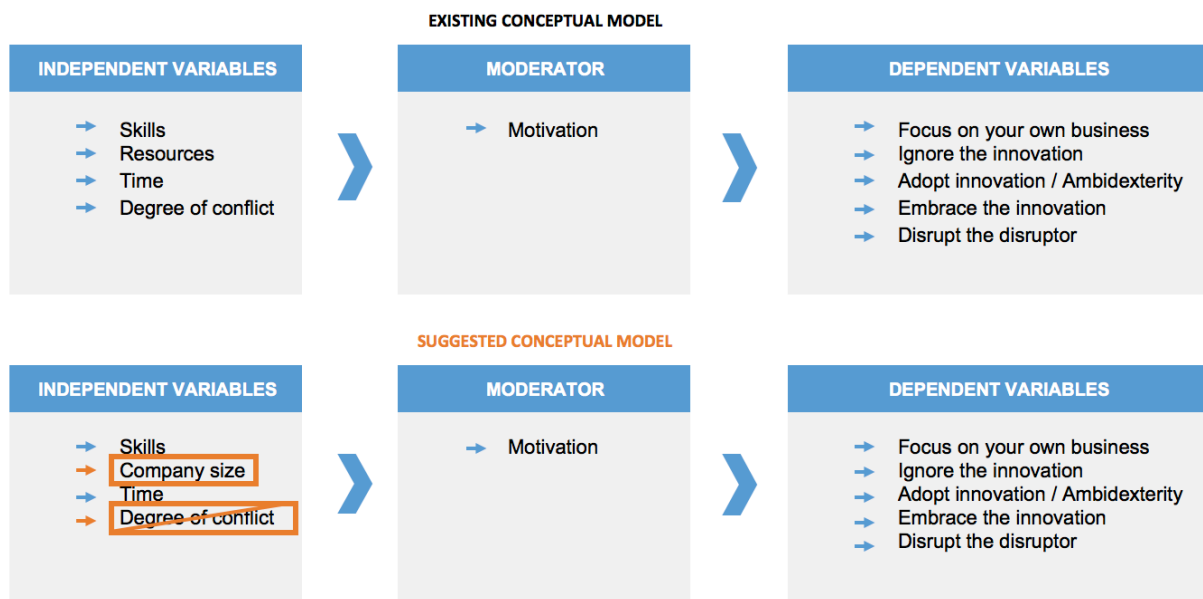


Figure 24: implications for existing conceptual model.



At last, the response strategy of ‘disrupt the disruptive innovation’ is suggested to be chosen only by companies with high ‘awareness’ and an average to low ‘ability’. “*The process results in challenging the incumbent’s business and was initiated by an organization with fewer resources”.*



Figure 25: implications for response strategies.

It is suggested to validate the proposed model in future research. As from the findings in this research it is assumed that the model is applicable for staffing and recruitment agencies, the cases from this research are plotted in the suggested model in figure 26.



Figure 26: how to respond to disruptive strategic innovations; suggested model for cases



Summarizing, Markides model (2003) does not seem to be fully applicable for the researched cases. ‘Company size’ and ‘awareness’ seem to be of influence when response strategies are chosen. As this research intended to build theory, a conceptual- and alternative model have been suggested for further research and practical use.

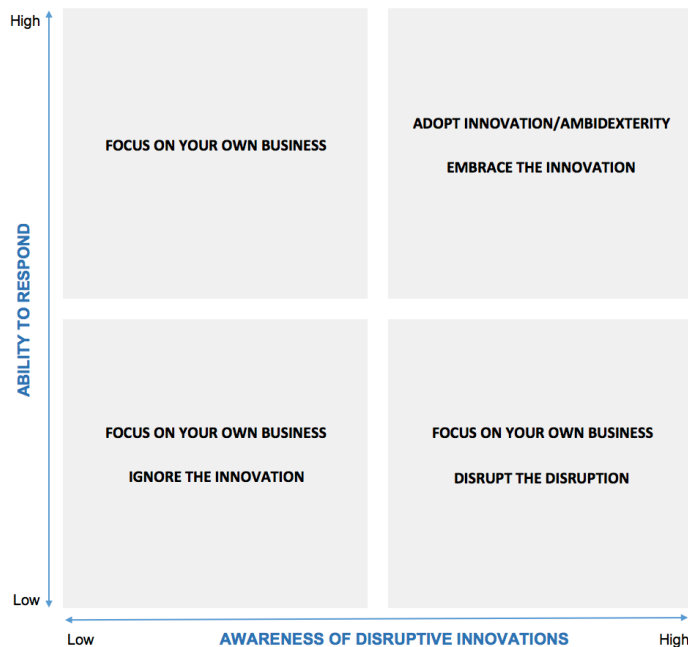


Figure 27:  
suggested model for staffing and  
recruitment agencies; how to respond  
to disruptive strategic innovation.



Figure 28: suggested conceptual model.

#### 4.3.4. Cross-case analysis (experts)

In the last figure of this comparison the perspective from experts is added. Based on the interviews with experts, they all agree that most staffing and recruitment agencies ‘focus on their own business’. When asked for their advice, two of the experts seem to agree on a strategy where staffing and recruitment agencies ‘ignore innovations’. One stayed neutral.





Figure 29: comparison with Markides model (2003) and cases; the perspective from experts

#### 4.5. Conclusion

Markides theory applies only partly to the researched cases. Motivation and ability lead to strategies, which seem in line with only five out of nine predicted outcomes in the model of Markides (2003). From the formulated propositions only one could be assumed, considering that only one example matched the underlying conditions. In four cases the outcomes differ from theory. One case was found where the company seems to act by two strategies simultaneously. Both different from the predicted outcome in Markides model (2003).

Other than ability and motivation it is 'company size' which seems of influence for the chosen strategy. One might assume size influences the ability to respond. Besides, larger companies more often treat market developments as opportunities instead of threats. It was also noticed, smaller companies seem to have fewer awareness of the activity within in their environment. In the cases studied, the smaller parties noticed fewer or no market developments at all. Therefore, awareness is considered another influencer that wasn't considered previously. As this research intends to build theory, an alternative theory and related model where suggested in this chapter.

All experts found staffing and recruitment agencies focussing on their own business and questioned the awareness of them noticing marketing developments. From the two advised response strategies, the outcomes varied from ignoring the innovation and embracing it, while both seemed to agree on the advantage of ignoring it.



## 5. Conclusions

This research intends to develop theory on response strategies for recruitment agencies. Strategies which respond to disruptive business models entering the industry and competing with the traditional business model used by staffing and recruitment agencies.

In this chapter, the outcome of the research is outlined by answering the initial formulated general research questions. The answers to part questions are followed by the answer of the main research question.

### 5.1. Answering research questions

At first, the research questions are answered which combined intent to answer the main research question for this research.

#### *Research question 1: What is disruptive innovation?*

The use of the term 'disruptive' has increased since its introduction by Christensen (Christensen, Raynor, & McDonald, What Is Disruptive Innovation, 2015). Christensen recently (2015) devoted an article to the subject, as misunderstanding of its actual meaning increased together with its popularity. Simultaneously its applicability was discovered outside the field of technology, where it was first introduced, and gave reason for redefining it.

Based on literature the definition of 'disruptive innovations' was provided along with the definition of 'disruptor' and 'disruption'.

At first it was noticed disruptive innovations could apply to products, services or business models. Products and services are considered inferior when explained to be disruptive.

Secondly, they were first launched in low-end markets or new-market footholds, where a more convenient and lower priced solution is offered, compared to its incumbent, to first-users.

At last, disruption is a process and not one particular moment. The process results in challenging the incumbent's business and was often initiated by an organization with fewer resources.

One could name themselves disruptors when it targets overlooked customer segments in low-end or new-markets, with products, services or business models that match the definition of disruptive innovation.

#### *Research question 2: In what service industries do disruptive innovations prove to have significant impact on the performance of established service companies?*

The service sector represents 66% of the worldwide economy (World bank, 2014) and more companies and industries become service oriented (Grönroos, Internationalization strategies for services, 1999).



Services are considered performances delivered to whom consumes and takes part of the delivery process simultaneously, while most of its features are experiences to be intangible from the providers view.

In the past two decades, disruptive innovations have shown their influence towards the performance of existing service companies. In this research examples of disruptive innovations in radio, movie rental and hospitality industry proved their influence. In these markets, their incumbents faced a strong decrease of financial performance including market leaders to file bankruptcy.

However, in most markets successful disruptive innovations are capable of gaining significant market share but do not overtake the incumbents' business per se. It can be concluded disruptive innovations can have significant impact on incumbents' business but don't take over incumbent's business naturally.

*Research question 3: In what service industries occur disruptors to be born globals?*

Globalization of the world economy, the rise of information technology and the internet have influenced the rise of international service companies significantly in the past two decades.

Especially technological innovations have influenced the scalability of service companies and their ability to overcome barriers for internationalization (Grönroos, Internationalization strategies for services: a retrospective, 2016; Javalgi & Martin, 2007; Primo Braga, 1996).

The group of companies which started their foreign activities within three years after inception and have been able to gain a significant part of their income from foreign activities are named 'born globals' (Canonne & Ughetto, 2013; Hennart, 2013).

Born globals seem to succeed in their rapid international expansion because they have proved to operate successful locally, with management that strives for internationalization and is able to develop an innovative company culture with inimitable capabilities and quality products or services. At last, born globals seem to distribute their products or services through low cost communication and delivery methods. Based on literature Airbnb and Netflix were found to be born global disruptors in succession the travel industry and movie rental industry.

*Research question 4: How and why do staffing and recruitment agencies respond to born global disruptors?*

Prior to answering the fourth research question, it is required to rephrase the question because 'disruptors', that fit the description of 'born globals', didn't occur in the studied cases. Suggested is to leave 'born globals' out of the main research questions, as for research question four. The rephrased research question would be; how and why do staffing and recruitment agencies respond to disruptors?



Findings have shown that Markides model (2003) doesn't apply to all staffing and recruitment agencies. Based on the analysis two influencers were found that can explain. At first, the 'awareness' of market developments and with that disruptive innovations. It was already found in literature that disruptive innovations are often unidentified or overlooked by companies. Findings in this research prove correlation between 'awareness' and response strategies. The results also prove that large companies have higher 'awareness' compared to small companies.

Secondly, company size matters. Larger companies embrace innovations or adopt and separate them, more often compared to smaller companies.

Besides, it was noticed that the companies not matching Markides model (2003) are medium sized or larger. From the ones fitting these sizes, they all don't match Markides model (2003), except for one (table 9). Another insight was that companies not matching the model, have a high 'ability' and 'motivation' in common. At last, it was found that none of the companies choose to disrupt the disruption.

		Category	Ability	Motivation	Response strategy
1	100% intermediairs	Freelance	Average	Nor threat or opportunity	Focus on your own business
2	Bart Vink en Partners	Small	High	Nor threat or opportunity	Focus on your own business
3	Reporting Insight	Small	Average/low	Threat and opportunity	Ignore the innovation
4	Het Recruiting Kantoor	Small	Average/low	Threat and opportunity	Focus on your own business
5	Dag 1	Medium	High	Opportunity	Focus on your own business
6	Salesguide	Medium	Average	Opportunity	Embrace the innovation
7	Covebo / FYGI	Medium / Large	High	Opportunity	Adopt the innovation
8	Timing	Enterprise	High	Threat and opportunity	Embrace the innovation
9	Young Capital	Enterprise	High	Opportunity	Adopt the innovation / Focus on your own business

Table 9: staffing and recruitment agencies not matching Markides model (2003).

It is relevant to question why four companies show different behaviour. As well, why none of them decides to disrupt the disruptor. Even though this subject is suggested for further research, first thoughts have been formulated shortly.

Dag1 decided to focus on its own business, while having the ability and seeing the opportunity to act differently. The interview found that the company was growing strongly with doubling revenue and profit each year. One might question why you would change if growth is so prosperous. Secondly, its founders strongly believed it was 'social innovation' that was underlying for their growth. For example, technological innovations wouldn't perse improve this and therefore got fewer attention. In summary, personal vision and company performance which imply to proceed on the set path, seem to hold Dag1 from adopting, or disrupting innovations.

In the interview with Salesguide it was found its founder decided to change direction almost from the start. Even though its 'ability' was average, it is limited on time.



As the company was fairly small from the start, it could have been limitation of time for managing two 'routes' through ambidexterity.

Timing was found more difficult to position in Markides model. Based on their past activity they have adapted innovations more often. Also, they still exploit the 'old business' and therefore one could speak of ambidexterity. On the other end, they could be positioned as disruptor if we compare them with existing competitors in the market, as they do have a fairly disruptive approach with disruptive technology. An example is their digital recruiter. As they strive to leave the existing business and the technology itself is mostly adopted, Timing was positioned in the category 'embrace innovations'. In summary, their current position might look different from another perspective and fit better with Markides model as well (2003).

Young Capital had a two-folded strategy. One, 'adopting innovation', fits the model of Markides and the other, 'focus on their own business' challenged the model. Young Capital was found to focus on their own business, as they invest heavily in improving their existing business. In this case, one might question to what extent both could be combined, without speaking of ambidexterity, as young capital is not exploiting two different business models.

Could one adopt new innovations with the intent to 'focus on their own business'?

## **5.2. Answering main research question**

This research develops theory by researching response strategies, towards disruptive innovations in the recruitment industry. The recruitment industry was chosen due to its economic influence and as it foresees strong influence by disruptive innovations. Markides model (2003) was used as a starting point as it was developed to give direction to response strategies. The main research question was formulated as follows.

How and why could established recruitment agencies respond to disruptive 'born globals' in their industry?

In the previous paragraph the sub research question was rephrased as the gathered data didn't show any relevance towards 'born globals' and their influence for a particular response strategy. Therefore, it is suggested to rephrase the main research question as follows.

How and why could established recruitment agencies respond to disruptors in their industry?

Based on the given definition, disruptors are companies with fewer resources targeting overlooked customer segments in low-end or new-markets, with products, services or business models that match the definition of disruptive innovation.



So, this research intends to suggest strategies for established staffing and recruitment agencies, for responding to disruptive innovations.

It occurs that the suggested strategies by Markides (2003) apply to smaller companies in the recruitment industry. Worth mentioning is that the awareness of market developments was found to be fairly low or absent with smaller companies. Therefore, the use of Markides model (2003) was relevant to two out of four cases only. With that, the reliability of this outcome could be questioned. Considering this element, it was found smaller companies 'focus on their own business' or 'ignore the innovation'.

As companies grow they seem more aware of their periphery. This development is in line with a more optimistic view towards these developments. Companies which are medium sized or larger are largely positive about new developments.

Together with their more optimistic approach they seem more able to respond. Based on Markides model (2003) these companies are suggested to 'adopt innovations' or chose to 'disrupt the disruption'. Based on this research companies do 'adopt innovation', but never chose to disrupt the disruption.

New strategic directions came from companies with high 'ability' and 'motivation'.

These examples choose to 'embrace innovations and abandon their former business' or decide to 'focus on their own business', while Markides model (2003) would imply adopting innovations or disrupting them.

To conclude, Markides model (2003) seem to apply for small companies. Even though this category lacks strong motivation more often. Larger companies differ in their strategies and mostly don't match with Markides theory (2003).

Company size seems to be of influence. Medium – enterprise companies more often choose to adopt or embrace innovations and are the ones that mismatch with Markides model (2003). It occurs more factors are of influence when it relates to response strategies. In the previous chapter a new theory and related model was already suggested. Further research might be able to address these factors.

## **6. Discussion**

In this final chapter, the meaning of findings is discussed. Besides, the limitations of this research are described and suggestions are made for further research.

### **6.1. Recommendations for follow-up research**

Markides theory implied that a company's 'ability' and 'motivation' strongly influences the choice for response strategies. This research intends to build theory from this starting point. It gained new insights and these have been processed in an alternative model that proved relevance for the researched cases.



However, it is advised to do further research. The model wasn't assessed and only proved to be relevant for nine cases. As well, could other factors be if influence which where unnoticed. Besides, during the study of literature, it was found disruptive innovations can refer to products, services and business models. They differ in 'shape' and characteristics. This research focussed on response strategies for strategic disruptive innovations only. It could be of value to research response strategies that explicitly refer to disruptive products and services.

## **6.2. Limitations**

Although this research was conducted with care, several limitations need to be discussed.

At first, the case-selection was limited. Only nine cases were studied. More cases will improve the generalizability and with that the validity of the study.

Second, it was found that no companies where interviewed that belonged to the category "large companies". Therefore, the research wasn't able to provide results based on the suggested diversity. Diversity positively influences the validity and is therefore recommended.

Third, this research was single-source. During this research only one member of the senior management team, per case, was interviewed. Therefore, it wasn't possible to overcome the constructivism paradigm.

In addition, does this research lack proper triangulation. Multiple data sources are preferred in order to cross-validate the reported data. Preferably a combination of qualitative and quantitative data. During this research, the third-party perspective of experts was used for triangulation. Therefore, only qualitative data was gathered. The use of quantitative data, as financial reports, could have enriched the insight in companies' resources.

Fifth, as the interviews where held in person and by one person only, the results are influenced by biases. At first, the interpretation of the gathered information is unilateral. Besides, questions could be asked differently or interpreted differently by the interviewees.

At last, longitudinal studies could provide more relevant results. Strategic decisions may take more than a year. As well may disruptive innovations take a decade before disruption occurs. Therefore, it is advised to do longitudinal studies for gathering results over a longer period.

## **6.3. Practical implications**

This research developed theory by researching how and why response strategies for disruptive innovations are chosen by staffing and recruitment agencies.

At first, insights have been gathered on industry level. Where existing literature was often limited to strategies that relate to type of disruptive innovations. Due this research practical relevance is found for staffing and recruitment agencies.



Second, findings proved that 'company size' correlates with adopting and embracing innovation more often. Large companies adopt and embrace innovations more often compared to small companies.

Third, market 'awareness' is found more relevant than 'motivation' as moderator in between companies' 'ability' and 'response strategies'. Awareness does influence motivation in the first place and strongly differs in between companies.

Fourth, it was found other factors could be of influence as well. Managements' vision combined with strong company performance holds management from exploring. Even when it would have the 'ability' and noticed market developments which might compete in the future. At last did one case imply multiple strategies could be combined.



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## Appendix A

### ***Interview questions; staffing and recruitment agencies.***

1. What would you consider the company's current vision and mission?
  - a. Why?
  - b. How does it differ from three to five years ago?
2. What development has the company gone through in the past three years?
  - a. How would you explain these developments/for what reason did they happen?
  - b. What strategy was followed?
3. What market developments are noticed by your company?
  - a. What developments do you expect to (will) have impact on the industry?
  - b. What developments do you foresee (will) have impact on the company?
4. What strategy will the company follow?
  - a. How does the strategy align with the described market developments?
    - i. Why was this strategy chosen?
  - b. What strengths will the company benefit from?
  - c. To what extent does the company need to overcome particular weaknesses?

### ***Interview questions; experts***

1. Welke marktontwikkelingen heeft u waargenomen in het recruitmentlandschap in de afgelopen 3-5 jaar?
  - a. Hoe verklaart u deze ontwikkeling?
2. Welke reacties heeft u van detachering/uitzendbureaus of W&S-bureaus waargenomen op deze ontwikkelingen?
  - a. Hoe verklaart u deze reacties?
3. Welke ontwikkelingen voorziet u voor de komende drie jaar voor deze sector?
  - a. In welke mate verwacht u dat buitenlandse spelers in het recruitmentlandschap hierop van invloed zullen hebben?
  - b. Van welke ontwikkelingen verwacht u dat ze sterk van invloed gaan zijn op bestaande business- en verdienmodellen op bedrijven in deze sector?
  - c. Hoe zouden de genoemde bedrijven hierop moeten reageren?
4. Ik heb geconstateerd dat 'nieuwe technologie', zoals die van AI en ML in staat is om een aanzienlijk aandeel van de werkzaamheden van recruiters uit handen te nemen?
  - a. Welke 'response strategie' zou u recruitmentbedrijven adviseren in de Nederlandse markt?
5. Kunt u zich vinden in de stelling:  
"Het adopteren van 'nieuwe technologie' is noodzakelijk om als recruitmentpartij over 5 jaar nog winstgevend te zijn?"