KAUNAS UNIVERSITY OF TECHNOLOGY

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FACTORS BEHIND RESPONSE STRATEGIES OF INCUMBENT FIRMS TO DISRUPTIVE INNOVATION: CASE OF TV BROADCASTING INDUSTRY

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KAUNO TECHNOLOGIJOS UNIVERSITETAS

IMANTĖ MARKEVIČIŪTĖ

VEIKSNIAI, LEMIANTYS RINKOJE ĮSITVIRTINUSIŲ ĮMONIŲ ATSAKO STRATEGIJAS Į PERTRAUKIAMĄSIAS INOVACIJAS: TV TRANSLIUOTOJŲ INDUSTRIJOS ATVEJIS

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Glossary of Terms

Disruptive innovation – an innovation, employing a 'technology' in management, marketing activities and investment policy which transforms information, labour, capital, and materials into products or services of greater value, which becomes the main goal of a company, and, as a consequence, fundamentally changes the established 'rules of the game' in many industries (Christensen, 1997).

Business model describes the design or architecture of the value creation, delivery, and capture mechanisms it employs (Teece, 2010), or the organization's way for creating value (Battistella, Biotto & De Toni, 2012).

Business model innovation – the generation of new value in an industry in value proposition, target market, value chain, revenue mechanisms, value network or ecosystem, and/ or competitive strategy (Chesbrough, 2007). Business model innovation is not only a modification of an existing product or service; it describes the development of a new activity system for the creation and capture of value (Amit & Zott, 2010).

Response strategy – from the strategic perspective, it is seen as a direction (Grant, 2016) and a cohesive response to an important challenge (Rumelt, 2011, quot. in Grant, 2016) towards a disruptive threat in a given industry. From the disruptive innovation perspective, it is about a competitive response, which is adjacent to growth (Christensen, 1997).

Catalyst of disruption – shifts outside of a company's direct control rather than company-made decisions related to enabling technologies, customer mindet, expectations and preferences, platforms, economy and macroeconomics, and public policies (Hagel, 2015).

Human / managerial factors – 'soft', management-related factors, or variables, that have the strongest impact on understanding (or misunderstanding) the importance of an emerging threat, such as disruptive innovation (Christensen & Bower, 1996; King & Baatartogtokh, 2015; Day & Lord, 1992; Vlaar, de Vries & Willenborg, 2005; Chesbrough, 2001; Hambrick & Mason, 1984; Viellechner & Wulf, 2010). Human/ managerial factors, determining the choice of the response strategy by an incumbent company, engaged to disruptive innovation, include (but are not limited to) the following: *Strategic direction/ vision*, *Non-autonomous (team) decision making*, *Risk propensity*, *Executives' psychological and observable characteristics*, *Expertise and competency*, and *Managerial myopia*.

Structural/ organizational factors – 'hard' factors, or variables, that have the strongest impact on understanding (or misunderstanding) the importance of an emerging threat, such as disruptive innovation (Dutton & Duncan, 1987; Christensen & Bower, 1996; Sandström et al., 2009; Madjdi & Hüsig, 2011). Structural/ organizational factors determinig the choice of the response strategy by an incumbent company engaged to disruptive innovation include (but are not limited to) the following: *Value network, Heterogeneity, Investments, Resources, Organizational lethargy, Company structure,* and *Corporate governance, bureaucracy and policies.*

Abbreviations

TV – a/ the television.

Analogue terrestrial television (ATT) is the primary TV technology that uses analog signals to transmit video and audio.

Standard definition (SD) television (SDTV) supports DVB, ATSC, and ISDB broadcasting standards and is a TV system that uses not HD television (720p, 1080i, 1080p, 1440p, 4K UHDTV, and 8K UHD) or enhanced-definition television (EDTV 480p) resolution.

High definition (HD) television (HDTV) is a TV system having a relatively higher than SD image resolution.

Digital terrestrial television/ Digital Video Broadcast – Terrestrial (DVB-T) / (DTT) / (DTTV) is a technological advancement in respect to analog TV. DTTV broadcasts land-based (terrestrial) signals. The DTTV is more efficient, provides better quality images, and offers lower operating costs for broadcast and transmission.

Over-the-Top (OTT) video streaming platform, or system that transmits content to the viewer and comprises: content provider; the Internet used for transmission; a receiver having an Internet connection; a display device. Internet TV is a type of over-the-top content.

Smart TV is a type of TV set with integrated Internet features, and is an example of technological convergence between computers and television sets.

Video-On-Demand (VOD) is a system which allows customers to choose and watch/ listen to video or audio content when they want to, without a certain broadcasting time. IPTV technology allows delivering VOD to TVs and personal computers.

IPTV operates in a closed network controlled by the local cable, satellite, telephone, or fiber firm.

Subscription-based channels are diffused across various platforms and services: basic cable services, digital services in cable, fiber, landlines and satellite services across the country.

Pay-TV refers to subscription-based TV services mostly providing analog, digital cable, satellite, digital terrestrial and internet television. Subscription-based TV started in the era of multi-channel transition.

Pay-per-view is a type of pay-TV service when a TV service subscriber can purchase content to view through a private telecast. The TV service provider broadcasts the chosen event at the same time to everyone who purchased it. It is reverse to VOD systems which allow customers to watch recorded broadcasts at any convenient time.

Free-TV refers to a free of charge television broadcasting service.

Interactive television (iTV) is a TV form of media convergence adding data services to traditional television technology, including VOD content, online shopping, internet banking, etc.

FIC – a multinational TV network, FOX International Channels.

LNK – Free independent channel (lt. Laisvas nepriklausomas kanalas).

BMI – the abbreviation for business model innovation.

Introduction

Disruptive technologies and business models are fundamentally changing the established 'rules of the game' in many industries and in different economic contexts. The incumbent firms are often confronted with 'innovator's dilemma' between monetizing on its current business and/ or creating a new source of future growth. The latter is often in conflict with the first. Thus, finding an adequate response in case of 'innovator's dilemma' becomes a matter of survival to companies touched by disruptive innovation.

As technology-driven processes urge for business model innovation, the real challenge for TV broadcasters is how to reconfigure and reinvent value in the digital domain (Küng, 2008; Picard, 2004). But the question is, who is really disrupting whom? For instance, Internet TV is following the classic case of the 'innovator's dilemma' – the most fundamental driver of the Internet destruction of industries, and the mass adoption of Internet video has already taken place (Suster, 2011; Wolff, 2014). Controversially, Wolff (2014) has argued that the new TV was disrupting the Internet.

Hence, in the TV industry, the digitalization and technological convergence have facilitated a shift away from the classical vertically integrated model, in which content had its corresponding infrastructure and transportation protocol into the converged layer model mapping the common horizontal activities of the communications industries' value chains. As digitalization blurs boundaries between previously distinct access networks (audiovisual content is delivered along various transmission networks and platforms, such as cable, satellite, terrestrial, internet-based, mobile, etc. (Küng, 2008; Storsul & Stuedahl, 2007)) and technologies (in media, telecom and computing), industry architectures and business models previously used within this converged media ecosystem are experiencing transformations (Chan Olmsted & Kang, 2003).

Based on the above mentioned notions it is suggested that a disruptive innovation requires an adequate response in terms of a business model and/ or a strategy itself. In addition, it is also important to know what factors underlie the choice of a specific response strategy to disruptive innovation. Media industry and TV broadcasters in particular are affected by disruptive innovations (due to digitalization and convergence), and local firms (e.g., local TV broadcasters) face specific challenges when embracing global disruptive change. Thus, this research seeks to determine what factors cause the strategic choices of local incumbent TV broadcaster in response to global disruptive innovation.

Constituting a part of the global TV industry, local TV broadcasters to some extent are experiencing the same disruptive innovations. Small open economies like Lithuania, having overall stable and transparent institutional and market environment and being open for foreign trade, have specific market regulations fostering the establishment of new entrants and not protecting the incumbents' market leadership (OECD, 2016). This condition allows tougher market competition and, therefore, raises scientific questions about a local Lithuanian incumbent TV broadcasters' response strategy to global disruptive innovation and the factors that determine the latter choice. Indeed, the country context, Lithuania in this specific case, is a very important aspect not only in terms of competition, but also in terms of the response strategies and factors. Even in the Baltic States, the competitive environment in the TV industry is different in every country (e.g., the monopolistic TV market in Latvia), not to mention the Western countries and the rest of the world. While the mainstream literature analyzes generic response strategies and factors in the light of disruptive innovation, the context is generally left behind. Thus, the current research attempts to point out the importance of the context-specific, incumbent Lithuanian companies' response strategies and factors based on the literature analysis, data analysis, global and local case analysis.

Even though the existing research largely focuses on disruptive innovation in general (Christensen, 1997; Christensen & Overdof, 2000; Markides, 2006; Georgantzas et al. 2005; Yovanof & Hazapis, 2008; Yu & Hang, 2010), technological convergence (Bores et al., 2003) or transformation (Medina & Ojer-Goñi, 2012), first-mover vs. second-mover incumbents (Zhou, 2002; Madjdi & Hüsig, 2011; Viellechner & Wulf, 2010), response strategies and influencing factors (Christensen, 1997; Charitou & Markides, 2003; Sandström et al., 2009; Viellechner & Wulf, 2010) towards disruptive innovation, value networks in the context of disruptive innovation (Christensen, 1997; 2003; Tesfaye & Nguyen, 2012; Evens, 2010), TV industry as an innovative sector (Worlock, 2007; EY, 2013; Friedrichsen & Muhl-Benninghaus, 2013; Jennes & Van den Broeck, 2014; Jenner, 2014), and disruptive innovation in TV industry (Benson, 2007; Sarkis, 2009; Storsul & Krumsvik, 2013) it can be stated that the combination of both subject matters, that is, lack of scientific research and empirical data analyzing factors determine the choice of the response strategy to disruptive innovation by local incumbent TV broadcasters.

Context of research problem: research gap

The phenomenon of 'disruption' is more complex and diverse than claimed by Christensen's theory of disruptive innovation. The researchers diverge as to what repertoire of 'innovator solutions' is available to the incumbent firms. Christensen (1997) claims that (1) creating a new business unit, or (2) sustaining innovation is the solution. Charitou & Markides (2003) highlight the following solutions: (1) focusing on and investing in the traditional business, (2) ignoring the innovation, (3) disrupting the disruption, (4) adopting the innovation by playing both games at once, or (5) embracing the innovation completely and scaling it up.

Moreover, the foundations of the disruption and disruptive innovation can be tracked in the institutional theory (e.g., Zucker, 1987), which in the very essence is similar to the contemporary Hagel's (2015) concept 'patterns of disruption' comprising technological, platform, customer, economic and policy paradigms. The latter institutional theory links institutional perspective to political, social and legal grounds for the rules of the game and comprises production, exchange and distribution activities (North, 1990; Davis & North, 1971), or that institutions influence the way individuals and societies think based on cultural and political systems (Powell & DiMaggio, 2012; Zucker, 1987). Therefore, the linkage between institutional theory and response strategies to disruptive innovation exists as the institutions shape the political, social, and economic environment by setting background in the era of uncertainty. However, roughly called 'external environment' is not perceived as the only factor determining the response strategy in this research. In the research of other prerequisites, or factors, it is to note that the scientific literature provides not much evidence of which factors and variables determine the choice of specific response strategies towards disruptive innovation under different circumstances. Moreover, the analysis of the aforementioned aspects is lacking in **different industrial contexts**, e.g., TV broadcasting industry. Put differently, there is no sufficient theoretical and empirical research linking the *TV broadcasting industry* and the adoption of a *response strategy* by local *incumbent firms* engaged to global *disruptions* and the *factors* that underlie their choices (e.g., what is the difference in response strategy to disruption by local vs. global TV industry players? What does it depend on?). So, the **key research question** is what factors determine the choice of response strategy to disruptive innovation by incumbent firms in the TV broadcasting industry.

The theoretical relevance of this research is based on testing the theory in practice by modifying, expanding, and amplifying it and proposing new insights on disruptive innovation, small open economies, strategic management, business model theories, and, at the same time, linking the latter theoretical approaches to specific industrial TV broadcasting context. From the managerial point of view based on the empirically tested research model, the investigation provides strategic patterns, insights and beneficial notions for incumbent TV broadcasting companies engaged in disruptive innovation.

The aim of the research is to reveal the factors determining the response strategy of local incumbent TV broadcasters to global disruptive innovation.

Research objectives:

1. To conceptualize the diversity of response strategies of incumbent firms to disruptive innovation;
2. To conceptualize the key factors (and their combinations) that underlie the choice of response strategies of incumbent firms to disruptive innovation;
3. To design research methodology for the analysis of different factors shaping incumbent firm strategies in face of disruptive innovation;
4. To reveal what factors (and their combinations) determine the choice of response strategy by local incumbent TV broadcasters to global disruptive innovations.

Research object is the factors behind response strategies.

Methods of the research: analysis of scientific literature, multiple case analysis, within-case analysis, data analysis, semi-structured interview, content analysis.

The research consists of the following parts: firstly, on the basis of relevant scientific literature, the concept of disruptive innovation is presented, the role of disruptive innovation in the generic strategy discourse is highlighted, and the diversity of response strategies of incumbent firms to disruptive innovation is analysed. Secondly, the nature and type of disruption is discussed, in the light of the presentation of key human/ managerial and structural/ organizational factors as well as their combinations and the choices of response strategies of incumbent firms to disruptive innovation. The latter concepts are integrated in a theoretical conceptual framework. Thirdly, having analyzed the factors shaping incumbent firm strategies in the phase of disruptive innovation, the research methodology is designed. The chosen research cases have been created by conducting semi-structured interviews and conducting content analysis. Fourthly, based on the global pilot research and local multiple cases, the factors and their combinations determining the choice of response strategies by local incumbent TV broadcasters to global disruptive innovations are revealed, and the conceptual framework is adjusted. Finally, conclusions and recommendations are provided.

Theoretical research implications:

1. Context-wise, the current research higlights the specifics and the importance of incumbent Lithuanian firms' response strategies and factors in the light of disruptive innovation, providing the valuable context-related notions to extend the existing theory on topic. Moreover, context application provides theory extention from the global case analysis as well and enables to ground the novelty of the latter research.
2. The results of the research suggest to explain more in depth, but not to expand the existing theory of disruptive innovation for business and, therefore, help companies confront the 'innovator's dilemma' between monetizing on its current business and/ or creating a new source of future growth.

3. Based on the research findings, it is suggested to amplify the existing scientific notions on Business modelling literature by linking it closer to disruptive perspective: to catalysts of disruption and to factors behind response strategies when facing a disruption.
4. Based on the latter research insights, strategic management literature and response strategies undoubtedly have to be linked to the *first mover* and the *second mover* perspectives as strategy crosscutters.
5. An integrated research framework has been prepared and tested based on the above mentioned theoretical insights. In the context of disruptive innovation, the latter framework incorporates and links the following theoretical constructs: Catalysts of disruption, Response strategies and Human/ managerial & Structural/ organizational factors.

Practical research implications:

1. The integrated research framework can be used as an integral instrument to reveal the Response strategies and Human/ managerial & Structural/ organizational factors in the TV broadcasting industry, also, it can be adapted to other, disruption-intense creative industries. In addition, the latter framework allows companies to identify disruptive market threats and choose an adequate response strategy based on the most important company-specific factors.
2. The disclosed Human/ managerial & Structural/ organizational factors allow TV broadcasting industry companies to, firstly, identify the factors which are relevant in specific cases and, secondly, to set an appropriate response strategy to global disruptive innovation.
3. The results of the research also allow local incumbent TV broadcasting companies to evaluate whether the response disruptive global innovation – the launch of an Internet TV – will pay off, based on all the local broadcasting companies' experience.
4. The company cases can be used in the study process.

1. Disruptive innovation and strategies of incumbent firms: conceptual background and linkages

In this part, the theoretical concept of disruptive innovation is presented by linking its basic notions to the strategy discourse and business modelling literature, and to response strategies in case of incumbent companies in theory and practical examples.

1.1. Concept of disruptive innovation: C. Christensen's theory, its criticism and adaptations

The first notion of disruptive innovation was presented to public in 1995 by Clayton M. Christensen, and in 1997 the scholar presented his book on the topic. The latter book, 'The Innovator's Dilemma' (1997) highlights that even the successful firms operating correctly in the market risk to lose market leadership and fail when new entrants take over the market. After the introduction of the theory, many scholars (see Christensen & Overdof, 2000; Charitou & Markides, 2003; Georgantzas, Peeva, & Weinberg, 2005; Markides, 2006; Benson, 2007; Sandström, Magnusson & Jörnmark, 2009; Viellechner & Wolf, 2010; Madjdi & Hüsig, 2011; Tesfaye & Nguyen, 2012; Hagel, 2015) and consulting companies (e.g., BCG Perspectives, 2016; BCG, 2016) have continuously conducted investigations on the topic, or *contra* the topic (e.g., Denning, 2015; King & Baatartogtokh, 2015; Denning, 2016a/2016b). By referring to specific industrial contexts, Benson (2007) analyzed the disruptive changes in the media industry; Iordanova & Cunningham (2012) presented digital disruption in cinema; Jennes & Van den Broeck (2014) analyzed digital TV innovations; Sarkis (2009) presented disruptive innovations in telecommunications industry; Wolff (2014) argued whether the new TV was disrupting the Internet.

According to the generalist theory of disruptive innovation, based on multiple industry cases, Christensen (1997) advocated the need of diverse understanding of innovation in business. Indeed, Christensen (1997) argued, that only 'good management' was not enough for business success. In fact, it was one of the main reasons companies failed and could not lead the market. Paradoxically, the author points out, that the investigated firms lost their position in the market because they listened to their customers, invested much in innovative technologies that should have provided the desired products, and also because the companies investigated industry trends and continuously put investment capital to innovative solutions, that were expected to bring best return on investment. And even if the management of a company is highly effective, Christensen (1997) claims, these principles may have been forgotten, ignored, or fought back in the investigated companies. Therefore, it is not enough to be efficient, it is essential to understand the key principles of disruptive innovation and manage innovatively. Indeed, Fisher (2001) agrees, that a company can seem to doing everything correctly: dialoguing to its users, investing in R&D, competing boldly, and still fail due to a new technology or a business model that at first seemed irrelevant. Business cases provide many examples of such leadership loss: Digital Equipment vs. the PC; Sears, Roebuck & Co vs. Wal-Mart Stores, etc. In addition, other business cases give an idea that some industry giants fail not even because of a challenging competitor but because of the new entrant with lower-quality solutions.

Therefore, the theory of disruptive innovation can be applied to various industrial contexts: from high-tech to low-tech, and from lagging to rapidly changing environments. Given the fact that all companies possess technologies, Christensen (1997) highlights that the role of technology encompasses the transformation of information, labour, capital, and materials into products or services of greater value, and it becomes the main goal of a company. Thus, when talking about innovation in 'technology' in the disruptive innovation theory, a broader context should be taken into consideration comprising such areas as management, marketing activities and investment policy.

It is generally presumed that as companies become bigger and more successful, they tend to reduce risk and ignore innovation. However, the theory of disruptive innovation suggests that it is not the case. Indeed, industry giants often adopt sustaining technologies, or innovation, that often influence performance breakthroughs. Christensen (1997) advocates, that the adoption of a sustaining technology, or innovation, helps leading companies to create better results for their customers. Differently, a disruptive innovation, or technology, allows creating products and services which are not targeted to the main pool of customers. Therefore, mainly companies ignore disruptive innovations for rational reasons as the profit margins seem to be low for their businesses.

Denning (2016a) describes different kinds of disruptions going on in the industry. Recent investigations have been made about how the trajectories of technological improvement differ in various markets. It is highlighted that within some industries the latter innovation trajectory is very steep, e.g., in the disk drive industry where after some years a company gets eliminated. On the contrary, there are other industries where the trajectory of innovation is gentler, e.g., in discount retailing. And, finally, in other cases, the trajectory is flat, as it was historically in higher education prior to online learning. Quoting Christensen, Denning (2016a) argues that the latter differences have important implications for disruption. If the trajectory is flat, disruption does not occur. On the other hand, innovative technologies and business models can cause evident changes in markets where disruption has not yet occurred. Considering the impact Airbnb has made to the hotel industry, it can be called a classic example of disruptive innovation. Airbnb launched its services targeting low-end users, who could not afford a hotel or could not pick one in the overstocked market. At the beginning, it was not perceived as a threat to hotels, but, over time, Airbnb has moved upmarket, providing upper-level housing opportunities.

Despite the theory's practical and theoretical importance and recognition in business and academia, it is also important to highlight that the theory of disruptive innovation has also received **criticism**.

An interesting aspect found in the article written by King & Baatartogtokh (2015) suggests, that it was obvious from the beginning that not all companies are being disrupted in the Christensen's classic pattern. Indeed, King & Baatartogtokh (2015) argue, that there are many alternative factors influencing the disruption, like shifting economies of scale, **first-mover advantage**, legacy costs, etc., and that there are no universal rules in business. In the research implemented by Denning (2015), it was presented how managers generally think and act, and how they act under a serious competitive threat. Based on the empirical results of Denning's (2015) study, 39% of the experts disputed Christensen's disruptive innovation theory that incumbent companies were able to respond to the emerged disruptive innovation accordingly. To put it differently, some companies gave up because a common reaction is to give up and die as a business. Therefore, according to King & Baatartogtokh (2015), it is essential for companies to have a capability to implement the disruptive innovation, or change. Another critical point regarding the theory of disruptive innovation, according to King & Baatartogtokh (2015), is that companies demonstrate inability to innovate. The latter critical point is in line with Porter et al.'s (2013) research on U.S. international competitiveness. According to Porter et al.'s (2013) investigation, the new workplaces in the U.S. have mostly been created in local business, which decreases the country's international potential. In order to reveal how the U.S. companies are losing the ability compete internationally, the quality of management has been named as one of the most important problems. Interestingly, when asked if the business managers saw the poor quality of their own management, the answer was no. On the contrary, the managers named their management practices as strongly improving. The latter fact illustrates the contradiction that even though the U.S. businesses are perceived as unable to compete internationally, still, management is perceived to be strong. Based on Porter et al.'s (2013) insights, King & Baatartogtokh (2015) suggest that the main value of disruptive innovation theory can only be perceived as a warning to industries. They indeed claim, that the theory of disruptive innovation provides a useful understanding about **managerial myopia**. The experts having participated in King & Baatartogtokh's (2015) research have noted cases of managers who overlooked or misunderstood the emerging threat.

Thus, the theory of disruptive innovation can be perceived as a useful reminder of how to reduce managerial myopia by testing assumptions and capturing information. However, the real issue is how to deal with a warning. Action-wise, King & Baatartogtokh (2015) suggest the implementation of better analysis and a fast retreat. Before the chosen response to disruptive innovation, it is though important to evaluate whether the industry itself continues to be the right place to compete. In case an industry becomes unattractive to compete in, companies should plan an organized retreat. Another response for incumbent firms is named as collaboration with other companies. King & Baatartogtokh (2015) found evidence in several cases that incumbent firms saw potential to work with new entrants.

In the essence, the disruptive innovation theory cannot be and is not aimed at replacing careful analysis and evaluating difficult business choices. Indeed, better responses towards innovation are to **discontinue running business with a defensive, inwardly-focused, hierarchical bureaucracy and concentrate on continuous customer-focused innovation.**

Recently, Christensen, Raynor & McDonald (2015), published an article providing **counterarguments** and explaining what really a disruptive innovation is, according to the scholars. Essentially, the theory of disruptive innovation, introduced in 1995, refers to the way of thinking regarding innovation-driven growth. Many managers and executives from small, entrepreneurial companies, as well as big companies' representors, e.g., Intel, Southern New Hampshire University, and Salesforce.com faced the importance of the theory. However, the theory of disruptive innovation to some extent was misunderstood or interpreted in the wrong manner. In addition, some core principles of the theory have been overshadowed by the popularity of the primary formulation during the past few decades causing criticism for shortcomings that have already been presented. According to Christensen, Raynor & McDonald (2015), the term 'disruption' has been used widely and loosely talking about many innovations, and thus supporting an imprecise statement. In fact, many scholars and consultants use the concept of 'disruptive innovation' to indicate *any* situation in which a chosen industry is facing breakthroughs, or previously successful **incumbent firms** are facing difficulties. Interestingly, the authors start with exploring the basic principles of disruptive innovation and examining whether they apply to, for instance, Uber (as it has been taken as a case of disruptive innovation by many scholars, e.g. Hagel, 2015; Chase, 2016, etc.). Secondly, the common pitfalls in the theory's application have been pointed out and explained (see the figure below), how these arise, and why the use of the correct theoretical approach matters. Lastly, based on a case, the scholars highlight the major turning-points about how to predict whether the businesses will grow or fail. In order to illustrate the latter path, Christensen, Raynor & McDonald (2015) claim, that (1) disruptive innovations arise in low-end or completely new markets, and (2) disruptive innovations do not target mainstream customers at first; it becomes a threat to incumbents when the quality is in line with the customer's standards. To explain this theory in more detail, Christensen, Raynor & McDonald (2015) highlight some common points that usually lack attention or get misunderstood.

First, disruption is perceived as a process. It is stated that generally every innovation, including disruptive innovation, starts as a small-scale experiment. Disrupters, or new entrants, tend to focus on adopting the **business model**, and not only the product or service. If succeeded, they move from the low end of the market towards the mainstream market and become a threat to incumbents' market share and their profitability. Since this is a long-taking process, generally incumbents find creative response strategies throughout the time. For instance, Christensen, Raynor & McDonald (2015) provide an example that there are many mainstream retail firms operating in their traditional old department-store manner despite the actions of disruptors (discount department stores in this case). Scholars argue, that the complete substitution, if possible at all, can take decades. For companies, it takes time to rethink of their current profit-generating old business model and adapt it for the new emerging market needs.

Second, as a consequence, new entrants often adopt business models that are different from those of incumbents. Christensen, Raynor & McDonald (2015) provide an example from the health care industry: many contemporary convenient care clinics are choosing a disruptive direction and adopting a 'process' business model which allows them to diagnose and heal an increasing number of disorders by following standardized protocols.

Third, it is important to stress that some disruptive innovations succeed, while some do not. Therefore, Christensen, Raynor & McDonald (2015) claim that companies make a common mistake by thinking that disruption by virtue is a key to success and by focusing too much on the results obtained. It is stressed that the company's success is not built into the concept of disruption and not all disruptive paths leads to it. In addition, not every successful new entrant follows the disruptive direction either. An example from the internet-based retail market which took a disruptive path in the 1990's illustrates that only a small number of these companies became competitive. Therefore, it is highlighted that the occurring failures cannot be perceived as evidence of the deficiencies of the disruptive innovation theory. Moreover, these business cases are only boundary markers for the application of the latter theory.

Lastly, according to Christensen, Raynor & McDonald (2015), the idea of 'disrupt or be disrupted', if wrongly interpreted, might become deceiving. The scholars highlight that **incumbent firms do need to respond to disruption by all means, because they might lose a profitable business**. Instead, firms should focus on developing relationships with their core customers by investing in sustaining innovations. As a proper response strategy, according to Christensen, Raynor & McDonald (2015), a company might **create a new unit** focused only on the market growth opportunities arising from the disruptive innovation. Indeed, the latter research suggests that the success of the adoption of disruptive innovation depends on **keeping it apart from the core business**. In the essence, structure-wise, it indicates an incumbent to operate in two very different paths.

However, even different from Christensen's understanding, new **adaptations** of the theory are still very popular in the contemporary academic papers. For instance, Denning (2016b) presents his approach to disruptive innovation and adds that the term 'disruption' is one of the most overused terms in contemporary business literature. The way Hagel (2015) perceives the disruptive innovation concept is this: **in order to be a true disruption, it has to exclude the leading incumbents in a particular industry.** Therefore, to his mind, it is not sufficient to companies to take the risk or to add pressure to the market; it is about the capability to change the rules of the game in a given industry. Hagel's (2015) approach seems to have some differences from Clayton Christensen's approach, starting with the definition of the concept, the 'disruption'. According to Hagel's (2015) research, there are certain types, or patterns of disruption that are perceived as threats for more than one industry, but at the same time, not for all industries. Hence, the author presents **nine patterns of disruption,**

their peculiarities and the way of doing business in a disruptive environment dealing with incumbent market players.

Next to innovative theory adaptations, Chase (2016) argues that the theory of disruptive innovation should be **expanded** and bases his assumptions on business cases. Christensen, Raynor, and McDonald argue that Uber is not disruptive because it offers neither a low-end service, nor establishes a new market. By using this lens, Chase (2016) agrees that Uber is basically a taxi service with a well-developed application that took the dispatch function out of the traditional taxi services. Indeed, this was not a disruption. But what Chase (2016) sees absolutely disruptive was when Uber adopted Lyft's model. The model enabled ordinary people to drive their own cars as taxis, as the UberX service in particular. The disruptive innovation is perceived in tapping excess capacity and making money from using one's own car. The notion of the aforementioned excess capacity is missing in the definition offered by Christensen. Chase (2016) advocates that Uber offered the market a way to take advantage of already existing assets that have had been paid for but from which new value proposition derives. According to Chase (2016), this is how Uber has disrupted the market of taxi services and has been growing exponentially, currently operating in 68 countries of the world.

Then, Chase (2016) questions Christensen, Raynor, and McDonald's (2015) notion that the Apple Inc., was disruptive by launching iPhone. Chase (2016) highlights that the achievement has been made not merely through product innovation, but also by the adoption of an **innovative business model**. With the creation of a value network, connecting application developers with end users, Apple has changed the rules of the game. In addition, Chase (2016) describes the whole business case from a different perspective, from the excess capacity point of view. iOS is perceived as a platform for participation that gathered the excess capacity available in users' iPhones, as well as in the previously unexplored imaginations of app developers, who worked on their own time. As a result, the disruption is perceived as the harnessing of excess capacity led to more than 2 million applications being developed in less than seven years, some even adopted by users at outstanding rates. One of the application examples, given by Chase (2016), is the phenomenal growth of WhatsApp. Counting 400 million customers within its first three years and doubling in five years of operation would have been impossible if users had been required to purchase a new device. And even though Chase (2016) considers Christensen's argumentation and the classic theory of disruptive innovation as important, it is still inquired if the author was not missing the notion of the **'new disruption'.**

To conclude, a disruptive innovation is perceived as an innovation, employing a 'technology' in management, marketing activities and investment policy, which transforms information, labour, capital, and materials into products or services of greater value, which becomes the main goal of a company, and, as a consequence, fundamentally changes the established 'rules of the game' in many industries. The latter notions regarding the changing rules imply that a disruption affects transformations in a given company's business model. Therefore, in the next paragraph, it is important to discuss how business models and disruptive innovations are interrelated by considering managerial as well as technological perspectives.

1.2. Disruptive innovation in the general strategy discourse

The linkage between an organization and its environment is a primary component of strategic management (Rabin, Miller & Hildreth, 2000), and strategic sense making is the key organizational cognition-action processes of environmental **scanning**, **interpretation** and **associated responses** (quot. Thomas et al., 1993), or **strategic analysis, strategic choice**, and **strategy implementation**, as Grant (2016) suggests. Scanning in this context means the search of the external environment events or issues that possibly affect the company. This draws attention to analyze environmental uncertainty as a source of disruption. The scientific literature of strategic management suggests that the term ‘uncertainty’ can be divided in two categories, such as perceived environmental uncertainty and decision making under uncertainty (Rabin, Miller & Hildreth, 2000). As disruptive innovation often emerges due to some catalysts in the environment, it is crucial to link and develop the discussion comprising three concepts: strategic management, uncertainty and **disruptive innovation**. The more turbulent and disruptive is the environment, the more responsive and flexible the company’s strategy should be (Grant, 2016).

Hagel (2015) suggests, that in order to avert disruption for incumbents, it is essentially important to see it coming. Therefore, (1) understanding the shape new disruptions are likely to assume (patterns of disruption); (2) understanding what particular response strategies the industry should adopt; and (3) understanding what external factors will act as catalysts of disruption, is crucial. By having this understanding, companies engaged to disruptive innovation can start not only to anticipate the environmental changes, but also transform the ‘unexpected’ into ‘expected’ and get the competitive advantage. Indeed, a strategy could be a matter of (Henderson, 1989; McGrath & McMillan, 1995; Porter, 1996; Prahalad & Hamel, 2006; Ovens, 2015):

- Seeking a single ideal competitive position in an industry;
- Benchmarking and adopting best practices;
- Aggressive outsourcing and partnering to improve efficiencies;
- Focusing on a few key success factors, critical resources, and core competencies;
- Rapidly responding to ever-evolving competitive and market changes.

Moreover, in the light of disruptive innovation research, a strategy of a company is perceived as an integrated, overarching concept (Stankevice & Jucevicius, 2010) of how the company will achieve its objectives and certain goals (Grant, 2016) and responds to ever-evolving competitive and market changes (Ovans, 2015; Porter, 1996; McGrath & McMillan, 1995). Therefore, a **strategy** is seen not as a plan, but **as a direction** (Grant, 2016). **Strategy** is also perceived as a cohesive **response to an important challenge** (Rumelt, 2011, quot. in Grant, 2016), and therefore, the term **response strategy** is the most related to this research. A strategic choice, on the other hand, is defined as the selection of the best possible course of action based on the evaluation of your available strategic options; therefore, a strategy can be perceived as a decision support. Thus, the main components of strategy, as a direction (Grant, 2016), could be named as: vision statement, mission statement, performance goals, guidelines for development, priorities for capital expenditure, R&D, growth modes (organic growth, M&A, alliances).

Researchers (e.g., Teece, 2010, Casadesus-Masanell & Ricart, 2010) highlight that a strategy can be also related to other, more specific business-related concepts. In fact, Casadesus-Masanell & Ricart (2010) argue that a reflection of a company’s realized strategy can be illustrated by a business model. More generic than a strategy, a business model can be linked to several strategies capturing value from innovation, according to Teece (2010). Hence, a shift from a general strategy to a business model research explains market behavior, industry competition, innovation, and sources of competitive advantage. The latter notions allow to ground the importance of the business model analysis in the strategy and response strategy discourse.

As Battistella, Biotto & De Toni (2012) state, companies and their business models are always in transition, carrying meanings based on the path that they made. And although a business model, as mentioned before, is the organization’s way towards creating value, companies do need to transform models as the core logic for explicating how a firm will be able to generate profit and how will it change over time (Najmaei, 2011) considering disruptive market changes. While literature investigates how value and meaning can be communicated to the internal part of the organization, some works (Chesbrough, 2007) identify how the **innovation** of the business model can generate new value in an industry (in value proposition, target market, value chain, revenue mechanisms, value network or ecosystem, competitive strategy). Only a few researches exist on how new meanings can shape a new business model and therefore be conveyed to the external part of the company. In other words, a business model innovation is not only a modification of an existing product or service; it describes the creation and development of a new activity system for the creation and capture of value (Amit & Zott, 2010) creating a totally new set of customer value and wealth (Kim & Mauborgne, 2004). Moreover, a business model innovation makes the competition irrelevant (Kim & Mauborgne, 2004) if the innovative business model takes place in an entirely new competitive direction (Govindarajan & Trimble, 2005, quot. in Najmaei, 2011) or operates in an existing one through radical changes in established paradigms (Markides, 1997; Hamel & Valikangas 2003, quot. in Najmaei, 2011) or, alternatively, takes a hybrid form. As Najmaei (2011) explains further, given these descriptions, the logic and dynamism of business model innovation necessitates a specific set of interrelated parts that not only create and capture the value based on an existing business model but also opens ways to diagnose, re-design, improve or transform models. Consisting of various parts, or components (according to Mitchell & Coles, 2004; Clear Channel, 2004; Loewe & Chen, 2007), these components are the *who, what, why, how*, and *how much*, and a business model innovation means changing a minimum four of them. In this case, an innovative business model can mean (Mitchell & Coles, 2004; Clear Channel, 2004):

- altering prices to make customers buy more. This can sometimes even create the perception that you are providing more for less;
- offering additional products/ services without increasing prices. This will benefit the customer and help to expand sales, as the ‘extras’ will persuade existing customers to buy more and lure new customers;
- reducing operating costs of the firm, the customers or other end users;
- combining solutions to help customers grow the market faster.

The more of these processes that can be incorporated into the model, the greater the scope for advantage (Clear Channel, 2004). So the value lies also in discovering new or applying different business models, or, as mentioned before, implementing a **business model innovation**. Business model innovation creates value for the business by establishing a sustainable competitive advantage in defined markets (Battistella, Biotto & De Toni; Pohle & Chapman, 2006; Chesbrough & Rosenbloom, 2002; Markides, 1999). Giesen, Berman & Bell et al. (2007) identified three main types of **business model innovation**: innovation in industry models, in revenue models and in enterprise models:

- **Industry model:** The latter model involves innovating the ‘industry value chain’ and it can be accomplished via horizontal moves into new industries. An example of an industry model is the Virgin company that has expanded its business from music and retail industries into airlines, railways, beverages, financial services, etc., thus leveraging its superior skills in consumer management. This industry model refers also to redefining existing industries as Dell has done by eliminating intermediaries and reaching customers directly, or as Apple has done by delivering music to users via iTunes. Most drastical industry model innovation involves the development of entirely new industries or industry segments as Google and other Internet search engine companies have done in the past decades. This dimension leverages white spaces in the competitive environment as well as unique assets.

- **Revenue model:** The latter approach involves innovations in how firms generate revenue by reconfiguring offerings (product/ service/ value mix) and/ or by introducing new pricing models. This dimension influences customer experience, choices and preferences, and can also leverage new technologies. An example is given based on Cirque du Soleil's experience on reconfiguring new and old elements related to value proposition regarding the circus experience, and thus, targeting new audience. An example of a pricing innovation is Gillette's strategy of underpricing razors to sell razor blades. Also, Netflix's introduction of a movie rental option, and other similar digitized music or movie industry examples, based on monthly subscription offerings can be named as revenue model innovations.
- **Enterprise model**: The latter model involves innovating the structure of a company and the role it plays in new or existing value chains. The aforementioned innovation focuses on redefining organizational boundaries and can be achieved through integration. An example of the Japanese keiretsu corporate groups/ structures, where what might typically be a supply chain is owned and managed by one firm or conglomerate is provided to present the logic of an enterprise model innovation. In the clothing retail industry, company Zara manages design of clothes by creating feedback loops from customer data at stores. Enterprise model innovation can also be achieved via specializing on core competencies or high-margin activities and outsourcing the rest (example of an Indian telecommunications company Bharti Airtel, which focuses on marketing, sales and distribution, and outsources IT and networking services), or via networking, when companies rely on external collaboration along the value chain, as the company Illy does.

Interestingly, having an intention to facilitate technological innovation and the management of technology, firms view the business model itself as a source of innovation (Mitchell & Coles, 2003), often named a key to company performance. Two complementary ideas seem to sustain the notion. The first is linked to the fact that companies commercialize innovative solutions and technologies through their business models. The second is that the business model represents a new subject of innovation which complements process, product, and organizational innovation by involving new forms of cooperation and collaboration (Zott, Amit & Massa, 2011). Hence, a business model innovation itself can be a pathway to competitive advantage if the model is sufficiently differentiated and hard to replicate for incumbents and new entrants alike (Teece, 2010). By following this approach, in this research, business models are seen from a technological, as well as from a managerial innovation point of view, as in Cristensen's (1997) disruptive innovation theory.

'Hard' innovation: Technological innovation

Technological innovation is lionized in most technologically progressive societies as it is a natural and desirable reflection of the society values. Technological innovations, mostly ICTs, have been particularly important and fast growing over the last decades (Chapman, Soosay & Kandampully, 2003). Technological innovation often needs to be aligned to a business model innovation if the innovator is willing to capture new value: a technological innovation creates both the need to bring discoveries to market and the opportunity to satisfy unrequited customer needs (Teece, 2010; Battistella, Biotto & De Toni, 2012), so basically technological innovation often leads to the creation of new products or services (Chapman, Soosay & Kandampully, 2003). At the same time, new business models can be perceived as a form of innovation (Teece, 2010; Battistella, Biotto & De Toni, 2012).

Proponents of business model innovations suggest that new technology and innovative business practices provide the potential for organizational efficiency gains that are variously referred to as improvements in (Chapman, Soosay & Kandampully, 2003):

- value (Porter, 1985);
- quality of service production and delivery (Parasuraman & Grewal, 2000);
- R&D cost-efficiency (Rao, 2001);
- transaction costs (Garicano, Kaplan & 2001);
- productivity, inventory, and demand management (Kaplan & Sawhney, 2000);
- production lead-time reduction (Velocci, 2001);
- reduced search costs for customers (Bakos, 1997);
- selling process improvement (Feeney, 2001);
- increased customisation capabilities (Bakos, 1998);
- supply chain and relationships improvement (Feeney, 2001); and
- an increasingly long-term perspective of the firm, subsequently leading to business performance (Fox, 2001).

Thus, improving efficiency and effectiveness in all economic activities of the firm is imperative for the business model success and, as indicated above, business model innovation may help establish a competitive advantage for a company.

Osterwalder (2004) states that the technological change in business environment plays an important role in setting a firm's business model. And the more disruptive the innovation is, the more challenging the revenue architecture is, the greater the improvements are likely to be required to traditional business models. For instance, the internet became an essential factor for the emergence of new forms of business, such as online search engine providers (Google) or social networks (Facebook). At the same time, technological innovation can also undermine the dominance of **incumbent business models by creating such opportunities for new models to emerge.** The case of the internet again serves to illustrate a case of the on-line book retailer's Amazon.com dominance over the high-street book sellers (Hannon, 2012). In the industries of rapid technological change, such as the media, or TV industry, companies should evaluate the *pros* coming from the possible **convergence points with the internet technologies**. Having said that, it is essential to discuss the most common technological innovation's 'outcome' in business modelling – the emergence of **e-business models**.

Ontologically, e-business model derives from two ontologies for comparison: the Business Model Ontology (BMO) (Osterwalder, 2004) and the e-value ontology (Gordijn & Akkermans, 2001; Gordijn, 2003). In **BMO,** a business model is perceived as a conceptual tool containing a set of interrelated elements, which allows to express the business logic of a specific firm; its roots are found in management science and information systems research. Its four basic areas of preoccupation of a business model, the value proposition, the customer interface, the infrastructure management and the financial aspects stem from management literature. From the perspective of **e-value**, a business model is seen as a constellation of companies and final customers that jointly create, distribute and consume things of economic value; its roots are found on the one hand in computer science and on the other hand in management science (Gordijn, Osterwalder & Pigneur, 2005; Hayes & Finnegan, 2005).

By comparing, discussing and mapping similar elements in both ontologies, the e-business model ontology explains what an e-business model actually is. Botto (2003) defines **e-business models** as descriptions of work processes utilized in virtual or electronic environments (quot. in Hanafizadeh & Nikabadi, 2011) like the internet in order to carry out transactions and create value for clients and other stakeholders (Currie, 2004; quot. in Hanafizadeh & Nikabadi, 2011). E-business models can be classified according to the degree of economic control, value chain and functional integration, managerial and technological innovation (Hayes & Finnegan, 2005). The latter approach sustains the importance of e-business models in the fast changing technologically advanced industries.

Indeed, the relationship between technology and business models derives from the business model concept's roots in transaction cost economics: cheap information technology and communication possibilities made it easier for companies to collaborate in value networks because of relatively small transaction costs (Amit & Zott, 2001). That is why the business design is linked to cheaper and available information technology (Osterwalder, Pigneur & Tucci, 2005). On the other hand, Porter (2001, quot. by Hayes & Finnegan, 2005) argues that the **companies that succeed with e-business will be those that use the Internet in conjunction with their traditional business models and activities**. Indeed, this notion will be tested further in the empirical research in the TV broadcasting industry. In other words, the e-business model is understood in a broader way rather than the model of an Internet-only organization. Thus, an e-business model is also perceived as a company's business model.

The creative usage of IT, according to Chapman, Soosay & Kandampully (2003), offers numerous benefits to firms that undertake business functions via the electronic marketplace. Firms that establish new business models often get high rewards from ideas that generate new sources of revenue streams by using applications of technology and market demand. Considering a case of the media industry, the iTunes website, a successful music downloading service, the main role of this service is seen not only as a music selling business, but also as business enhancing the company's sales of iPods, portable digital music players. Thus, in terms of industry sectors, this website combines the software, online, hardware, and music industries. In terms of business models, this website creates a whole set of business design choices that sustain one another (Osterwalder, Pigneur & Tucci, 2005). Moreover, the success of CNN, Amazon.com, eBay, and others serves are testimonies of new types of resources that can be utilized through innovative business models. New business models provide alternative approaches to business practices for firms to consider not only in terms of what is done, but also in terms of how it is done.

Having identified how technological innovation can influence business model innovation, it is also important to analyze how a business model innovation can influence technological innovation. Chesbrough & Rosenbloom (2002) explain that a business model constitutes a crucial link between technological development and economic value creation by helping commercialize and thus promote the uptake of an innovative technology by revealing its potential. Chesbrough (2010) emphasizes the importance of business models to technologies by explaining that an average technology pursued within a great business model may be of a greater value than a great technology exploited via an average business model, meaning that it is likely to enjoy higher levels of adoption.

"Soft" innovation: Managerial innovation

As Mills, Platts & Bourne (2003) state, research in economics evolves from the pioneering theory of the growth of the company (cit. Penrose, 1959), to the evolutionary economic theory (quot. Nelson & Winter, 1928), and to the dynamic capabilities research (Teece et al., 1997). They all have highlighted the importance of a company's tangible and intangible assets, or resources as a basis for sustainable competitive advantage. Thus, the managerial interest in competence and resource-based ideas is grounded.

From the Resource-based theory's perspective which was conceptualized by Wernerfelt (1984), a resource can belong to a company, or be accessed by it (e.g., third party consultants or the skills and expertise of its staff). Accepting this definition, a competence is defined as an activity a company carries out. At a corporate level, where the 'core competence' idea is proposed by Prahalad & Hamel (1990), the main issue is to use these competencies to generate new businesses (Mills, Platts & Bourne, 2003).

IBM's Global CEO Studies for 2006 and 2008 show that top management in a broad range of industries is actively seeking guidance on how to innovate their business models to improve their ability to both create and capture value (Pohle & Chapman, 2006; Casadesus-Masanell & Ricart, 2010). Moreover, in some enterprises, the CEO is the initial source of business model innovation concepts to test (Mitchell & Coles, 2004). Thus, designing a new business model requires creativity, insight, intelligence and a great deal of customer, competitor and supplier information. There are also significant tacit components taking place: a businessman may be able to intuit an innovative business model but not be able to rationalize and articulate it fully. Hence, experimentation and learning are required (Teece, 2010). But as far as the analysis of the scientific literature shows, scholars have not yet focused on how important this driver is.

Chesbrough (2007) argues that many organizations have a 'business model innovation leadership gap'. That is, not a single person in the organization gap has the authority and the capability to innovate the business model. It depends on who is responsible for the business model innovation in the company. It canot be left to the chief technology officer and his or her staff alone; business model innovation clearly requires the participation of top management. Yet scholars analyse who within a company, other than the CEO, is responsible for the ways the business creates value in its products and services and captures that value in the form of revenue. Consequently, Zott, Amit & Massa (2011) note that a specific management agenda might be required for business model innovation (quot. Svejenova, Planellas & Vives, 2010). To overcome the rigidity that accompanies established business models, Doz & Kosonen (2010) propose that companies can become more agile by developing three meta-capabilities: strategic sensitivity, leadership unity, and resource flexibility. In a similar vein, Smith, Binns & Tushman (2010) highlight how the effective management of complex business models depends on leadership based on dynamic decisions, building commitment to both overarching visions and agenda specific goals, learning actively at multiple levels and engaging conflict. Santos, Spector & Van Der Heyden (2009) also emphasize the importance of the behavioral aspects involved in business model innovation. They suggest that mutual engagement and organizational justice are essential and that managers should focus on the relational dynamics at the informal organization level.

It is often the case that the right business model may not be apparent up front, so learning and adjustments will be necessary: new business models represent provisional solutions to user/ customer needs proposed by represent entrepreneurs/ managers. The right business model is rarely apparent early on in emerging industries: managers who are well positioned, who have a good but not perfect business model design but who can learn and adjust, are those more likely to succeed (Teece, 2010).

Clearly, designing good business models is in part an art. The chances of good design are greater if managers have a deep understanding of user needs, consider multiple alternatives, analyze the value chain thoroughly, can reveal how to deliver value that the customer wants in a cost-effective and timely manner, adopt a perspective to outsourcing decisions, and are good listeners and quick learners. Useful tools include the various types of market research that lead to a deep understanding of the user, along with elements of the profiting from innovation framework (Teece, 2010).

Pohle & Chapman (2006) argue that four out of every ten business model innovators thought it very likely that a competitor with a radically different business model would upset the competitive dynamics of the entire industry. During their research, one interviewed CEO described his predicament in this way: 'Since 70 percent of our business is based on a service that will no longer exist as we know it, we need to adapt our enterprise to survive'.

When a company has doubts about the legitimacy of this fear or the dangers of waiting too long to change your business model, the Eastman Kodak Company is a good example of illustrating a common situation. It has been a long process for the company to redefine itself from the traditional film business (with its 60 percent margins) to the digital company. Kodak has focused on a business model turnaround. According to the company, 2005 marked the halfway point of its transformation, and it was also the first year in Kodak's history when digital sales (at 54 percent of total revenue) surpassed traditional revenue (Pohle & Chapman, 2006).

Thus, global connectivity (created through telecommunications, IT infrastructure and open standards) makes new skills and partners accessible and practical to employ and enables innovative forms of collaboration and business models. Of course, the same global connectivity also exposes firms to new competitors with very different business models and cost bases, which, in turn, can force business model innovation. Instead of focusing on the threat, the CEOs, based on Pohle & Chapman's (2006) research, have described the top-line potential offered by business model innovation, or its adaptations. Major strategic partnerships and organization structure changes topped the list of most significant business model innovations are related to (Pohle & Chapman, 2006):

- Organization structure changes;
- Major strategic partnerships;
- Shared services;
- Alternative financing/ investment vechiles;
- Divestitures/ spin-offs;
- Use of a third-party operating utility.

As global connectivity reduces collaboration and transaction costs, companies are taking advantage of the expertise and scale that lies hidden in their own organizations and across the globe. They are creating business models combining internal expertise and scaling through shared services centers with the capabilities of specialized partners to create truly differentiating business designs (Pohle & Chapman, 2006). So from the managerial perspective, the management of technology, as well of other components' transfer processes is crucial.

Business model (as integral business logic) transfer

The transfer of a business model is a very ambiguous issue. From one perspective, a **business model is a set of separate components, such as profit formula,** product/ service and so on. But from the other perspective, every **business model has the components that are hardly transferable: firm's key resources, expertise,** value proposition. According to this notion, a firm can hardly transfer a business model as integral business logic. Stähler (2011) proposes that a good business model is not protected by patents or high-tech but by the excellent interaction of all its variables, particularly, by the human factor.

Despite this logic, many business strategists talk about the transfer of a business model. Especially when a business model is a technology-based, including 'hard' components, rather than one based on 'soft' components. This approach is sustained by Shenkar (2010), stating, that business models are the least protected and often most promising targets for imitation in that they offer an opportunity to replicate a business system. However, entire business models are also the most difficult to copy because they require the so-called corporate ‘mirror neurons’ necessary for resolving the correspondence issue.

Also, despite talking about open innovation as one of the basic theories for the business model elements’ transfer, Chesbrough (2003), Chesbrough & Appleyard (2007), Trott (2008) firstly argue that the concept of innovation is linked to the business strategy. They note that the traditional business strategy has led firms to become defensive against the competition and the value chain, highlighting the importance of constructing barriers to competition, rather than promoting openness, while recently firms and industries, such as the software industry, are experimenting with innovative business models based on collective creativity through open innovation. The so-called ‘open strategy’ combines the principles of traditional business strategy with the concept of open innovation. It embraces the benefits of openness for expanding value creation for businesses. Van de Vrande et al. (2009) and Lichtentaler (2009) propose that open innovation is the combination of outside-in and inside-out movements of technologies and ideas. In addition, as Gassmann & Enkel (2004) argue, open innovation means that companies have to open up the boundaries for the new knowledge streams from outside in order to create opportunities for innovation processes with partners, customers and suppliers. As a consequence, open innovation influences spillovers of a company’s business model (Chesbrough, Vanhaverbeke & West, 2006). Thus, here innovation is perceived as a strategy to increase the firm’s competitive advantage that can be reached together with other agents in the value network.

Talking about specific industrial technology-related contexts, media industry in a broad sense, Chesbrough (2006) explains that the Hollywood film industry has been using the open innovation approach throughout its value network by involving production studios, producers, directors, talents, actors, scriptwriters, and other subcontractors. Thus, the open innovation approach is evident when transforming existing business models in industries with many external ideas, high labour mobility, the presence of start-ups, and the existing cooperation with universities. Similarly, since a TV’s value network is spread, executing open innovation is relevant here, too.

To conclude, companies, engaged to disruptive innovation, can start not only to anticipate the environmental changes, but also transform the ‘unexpected’ into ‘expected’ and get the competitive advantage by adopting a strategy as a cohesive response to an important challenge. For the purpose of this research, the term *Response strategy* is the most related and relevant. In relation to various disruptive changes, companies do need to adjust or choose their strategies, as well as transform their business models. Here it is to note that, according to scientists, companies that succeed with innovative business models are mostly those that use the Internet in conjunction with their traditional business models and activities. Business model in this case is the core logic for explicating how a firm will remain profitable and how will it change over time. Therefore, it is essential to identify how the innovation of the business model can generate new value in an industry. A business model innovation comprising different variations can be linked to ‘soft’ innovation (e.g., impact of leadership, management or vision), or ‘hard’ innovation, and become technological ‘outcome’ in business modelling, e.g., an e-business model.

1.3. Variety of response strategies of incumbent firms in the context of disruptive innovation

As Christensen (1997) claims, the concept of disruption is about competitive response, which is adjacent to growth. Therefore, it is important to (Denning, 2016a) it is not a theory of growth. Denning (2016b) adds that, according to Hagel (2015) it is possible to identify specific patterns of disruption – disruptive strategies that, when combined with certain marketplace trends, can topple industry incumbents. So firstly, in the disruptive innovation, or growth-oriented context, incumbents are often seen as:

- having two choices (Christensen, 1997): *(1) to create a new business unit*, or *(2) to sustain innovation;*
- or, alternatively, five choices (Charitou & Markides, 2003): *(1) focus on and invest in the traditional business, (2) ignore the innovation, (3) disrupt the disruption, (4) adopt the innovation by playing both games at once*, or *(5) embrace the innovation completely and scale it up.*

The diversity of response strategies are also analysed from the perspective of disruptive business models (Markides, 2006; Worlock, 2007; Yovanof & Hazapis, 2008), disruptive innovation (Christensen & Bower, 1996; Christensen, 1997; Christensen & Overdof, 2000; Markides, 2006; Georgantzas et al. 2005; Sandström et al., 2009), technological convergence (Bores et al., 2003), or transformation (Medina, 2011) are proposed as follows:

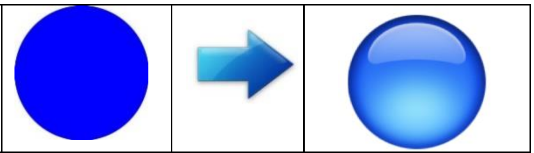
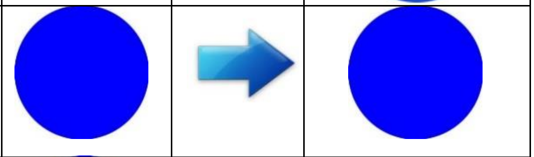
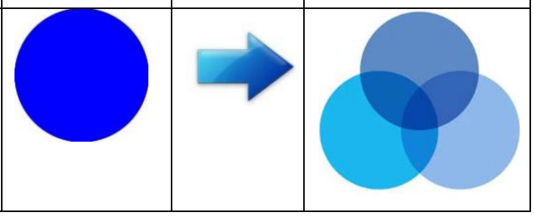
(1) traditional business and sustaining innovation strategy	
(2) *ignore the innovation* strategy	
(3) *disrupt the disruption* strategy	
(4) innovation adoption with focus on existing businesses (considering creating a new business unit) strategy	
(5) *embrace the innovation* strategy	
(6) merger and acquisition (M&A) strategy	

Figure 1. Response strategies (adapted from Markides, 2006; Worlock, 2007; Yovanof & Hazapis, 2008; Christensen & Bower, 1996; Christensen, 1997; Christensen & Overdof, 2000; Markides, 2006; Georgantzas et al. 2005; Sandström et al., 2009; Bores et al.; 2003; Medina, 2011)

Even though in this part of research the author seeks to identify the generic response strategies, at the same time, it is attempted to illustrate the current strategies with mini business examples. In addition, scientific literature suggests that the above mentioned strategies can be linked to specific areas of business, TV broadcasting, for instance. Research on the TV industry implemented by Schindler, Upreti & Goswami (2011) revealed that the contemporary TV broadcasters, considering the market maturity and being incumbent companies themselves, variety of choices and wide reach, is, and will likely stick to its primary revenue stream, traditional TV broadcasting. Therefore, the challenge for the incumbents in the TV industry is to strengthen the existing offerings, at the same time achieving greater agility in operations in order to respond to disruptive innovation caused by market dynamics. Thus, the TV broadcasters should focus on:

- Continuing to grow and ensuring revenues from the main TV broadcasting business by strengthening operational capability and efficiency. By its essence, this strategy corresponds to **traditional business and sustaining innovation strategy.**
- Keeping the current position in the broadcasting value network and attempting to build stronger multi-platform content delivery capabilities, especially in the cases of online TV and mobile TV. The latter response strategy is similar to **innovation adoption with focus on existing businesses (considering creating a new business unit) strategy.**
- Adopting a more integrated, efficient and service oriented operating structure in order to achieve and deliver long term goals could be the case of **innovation adoption with focus on existing businesses (considering creating a new business unit) strategy** adoption as well. As an example, Apple TV case is given. A multinational technology company Apple has launched a TV device using apps, such as Netflix, Hulu, WatchESPN, and iTunes to watch TV shows. Unlike Netflix and Amazon, Apple is not planning to invest in original video content and therefore remains in its core business. Differently from many big companies pursuing this strategy, Apple Inc. does not have a separate business unit exclusively for Apple TV (Lashinsky, 2011; Apple, n.d.; Gewirtz, 2015; Yarow, 2015; Bolton, 2015).
- Innovating to monetize on emerging opportunities in new customer segments. Responding accordingly would mean the adoption of **embracing the innovation strategy.**
- ***Disrupt the disruption*** **strategy.** An example of such strategy adopter is Netflix. The firm established as a website where people could rent DVDs online and receive them through the mail was perceived as a disruptor in the TV industry: after some time, Netflix proposed to market on-demand content, as well as that tailored for different countries (e.g., Italy, Lithuania, etc.). This innovation caused the response of the TV networks that started offering VOD content to its viewers. Finally, Netflix began competing with TV networks directly for original content (e.g., Game of Thrones; House of Cards) and also forced the TV industry to change its ways by giving viewers the flexibility to see content in the way they want (Zuliani, 2015; Netflix, 2015).
- ***Merger and acquisition (M&A) strategy*****.** These company transactions, according to BCG (2016), establish ever-larger conglomerates, leaving smaller TV groups more vulnerable as independent companies. The Disney and Pixar merger, for instance, provides TV industry giants the competitive advantage towards smaller TV networks to accept lower fees for their content broadcasting. Hence, new ventures of large corporations that are incubating or otherwise funding start-ups as their own path to innovation. Start-ups operating under a large-company umbrella have long been common in the tech industry, in which the pace of innovation is fast and the fuel for

disruption (venture funding) is so prevalent. In many cases, **tech giants acquire successful start-ups to remain ahead of the innovation curve** (Kon et al., 2016). In contexts of rapid change (BCG, 2016), the latter strategy is evident.

In highly competitive and innovative markets, when an action of an incumbent cause the reaction of the other incumbent is very common. Therefore, a combined strategy approach, or a strategy mix is also possible. Thus, the choice of response strategy also depends on whether the incumbent, facing the disruption, is the **first-mover**, or the **second-mover**, as indicated by King & Baatartogtokh (2015). The latter authors argue that the before setting the strategy, there are many alternative factors influencing the disruption, like shifting economies of scale, first-mover advantage, legacy costs, etc. Therefore, it can be stated that the **first-mover** and the **second-mover** approaches serve as crosscutters between companies' response strategies. Following the strategic choice analysis, this part is based on the analysis of **imitation strategies and second-mover advantages,** as well as **first-mover advantages,** which are relevant for this research in depth analysis. Indeed, in case of small open economies, like Finland (Pajarinen, Rouvinen, & Ylä-Anttila, 1998) or Lithuania (OECD, 2016) for instance, incumbents have more to achieve rather than to lose while imitating. Valdani & Arbore (2007) add that incumbents, feeling threatened by a disruptive innovation in the market, choose the imitation strategy immediately or shortly after a having met a threat. Taking examples of Nike Air and Adidas Megabounce, it has already been mentioned that whenever a disruptive innovation derives from another incumbent, the imitative response is even quicker.

Imitation strategies and second-mover advantage. Imitation (Shenkar, 2010), late entry (Zhou, 2002; Trott & Hartmann, 2009; Trott, 2008) strategies, or second-mover advantages by its origin mean borrowing, importing, or adapting ideas, practices, and models from someone else. The main point of imitation relies in these questions (Shenkar, 2010): **where** (the industry or domain from which to draw the imitation), **what** (the object of imitation: a product, a process, a business model), **who** to imitate (the entity behind the model), **when** (the timing of imitation), and **how** (the form and process of imitation).

The imitator, or a **second-mover** can be the even the fifth company which comes into the existing market. Late movers are those who enter a market after it has been explored. Lieberman & Montgomery (1988) classify the second-movers according to the sequence they entered the market, the elapsed time since entry of the pioneer or by general categories: **early followers** (companies which enter an existing market early), **late followers** (companies which enter a mature market), **differentiated followers** (companies which create a niche in an already existing market), **me-too followers** (companies which enter an existing market with existing products).

Imitation strategies (Shenkar, 2010) can be a part of a set of activities that is distinct in its derivative form or combinative architecture and has the potential to deliver unique value, especially in conjunction with innovation. In an organization acting as an adaptor, the innovation concerns the process of organizational change affecting both the technical and the social systems of the organization. In this case, the process is composed by the stages of 'imitation' and 'implementation'. In organizations acting as adopters, the measure of success is given by its capability to institutionalize an innovation in order to improve its performance (Jofre, 2011).

Second-movers may benefit from: 1) the opportunity to free-ride from the investments made by the first-movers, 2) resolution of technological and market uncertainty, 3) technological discontinuities that open for a new entry, and 4) for various types of incumbent inertia that make it difficult for the incumbent to adapt to environmental change (Lieberman & Montgomery, 1988).

By nature, imitation is easier and much cheaper (Chesbrough, Vanhaverbeke & West, 2006). By imitating the key characteristics of the pioneering brand, late pioneers thus could be easily recognized as possessing a similar product to the pioneer, which means that they may be readily acceptable by the market (Zhou, 2002). Still, this strategy also requires a substantial technology base so that the company may develop improved versions of the original in terms of lower costs, different design, additional features, etc. The company needs to be agile in manufacturing, design and development and marketing. This will enable it to respond quickly to those companies that are first into the market. Without any in-house R&D, their response would have been much slower, as this would have involved substantially more learning and understanding of the technology product (Trott & Hartmann, 2009).

It may not be possible to exactly replicate the Southwest Airlines model with its indicately interrelated elements, but it is possible to do a *Ryanair*, copying and exceeding codified aspects, or an *EasyJet*, which mimics the original and its *JetBlue* derivative. It is also possible, like Apple or Wal-Mart, to be an assembler that borrows from others and combines the imports with indigenous areas of strength to create a competitive advantage (Shenkar, 2010). In a similar vein, Valdani & Arbore (2007) distinguish three different types of such imitations: 1) parasite imitation; 2) incompatible or redundant imitation; and 3) induced imitation. From the business model innovation perspective, it is to note, that a BMI in one industry is not necessarily an innovation in another sector, and vice versa. This statement is based on some case studies in different industrial contexts, where business models were transferred/ adapted successfully. Valdani & Arbore (2007) also draw attention to different motivations that incumbents have when choosing an imitation strategy to implement a BMI. From the one side, it can be related to the incumbent's reaction to the element of surprise, when success is evident and when market conditions demonstrate a risk of market share loss. From the other side, some incumbents make strategic choices towards imitating when the success about the industry's innovation development is clear.

Having considered the imitators, however, based on King & Baatartogtokh's (2015) notions, incumbents can also profit from the **first-mover advantage.** By definition, a **first-mover advantage** is based on the ability of surviving pioneering firms to enjoy a larger market share or earn more positive economic profits than surviving late entrants (Lieberman, Montgomery, 1988; Zhou, 2002). In other words, the first-mover is the company (product) that enters a market first. As Zhou (2002) continues, a first mover may achieve economic benefits such as scale and experience economies. A pioneer can also gain advantage by pre-empting rivals in the acquisition of scarce resources such as the most attractive space or locations. Technological factors such as innovations may also reward a first mover in terms of cost or differentiation advantage. From a behavioral perspective, pioneering advantage can arise from the process by which consumers learn about brands and form their preferences. The process can produce a preference structure that favors the pioneer, making it difficult for late entrants to 'compete away' the pioneer's large market share, even if brands can reposition and if the switching costs are minimal.

As mentioned above, there are lots of advantages for the first-movers; however, Zhou (2002) distincts some important **disadvantages** the latter companies face: 1) free-rider effects, 2) shifts in technology, 3) shifts in customer needs, and 4) incumbent inertia. First, because imitation costs are usually much lower than innovation costs, late entrants may be able to free ride on a pioneering firm's investments in a number of areas such as technology development, buyer education, and market development. Second, late entrants may exploit technological discontinuities to overtake the pioneers. Innovative late entrants can revolutionize existing industries with new products and processes, and become first movers in the next technological phase. Third, shifts in consumer needs create opportunities for late entrants to better deliver customer values than pioneers. A market is usually not very well formed at the beginning, which means that the early adopters may be quite different from later adopters (e.g., personal computer industry). Market change and consumer-need shifts thus provide great opportunities for late comers. Finally, incumbent inertia may inhibit the ability of the pioneers to respond to environmental change or competitive threats. Although incumbent inertia is often a rational and profit-maximizing response, it may lead to organizational inflexibility when the firm is locked into a specific set of assets or is reluctant to cannibalize existing product lines.

If an organization is considered as acting as a generator of innovation, the innovation process regards problem-solving and decision-making in connection with the design or development of new products. In organizations acting as generators, the successful outcome of the process is often determined by the organization's capability to improve its performance or to set new industrial standards through the competent diffusion of its innovation (Jofre, 2011). As mentioned in previous sections, the external knowledge plays an important, but supplemental role in business model innovation. A firm often focuses on its the internal activities, or internal sources of innovation, like the strategy.

The strategy here centres on the advantages to be gained from a monopoly, in this case, a monopoly of the technology. The aim is to try to ensure that the product is launched into the market before the competition. This should enable the company either to adopt a price-skimming policy, or to adopt a penetration policy based on gaining a high market share. Such a strategy demands a significant R&D activity and is usually accompanied by substantial marketing resources to enable the company to promote the new product (Trott & Hartmann, 2009).

To conclude, based on the literature analysis, the following main response strategies have been pointed out: (1) traditional business and sustaining innovation strategy; (2) ignore the innovation strategy; (3) disrupt the disruption strategy; (4) innovation adoption with focus on existing businesses (considering creating a new business unit) strategy; (5) embrace the innovation strategy; and (6) merger and acquisition (M&A) strategy. In addition, these strategies can be perceived from the first-mover, as well as the second-mover perspective.

2. Choice of response strategy to disruptive innovation by incumbent firms: integrated theoretical framework linking strategies with sets of factors

In this part, the choice of the response strategy is linkded to the external nature of disruptive innovation, as well as to factors influencing the choice of the response strategy.

2.1. Nature and type of disruptive innovation

Disruptive, fast-developing and technology-based businesses of downloads, online streaming, and content piracy, highly influenced by various digital technologies, has been transforming some specific industries for quite some time. But only recently this matter has gained scientific attention by attempting to understand what exactly is happening in, for instance, the media business. Disruptive changes in digital distribution, the demand for production of lower-cost content, digitization of production and exhibition have totally changed the shape of this industry. Therefore, researchers and practitioners have been inquiring if digital dissemination would cause a massive disruption to the media industry, as it did to mail delivery services, bookselling, and other industries, or if TV and movie industries go online (Iordanova & Cunningham, 2012; Christopherson, 2008).

Hagel (2015) provides a general list of representative catalysts of disruption, describing shifts that occur in the global environment when facing a **disruptive innovation**. As the researcher continues, these drivers precede any action that an individual company would take. Therefore, the **catalysts are perceived as shifts outside of a company's direct control** rather than company-made decisions. The most relevant catalysts for anticipating disruption are related to enabling technologies, customer expectations and preferences, platforms, macroeconomics, and public policies. It should be noted that catalysts often exist independent or industry situations, although specific market conditions may shape the degree of impact a catalyst has on that market. The external factor is perceived as a change in the broader environment that is an early indicator of possible disruption. The catalysts of disruption can change the desirability of an offering or the viability of a business model by either making a new offering technically feasible, enabling a new offering to equal or exceed the features of current offerings, or by changing the market conditions or the economics of production such that a new offering becomes desirable even if its quality or functionality falls short of existing offerings. Generally, the catalysts of disruption occur before the actions that companies would take.

For the purpose of the present thesis, the theoretical investigation of disruptive innovation will be limited to some of Gassmann, Enkel & Chesbrough's (2010) research streams. Indeed, under the spatial stream, the research distinguishes such trends as globalization of innovation, research internationalization, the related enabling technologies (including ICT) and platforms, as well as decentralized innovation processes.

Table 1. Catalysts of disruption (Hagel, 2015)

Catalyst of Disruption	**Specifics in brief**
Enabling technology	Digital infrastructure providing richer connectivity Affordable access to sophisticated tools of production Cheaper, faster, more reliable shipping making the world smaller Affordable sensors making the invisible visible

Customer mindset	From ‘wanting the best’ to ‘accepting the basics’ From accepting standardized to expecting personalized From ownership to access From passive customer to active customizer
Platform	Aggregation and social platforms reducing isolation Aggregation platforms reducing inventory and distribution costs Scalable learning platforms reducing barriers to entry Learning and aggregation platforms increasing collaboration
Economy	Sense of scarcity increasing willingness to share Constrained buying power decreasing willingness to pay up front Lower purchasing power increasing demand for affordable, versatile products Challenging economic conditions increasing demand for ‘good enough’
Public policy	Self-regulation and open source in place of protected IP Regulatory and legislative structures adopting the ‘wait and see’ approach Local decision making and budgeting Changes in the tax or legal code

Firstly, according to Ringel, Taylor & Zablit (2015) and Hagel (2015), directly or indirectly, **enabling technological** breakthroughs influence change in society and in the economy, in both the personal and the public sphere. Advances in core enabling technologies are at the root of most of the disruptive innovations and can be applied to drive radical change in the capabilities, structure, or economics of a business, customer, or even the culture. Hagel (2015) gives an example of the music industry, where the transition from analog to digital music allowed for audio content to be distributed online. As a consequence, the latter market disruption quickly led to new file-sharing protocols and protections, new payment systems, and the development of streaming services and specialized digital marketplaces, therefore, it has significantly transformed the music industry’s business model. The other evident examples come from 3D printing technology and related industries, etc.

Following the presented Gassmann, Enkel, and Chesbrough’s (2010) logic, Ringel, Taylor & Zablit (2015) and Hagel (2015) also advocate, that **platforms** help make resources and participants more accessible to each other. They can become powerful catalysts for rich ecosystems of resources and participants. While there are many types of platforms and the term is used in many contexts, well-functioning platforms share two key elements: a governance structure, derermining the participants and their interacions, and a set of enabling protocols facilitating coordination and collaboration process. In his research, Hagel (2015) identified four types of platforms:

- *Aggregation* platforms facilitate transactions, connect users to resources, and tend to operate on a hub-and-spoke model.
- *Social* platforms facilitate social interactions, connect individuals to communities, and tend to foster mesh relationship networks.
- *Mobilization* platforms facilitate people taking action together around a cause or vision. They tend to foster longer-term relationships to achieve shared goals.

- *Learning* platforms facilitate sharing insights over time. They tend to foster deep, trust-based relationships as participants work together to achieve more of their potential.

As presented in the strategic management literature, the linkage between a company and its environment is a primary component of strategic management (Rabin, Miller & Hildreth, 2000); therefore, the knowledge collected from external sources during this first stage is essential in the strategic innovation processes (Chesbrough, Vanhaverbeke & West, 2006). Von Hippel (1988) identifies four sources of external knowledge for innovation, one of which is suppliers and **customers**. The accumulated and/ or created knowledge not only enables proactive market orientation (Voola & O'Cass, 2010; quot. in Kindström et al., 2013), but also enables establishing a relative customer mindset. Indeed, Hagel (2015) argues, that **businesses are driven by customer demand**. Thus, talking about B2B, as well as B2C markets, consumers have expectations that are shaped by what they see in the environment, by their values, experiences in personal and professional life, and by financial and social pressures. It is also noted that consumers today are oriented towards personalized products for an affordable price, while some time ago the primary idea was about the price, which was linked to a 'standard', mass-market product or service. Therefore, in the era of disruption, it is essential to reprioritize customers' values and preferences.

According to Schumpeter (1934, cit. in Hagel, 2015), macroeconomic indicators, such as **economic** growth, interest or exchange rates, affect how companies and customers operate and make decisions. Significant changes in ecomonies and economic crisis generally have a strong effect on the priorities and decisions about purchases and investments. Specifically, it influences, making challenges or providing opportunities for both, incumbents and new entrants. Here, the fluctuating customer mindset, sometimes becoming more cost-conscious and interested in reducing non-essential purchases disrupts economy in a way that it consumers might switch to cheaper products and services and even after the crisis keep using the same poducts or services. Considering an example of Airbnb, which was launched in economic uncertainty and was not targeted to mainstream customers, currently it delivers value to upstream markets.

Based on different economic situations when the government changes main **public policies** regulating business or society, the result can limit options for businesses or open up new opportunities (e.g., Jackson, 1997; Hagel, 2015). It is also to note that the public policy in this case refers to legislation and regulation procedures, changes to tax policy, labor and environmental law, trade regulations, tariffs, and political stability on industries and individuals. Therefore, public policy, as a catalyst of disruption is perceived in a broader way. For example, the legalization of marijuana demonstrates how the changes in regulation policies open new business opportunities and indeed, become disruptive in some industries, as in pharmaceuticals, for instance. In other industries, in media business, Hagel (2015) provides an example based on differences of country regulations. For instance, torrenting of pirated material is not a good idea in Germany or in the Netherlands, but it is not so dangerous in Eastern Europe or in Russia (Hagel, 2015).

To finalize, it is noted, that there is a variety of business cases where catalysts of disruption were evident, but companies did not have a prepared response strategy. The case of Kodak Company (Hagel, 2015) demonstrates that the first catalyst of disruption was a changing technology, and it changed the customer mindset as a consequence: the decreasing price and increasing quality of technology made photo digitization possible for the mass user, which was well received by the customers. As a consequence, different platforms became a necessity and a part of everyday life, and opened up a possibility to share and spread digital images. The example demonstrates that one catalyst of disruption is followed by another, and the process fosters disruptive innovation. In the markets of rapid technological change, such as books, movies, TV industries, the latter trend is very evident.

To summarize, in order to avert disruption for incumbents, it is essentially important to see it coming and evaluate the latter catalysts of disruption: Enabling technology, Customer mindset, Platform, Economy, and Public policy.

2.2. Human/ managerial factors and response strategies to disruptive innovation

Business specific factors are drawn on the existing literature of psychological foundations of strategic management (Healey & Hodgkinson, 2013) and managerial cognition (Kiesler & Sproull, 1982; Stubbart, 1989), starting with dynamic capabilities, managerial factors, organizational capabilities and enterpreneural capabilities to foresee the changes. Here, researchers insist that, in order to attain success, companies have to constantly strengthen their organizational capabilities – intangible assets and possible sources of strategic advantage (Teece & Pisano, 1994; Wang & Ahmed, 2007; Cordes-Berszinn, 2013; Galdo, 2016).

According to Healey & Hodgkinson (2013), the psychology of strategic management draws inspiration from the behavioral sciences to understand why firms act in particular ways. This approach draws attention to how managers' mental processes influence strategic action. Rather than assuming that strategizing is objectively or even intendedly rational, a psychological approach holds that strategy formulation and implementation are always exercised within the bounds of human cognitive limitations and that strategic action often reflects subjective perceptions, judgments and goals as much as objective analysis or normatively valued choice. Quoting Hodgkinson & Healey (2011), Healey & Hodgkinson (2013) for instance, argue that emotional and affective processes – and the effective management of these processes – might ultimately enable or undermine the dynamic capabilities (Teece, 2007; Teece & Pisano, 1994) of sensing opportunities and threats, seizing new strategic directions, and transforming internal assets. On the other hand, not only the internal factors influence the manager's choice to implement one or the other strategy. According to Kiesler & Sproull (1982), managers are charged with formulating, directing, coordinating and managind the organization's responses to rapid environmental change. Therefore, it is relevant to understand based on what managers analyze a changing environment. Stubbart (1989) argues that there are three topics in managerial cognition relevant to strategic management: categories, semantic netwoks and inferences. It is crucial because the rationality of managers is often limited, their knowledge often incomplete, and their attention often overloaded. Yet, simultaneously, many managers are skilled at strategymaking, adept organizational experts, and ingenious innovators. Nor do managers all think alike in terms of their vision, expertise, risk-profiles, motivations, or goals. These conflicting views leave the field in a quandary regarding managerial cognition.

According to various researches, the common **Human/ managerial factors** are highlighted in the table below.

Table 2. Human/ managerial factors (Christensen & Bower, 1996; Viellechner & Wulf, 2010; King & Baatartogtokh, 2015; Denning, 2015)

Human/ managerial factor	Author(s)	Context

Managerial propensity toward myopia, or **Managerial myopia**	Christensen & Bower, 1996; King & Baatartogtokh, 2015	The failure of leading firms can sometimes be ascribed to managerial myopia.
Non-autonomous decision making	Christensen & Bower, 1996	Non-autonomous decisions can be a threat to investments, or delay investing, in a variety of new technologies. Also, this study links these two streams by showing how the impetus that drives patterns of resource allocation (and hence innovation) within firms does not stem from autonomous decisions of risk conscious managers.
Expertise and **competency**	Christensen & Bower, 1996; Day & Lord, 1992	Christensen & Bower (1996) argue that the failure of leading firms can sometimes be ascribed to insufficient expertise. Day & Lord (1992) link organizational decision-making and the influence of expertise.
Strategic direction/ vision	Christensen & Bower, 1996; Vlaar, de Vries & Willenborg, 2005; Chesbrough, 2001	Pfeffer & Salancik (1978) provide a contention that managers are powerless to change the strategies of their companies in directions that are inconsistent with the needs of their customers as resource providers (cit. in Christensen & Bower, 1996).
Executives' psychological and observable characteristics	Hambrick & Mason, 1984; Viellechner & Wulf, 2010	Viellechner & Wulf (2010) propose a comprehensive set of top management team characteristics along individual members, team structure and team process influence the impact of the identified causal factors to ultimately lower routine rigidity.
Risk propensity	Christensen & Bower, 1996; Viellechner & Wulf, 2010	Christensen & Bower (1996) observed that risk management and career management were closely linked in the resource allocation process. Also, this study links these two streams by showing how the impetus that drives patterns of resource allocation (and hence innovation) within firms does not stem from autonomous decisions of risk conscious managers. The authors also prove that sustaining investments appeared far less risky than investments in the disruptive technology, because the customers were there.

As Teece et al. (1997); Chesbrough (2003); Wang & Ahmed (2007); Teece (2007); Kindström et al. (2013) advocate, the latter capabilities, often linked to human/ managerial practices, or factors, help organizations effectively deal with new challenges, create advanced configurations of resources and find relevant solutions, allowing companies to obtain and sustain their high performance as well as innovatively-shaped competitive advantage by setting the 'right' response to disruptive innovation strategy.

To summarize, for the purposes of the research, these common Human/ managerial factors are used: (1) Strategic direction/ vision, (2) Non-autonomous (team) decision making, (3) Risk propensity, (4) Executives' psychological and observable characteristics, (5) Expertise and competency, and (6) Managerial myopia.

2.3. Structural/ organizational factors and response strategies to disruptive innovation

According to Sandström et al. (2009), it appears reasonable that the capacity to respond to disruptive innovations depends largely on the formal characteristics of the incumbent. Based on the analysis of scientific literature, the following **Structural/ organizational** factors are pointed out in the table below.

Table 3. Structural/ organizational factors (Dutton & Duncan, 1987; Christensen & Bower, 1996; Sandström et al., 2009; Madjdi & Hüsig, 2011)

Structural/ organizational factor	**Author(s)**	**Context**
Corporate governance, bureaucracy and policies	Dutton & Duncan, 1987	In some cases the responses of the companies are effective in the sense that they more correctly align the organization's internal structure or systems with the demands of the external environment.
Investments	Christensen & Bower, 1996	Sustaining investments appeared far less risky than investments in the disruptive technology, because the customers were there. They also show that the mechanism through which customers wield this power is the process in which impetus coalesces behind investments in sustaining technologies, directing resources to innovations that address current customers' needs.
Organizational propensity toward lethargy, or **Organizational lethargy**	Christensen & Bower, 1996	The failure of leading firms can sometimes be ascribed to organizational lethargy.
Resources	Christensen & Bower, 1996; Sandström et al., 2009	Christensen & Bower (1996) claim that the failure of leading firms can sometimes be ascribed to insufficient resources. According to Sandström et al. (2009), in the discourse regarding disruptive innovation, incumbents are often treated as one population vis-à-vis entrants rather than as many populations with different resources, market positions and strategies.

Heterogeneity	Sandström et al., 2009; Madjdi & Hüsig, 2011	For managers and forecasters the Madjdi & Hüsig's (2011) study indicates that they should consider the impact of the heterogeneity in firms when formulating a response strategy based on their respective perception of the impact of a potential disruptive technology on their business.
Company structure	Christensen & Bower, 1996	The 8,5.25 and 3.5-inch designs initially were rejected by the leading, structurally complicated incumbent computer manufacturers, and were deployed instead in emerging market applications for disk drives: minicomputers, desktop PCs and portable PCs, respectively.
Value network	Sandström et al., 2009	The authors claim that a key determinant of the probability of success for an innovation is the extent to which it addresses the needs of actors in an incumbent's current value network.

As a matter of fact, over time, successful companies often become letargic, bureaucratic, complicated structure-wise, and rigid (Dutton & Duncan, 1987; Christensen & Bower, 1996; Leonard-Barton, 1992, quot. in Kindström et al., 2013). Slight adjustments to the business model and therefore, its value network, might be then necessary. If environment changes and new competitive situations arise, learning and knowledge creation processes and the mastery of these competencies might be of help to prepare a serious response strategy. In such a situation, reconfiguration and transformation activities become fundamental to the company (Boccardelli & Magnusson, 2006) which has to rearrange primary elements of its business model as well as available resources. Therefore, the latter structural/ organizational factors, they all might provide a 'value-enhancing combination' inside an enterprise (Teece, 2007) and might help set the proper response strategy to disruptive innovation.

To summarize, for the purposes of the research, these common Structural/ organizational factors are highlighted: (1) Value network, (2) Heterogeneity, (3) Investments, (4) Resources, (5) Organizational lethargy, (6) Company structure, and (7) Corporate governance, bureaucracy and policies.

2.4. Integrated theoretical framework

From the perspective of a **small open economy** (OECD, 2016; Pajarinen, Rouvinen, & Ylä-Anttila, 1998), as discussed in the introduction, and different theoretical approaches towards **disruptive innovation** (Christensen, 1997; Christensen & Overdof, 2000; Charitou & Markides, 2003; Georgantzas, Peeva, & Weinberg, 2005; Markides, 2006; Benson, 2007; Sandström, Magnusson & Jörnmark, 2009; Viellechner & Wolf, 2010; Madjdi & Hüsig, 2011; Tesfaye & Nguyen, 2012;), combining the **catalysts of disruption** (Kindström et al., 2013; Gassmann, Enkel & Chesbrough, 2010; Iordanova & Cunningham, 2012; Jackson, 1997; Chesbrough, Vanhaverbeke & West, 2006; Von Hippel, 1988; Christopherson, 2008; Hagel, 2015; Ringel, Taylor & Zablit, 2015), **response strategies** (Christensen & Bower, 1996; Christensen, 1997; Christensen & Overdof, 2000; Markides, 2006; Georgantzas et al. 2005; Sandström et al., 2009; Markides, 2006; Worlock, 2007; Yovanof & Hazapis, 2008; Bores et al., 2003; Medina, 2011) and **human/ managerial** (Christensen & Bower, 1996; King &

Baatartogtokh, 2015; Day & Lord, 1992; Vlaar, de Vries & Willenborg, 2005; Chesbrough, 2001; Hambrick & Mason, 1984; Viellechner & Wulf, 2010) and **structural/ organizational**(Dutton & Duncan, 1987; Christensen & Bower, 1996; Sandström et al., 2009; Madjdi & Hüsig, 2011) factors the picture below illustrates the conceptual research model and the linkages of the components.

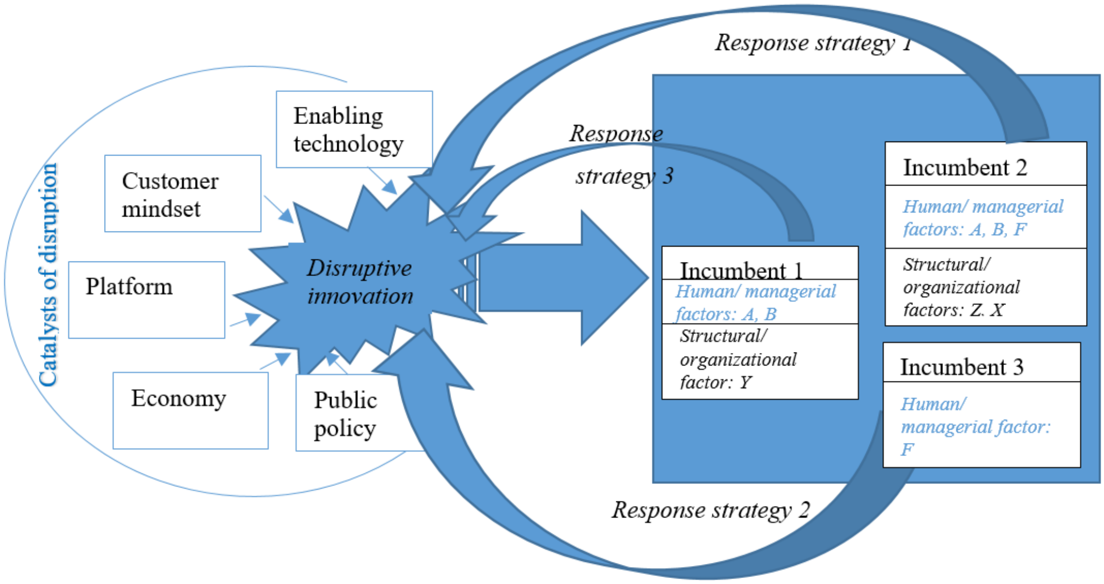


Figure 2. Conceptual model

This model illustrates the linkages how the catalysts of disruption challenge the rise of disruptive innovation in the market and how the incumbents respond to the disruption, considering the factors shaping the choice of a selected response strategy. Hence, based on the scientific literature analysis, the author pointed out the main components of the model:

1. **Catalysts of disruption** (Kindström et al., 2013; Gassmann, Enkel & Chesbrough, 2010; Iordanova & Cunningham, 2012; Jackson, 1997; Chesbrough, Vanhaverbeke & West, 2006; Von Hippel, 1988; Christopherson, 2008; Hagel, 2015; Ringel, Taylor & Zablit, 2015): (1) *Enabling technology, (2) Customer mindset, (3) Platform, (4) Economy*, and *(5) Public policy.*
2. **Response strategies** (Christensen & Bower, 1996; Christensen, 1997; Christensen & Overdof, 2000; Markides, 2006; Georgantzas et al. 2005; Sandström et al., 2009; Markides, 2006; Worlock, 2007; Yovanof & Hazapis, 2008; Bores et al., 2003; Medina, 2011): (1) traditional business and sustaining innovation strategy; (2) *ignore the innovation* strategy; (3) *disrupt the disruption* strategy; (4) innovation adoption with focus on existing businesses (considering creating a new business unit) strategy; (5) *embrace the innovation* strategy, and (6) merger and acquisition (M&A) strategy.
3. **Human/ managerial factors** (Christensen & Bower, 1996; King & Baatartogtokh, 2015; Day & Lord, 1992; Vlaar, de Vries & Willenborg, 2005; Chesbrough, 2001; Hambrick & Mason, 1984; Viellechner & Wulf, 2010): (1) *Strategic direction/ vision, (2) Non-autonomous (team) decision making, (3) Risk propensity, (4) Executives' psychological and observable characteristics, (5) Expertise and competency*, and *(6) Managerial myopia*.

4. **Structural/ organizational factors** (Dutton & Duncan, 1987; Christensen & Bower, 1996; Sandström et al., 2009; Madjdi & Hüsig, 2011): *(1) Value network, (2) Heterogeneity, (3) Investments, (4) Resources, (5) Organizational lethargy, (6) Company structure,* and *(7) Corporate governance, bureaucracy and policies.*

To conclude, the research model combines four different theoretical pillars: (1) Catalysts of disruption; (2) Response strategies; (3) Human/ managerial factors; and (4) Structural/ organizational factors. In the subsequent chapters, based on research methodology, the model is tested in the case of TV broadcasters in Lithuania, as a small open economy (OECD, 2016).

3. Research methodology

In this chapter, the author introduces to the specifics of the TV industry and presents the chosen research methodology.

3.1. TV industry: its specifics, trends, and data in the era of disruption

To begin with, in this part, the author makes an overview of the global TV industry and the local Lithuanian TV industry, which provides a greater understanding of the market. First, it is essential to clarify what is the role of broadcasting in the media industry, and in the TV industry. According to Wells (1996), broadcasting is the most important component of the contemporary mass media industry, comprising both, TV and radio broadcasting. Since the current research investigates the TV industry, we fill focus on TV further on. There are basically two types of television broadcasting (Wells, 1996):

- **Commercial broadcasters.** Funded by commercial advertisements and supported by selling time, are profit, mostly private, channels, networks, TV groups or services, providing programming to the public.
- **Public broadcasters.** Non-profit programming providers, generally publicly owned channels, networks or TV groups, mostly supported by license fees, government funds and other grants, corporate underwriting, audience memberships.

In the latter research, the author presents both types, commercial and public broadcasters' cases. By all means, despite the form of funding, all TV industry players face certain market challenges and trends linked to disruptive innovations.

Global TV industry: disruptive perspective

In this part, the author presents the TV industry from the perspective of disruption it makes to the largest television market, the U.S., influencing the main American TV networks: ABC, CBS, NBC, FOX, CW, as well as small market players (Sanz, 2012). Considering the fact that the latter TV networks belong to media conglomerates, it is also to confirm, that the leading worldwide media companies in 2015 comprise some of them. Comcast, being the 2nd with NBC, as well as the News Corp/ 21st Century Fox, being in the 3rd position, are the highest position-wise media conglomerates, possessing TV networks (Statista, 2015). However, it is also to mention that the latter trends are relevant in most European cases, since the EU is generally ranking the second with its turnovers in the TV industry (Sanz, 2012). The innovative and fast-developing world of downloads, online streaming, and content piracy highly influenced by various digital technologies has been transforming the media industry for quite some time. But only recently has this matter gained scientific attention while attempting to understand what exactly is happening in media business. Disruptive changes in digital distribution, the demand for production of lower-cost content, digitization of production and exhibition have totally changed the shape of this industry. Therefore, researchers and practitioners have been inquiring if digital dissemination would cause a massive disruption to the media industry, as it did to mail delivery services, bookselling, and other industries, or if TV and media industries go online (Iordanova & Cunningham, 2012; Christopherson, 2008). According to Kon et al. (2016), BCG (2016), BCG Perspectives (2016), Steel & Gelles (2014), Tartaglione (2014), these are the **trends** that have fundamentally altered or are about to change significantly the current TV industry:

- **New TV companies and innovative business models are capturing significant value online.** An example from the U.S. market is given to demonstrate that online-advertising revenue increased sevenfold during the years 2010 to 2015, and the growth shows no signs of decrease.

- **Online and mobile viewing is expected to exceed facilities-based video viewing.** In the U.S., the time people spent watching TV internet increased 50% from 2013 through 2014. In addition, the above mentioned BCG (2016) market research advocates, that by 2018, online video content will likely account for about 80% of fixed-data traffic and accordingly, to 70% of mobile traffic.
- **Online and mobile viewing will exceed facilities-based video viewing.** In the US, the amount of time people spent watching television shows on a television set dropped marginally (1%) from 2013 through 2014. However, an increasing amount of content is being delivered online, leaving video-only distributors (for example, satellite service providers) with an asset – facilities-based video distribution – that is quickly declining in relevance. Online viewership, on the other hand, is growing quickly. The amount of time people spent watching television shows online jumped 50% from 2013 through 2014. By 2018, online video will likely account for nearly 80% of fixed-data traffic and close to 70% of mobile traffic.
- **On-demand (VOD) viewing is expected to exceed live, linear viewing.** Currently, the share of VOD viewing in the U.S. is just about 20%, but this percentage is expected to double to more than 40% by 2018 and continue on growing exponentially. The same trend is expected in the European TV industry. Another evident trend is the shift from 'watching what is on' to 'watching what I want, where and when I want it' (BCG Perspectives, 2016). The DVR was the first disruptive innovation in the industry, and current online mobile VOD technologies only accelerated the change in the U.S. and Europe. However, entertainment (e.g., sports, events, news) should still be still excluded (it makes up 50%) from the shift, as they are quite viewed through linear programming.
- **Virtual Reality (VR) is expected to replace the contemporary TV.** While the VR is still lacking behind due to some factors, like the absence of real-world personal interaction, high cost, processing power, and little content, still, in the long run (within the next decade), VR applications, live experience and games will likely take over a substantial amount of video consumption. Currently, in video, TV is still king. The real issue for the televisions to confront is related to market share maintenance. Since VR content is delivered over the Internet, the real challenge for traditional TV broadcasters is to protect their market margins. On the second thought, from the content creation perspective, the question is whether a large infrastructure network with TV broadcasters is desired.
- **Minor TV channels plan their survival under the Major TV networks.** The latter trend fosters the creation of larger conglomerates leaving small independent TV groups more vulnerable. The latter mergers (e.g., AT&T and DirecTV, Warner Bros and Eyeworks) give TV Majors an advantage towards smaller TV channels or groups to accept lower fees for their program broadcasting.

Consequently, considering the above-mentioned trends as disruptive trends that shape the TV industry, four scenarios can be defined, according to Boston Consulting Group's research (BCG, 2016):

1. **'The Universal Remote'.** Those TV companies, which are willing to become the anytime-anywhere TV access points, have a possibility to gain an important competitive advantage. The latter advantage derives from a fact that even though the fragmented industry, consisting of TV broadcasters, pay TV, and Internet TV exists,

but viewers cannot view and stream all video content through pathways and devices using a single point of navigation.

2. **'The Walled Garden'.** Since certain content, like TV series or sports events are becoming very popular among viewers, the content broadcasters can monetize from this trend by encoding the exclusive entertainment content. It is perceived, that the aforementioned exclusive content might generate subscribers and might become a strategic competitive advantage for a TV broadcaster.
3. **'Distribution Disintermediation'**. TV companies, having strong brands in the market and top-tier programming can gain the competitive advantage by delivering content directly to viewers.
4. **'Live TV Online'**. It is advocated that the traditional TV viewers do not switch to online because the traditional TV still offers live programming and content across all categories, including news and sports. Therefore, it is essential for online broadcasters to integrate live content within their video on demand offerings. The right pricing package may transform the TV's value proposition for viewers.

Having presented the possible scenarios and expanding the topic on disruption and its influence towards the online TV video content, it is essential to note other fundamental movements in the TV industry's **business models**. Boston Consulting Group (BCG Perspectives, 2016) highlights that innovative technologies, and high quality online content in particular, led to the increase of the online audience share. In order to respond appropriately, TV companies have to capture value from the possibilities online, and rethink their own business model. Online and mobile TVs are generating revenues from one of the following business models: (1) advertising-supported video on demand (AVOD), which gives free access to video content for its viewers, while the company earns from advertising; (2) transaction-based video on demand (TVOD) that allows viewers to get or rent content for a one-off fee; and (3) subscription-based video on demand (SVOD) that allows viewers to watch the content for a monthly fee. It is also to mention that the advertising techniques are also developing hand in hand with the rise of disruptive business models and eventually the advertising will catch up the viewers online. In addition, since more and more U.S. viewers choose watching online TV content instead of traditional TV, their choices and tastes regarding the broadcasted content change. Indeed, the trend of online and mobile viewing changes the traditional subscription-TV business model. And since for many years the viewers were used to buying larger video packages, currently the situation is changing as they want to unbundle those packages. Interestingly, in case of all the aforementioned disruptive models in the U.S., the online economics have been scaling up from 2 to 7 times between the years 2010 – 2015, and continues growing. However, according to BCG Perspectives (2016), the decline of traditional pay TV in the U.S., as well as in Western Europe, should not be as quick as within the newspaper and magazine market. The report suggests that in Eastern Europe the decline of TV subscriptions should be even smoother.

Content-wise, there is an evident shift towards the 'long tail' production – its unique content and niche programming. This also causes the competition for the desired content and is mostly seen in the U.S. and the UK, where the combat for exclusive top-tier programming is quite robust. As it is mentioned in the report (BCG, 2016), the incentives to create original series has caused the increased share of expenditures towards original programming in both, traditional TVs and online TVs. It is also stressed out that companies like Amazon, BBC, Microsoft, and YouTube have created original programming, while Netflix is also experiencing the doubling of licensing costs in 2017, compared to 2013.

Lithuanian free-TV broadcasting industry: structure and innovation

Similarly to the leading global counties in TV market, European countries are also experiencing global disruptive changes and following TV industry trends. Lithuanian case is presented, as the country has a distinctive characteristic in the European TV broadcasting context: Lithuania has a very high percentage of free TV viewers: there are 43 percent of viewers watching free TV. Such figures were found only in Italy and in Lithuania before moving to digital platform. In addition, the context is compatible with the Fontaine & Kevin's (2016) classification of pan-European groups of TV channels: Lithuanian broadcasting market contains a multi-country broadcaster Times Media Group (MTG). Therefore, the case of Lithuanian TV broadcasters is relevant and at the same interesting context to test theory.

To begin with, the Lithuanian TV broadcasting industry's structure is presented in the table below. It is to note, that all the operating Lithuanian free-TV broadcasters are incumbent companies and no new players are found.

Table 4. Incumbent companies: Free-TV broadcasters in Lithuania (RRT, 2013; 2017)

No	Name	Owner	Type	Launched
	LRT Televizija	Lithuanian National Radio and Television (LRT)	Public-owned	1957
	LRT Kultūra	Lithuanian National Radio and Television (LRT)	Public-owned	2003
	TV3	UAB TV3 (a part of Modern Times Group (MTG))	Private	1993
	TV6	UAB TV3 (a part of Modern Times Group (MTG))	Private	2002
	TV8	UAB TV3 (a part of Modern Times Group (MTG))	Private	2011
	LNK	UAB Laisvas nepriklausomas kanalas (LNK)	Private	1995
	TV1	UAB Laisvas nepriklausomas kanalas (LNK)	Private	2003
	Liuks!	UAB Laisvas nepriklausomas kanalas (LNK)	Private	2007
	Info TV	UAB Laisvas nepriklausomas kanalas (LNK)	Private	2007
	BTV	UAB Laisvas nepriklausomas kanalas (LNK)	Private	1993
4.	Lietuvos rytas TV	UAB Lietuvos rytas (a part of Lietuvos Rytas Media Group)	Private	2004

As seen from the table, there are four TV broadcasting groups, or players, in Lithuania: (1) LRT Group. For research purposes, these market players will be called TV groups. It is also noted, that the second and the third Groups are the main market competitors.

Innovation-wise, in Lithuania, the most innovative sector is *J Information and communication* sector, comprising TV broadcasters of the country. According to the data provided by the Statistics Lithuania, the number of innovative enterprises grew yearly: in 2004-2006, there were 27.8 percent of innovative enterprises, and, accordingly, in 2006-2008, the percentage was 47.4, in 2008-2010 – 62.4%, in 2010-2012 – 60.4%, and lastly, in **2012-2014, the percentage was 63.6%.** Compared to the closest competitor's numbers in the last time slot, it was *the B Mining and quarrying* sector having 58 percent of innovative enterprises (Statistics Lithuania, 2013). Therefore, the local TV broadcasters are interesting to analyze from the disruptive innovation point of view. The author assumes that if it is a highly innovative sector, there must have been many disruptions. Consequently, it has much to do with the response strategies and underlying factors, which are being identified in the context of disruptive innovation in the thesis.

First of all, an overview of market indicators and innovation indicators is made. In terms of TV broadcasters, the following indicators are retrieved (see Table 5).

Table 5. J60, Programming and broadcasting activities (Statistics Lithuania, 2013)

	Audio and video outlets (N) | units	Number of persons employed in television programming and broadcasting enterprises | thousand	Sales income of television programming and broadcasting enterprises (VAT excluded) | EUR thousand	Television subscribers | units						Number of television programming and broadcasting enterprises | units
				Total by television type	Cable	Digital microwave multipoint distribution service (MMDS)	Digital terrestrial (DVB-T)	Satellite	Internet protocol (IPTV)	
2010	455	1.1	51806.7	638284	404976	20005	63695	78873	70735	37
2011	428	1.1	54467.3	664125	406389	18725	71865	83661	83485	38
2012	412	1.1	54957.4	723626	426975	17506	75808	100874	102463	40
2013	402	1	55961.2	729909	428073	14742	67754	100379	118961	36
2014	460	0.9	59053.7	722964	414244	13371	56965	92584	145800	39
2015K1			14602.7	717734	406908	13095	54551	90484	152696	47
2015K2			16612.2	718506	404891	12772	52512	88804	159527	47
2015K3			12728.2	719684	401175	12563	50742	86469	168735	47
2015K4			19351.4	718662	393836	12552	48650	83647	179977	46
2015 total			63294.5							

According to LRTA (2013) the revenues of the commercial TV broadcasters in Lithuania have been increasing: In 2013, all the commercial broadcasters received 152,222,131 LTL (approximately 44,086,576 EUR), and in 2014, these broadcasters received 157,215,688 LTL (approximately 45,532,810 EUR). Also, the indicators of innovative enterprises are retrieved (see Table 6).

Thus, it is an increasing and innovative business sector investing in various innovative activities. The latter analysis implies testing the theory of disruptive innovation in the case of Lithuanian free-TV broadcasting industry.

From global to local: manifestations of disruptive innovations

In this research, it is relevant to raise questions and reveal what is and what is not a disruptive innovation in TV and in a TV broadcaster's case. The common sense tells us that an innovation can be related to technology, design, process and business model. Specifically, disruptive innovations start in particular **consumer or non-consumer segments and create new markets and customer segments** (Scott et al., 2008), and **therefore, disruptors basically do what competitors do not: they create new revenue streams, build and develop new models, new processes, and work with different partner network.** So essentially, a disruption describes a situation, whereby a smaller company with fewer resources is able to successfully challenge established incumbent firms (Christensen, Raynor & McDonald, 2015).

Table 6. J60, Type of innovation in programming and broadcasting activities (Statistics Lithuania, 2013)

						Innovative enterprises | per cent			
						compared to all companies		compare to innovative companies	
	Total by employees	J60	Programming and broadcasting activities	Technological innovators	2004-2006		NCA		NCA
					2006-2008		NCA		NCA
					2008-2010	40		80	
					2010-2012	20		37.5	
					2012-2014	50		100	
				Technological innovators only	2004-2006		NCA		NCA
					2006-2008		NCA		NCA
					2008-2010	5		10	
					2010-2012	6.7		12.5	
					2012-2014	14.3		28.6	
				Non-technological innovators only	2004-2006		NCA		NCA
					2006-2008		NCA		NCA
					2008-2010	10		20	
					2010-2012	33.3		62.5	
					2012-2014		NAP		NAP
				Technological and non-technological innovators	2004-2006		NCA		NCA
					2006-2008		NCA		NCA
					2008-2010	35		70	
					2010-2012	13.3		25	
					2012-2014	35.7		71.4	
				Non-technological innovators	2004-2006		NCA		NCA
					2006-2008		NCA		NCA
					2008-2010	45		90	
					2010-2012	46.6		87.5	
					2012-2014	35.7		71.4	

Taking into consideration incumbent firms immersed in TV broadcasting business and their direct and indirect competitors, a representation of possible threats has been elaborated in the table below.

Table 7. Manifestations of disruptive innovations in TV-related contexts (based on Netflix.com; Hulu.com; Filmai.in; Teo TV; LNK Go; TV3 Play; Lrytas.tv; LRT Mediateka; Aereo; GatesAir; Linkomanija.net cases)

Industry	**Key activity**	**Global disruptive innovation**	**Application of global disruptive trend in local context (Lithuania)** (targeting non-consumers of traditional TV)	**Outcome: application in local TV broadcasters' context (Lithuania)** (targeting traditional TV consumers)	**Nature of disruption and a possible threat to TV broadcasters**
		Netflix.com, Hulu.com	Filmai.in	LNK Go; TV3 Play; Lrytas.tv; LRT Mediateka	Over-the-top (OTT) video streaming platforms; New flavours in OTT; VOD market is dominated by Netflix, Hulu and Amazon;

					VOD services launched by pay-TV channels; Advertising VOD market embodied by YouTube; TV channels are reaching users adopting innovations like the WWE Network, HBO Now and Starz Play; HD content; Multi-platform (using internet-connected devices) TV streaming TV content.
			Teo smart TV	LNK Go; TV3 Play; Lrytas.tv; LRT Mediateka	VOD; Teo smart TV viewers have possibilities to watch exclusive content (e.g., global cinema events).
			LRT	LRT app for smart Samsung TVs	Launch of the application.
		3D content broadcasting	Teo smart TV channel ‘3flow’ for nature and extreme sports fans	n.d.	Possible threats to free TV industry.
		HD content creation	HD content creation	HD channels; LRT HD seen via cable TV, choice of a language and subtitles; LNK live HD TV program onetime launched in 2011	Possible threats to Movie industry (cinema); Sports events.
		Youtube.com (other online and mobile viewing sources)	Internet TVs	LNK Go; TV3 Play; Lrytas.tv; LRT Mediateka	Possible threats to free-TV industry.
	Content creation	airtel Pocket TV App (India)	Mobile TVs		Possible threats to general TV industry.

	Advertisement			TV3, to some extent works without traditional intermediaries	Possible threats to advertisement industry.
		Aereo		n/a	Aereo makes tiny antennas that pick up broadcasters' channels for free: possible threats to pay-TV industry.
		Global telecommunications equipment manufacturers	GatesAir, will implement the HD television network for the national broadcaster in the U.S.	LRT HD	Possible threats to pay-TV industry.
	Rise of torrents and apps	Napster; thepiratebay.se	Linkomanija.net	LNK Go; TV3 Play; Lrytas.tv; LRT Mediateka	BitTorrent program; apps.
	Virtual Reality (VR)	VR content; gaming platforms; Nintendo's next generation HD gaming platform, The Wii U includes TV remote control features in addition to IPTV streaming features like Netflix.	LRT	LRT's VR creation initiatives	In the long run, VR is likely to win over some to a substantial amount of video consumption;

The table above includes but is not limited to a list of various nature disruptive innovation or embryonic disruptive threats influencing the current incumbent TV companies. Based on some examples of global disruptive innovation and their form/ application in local Lithuanian context, the major outcome represents the response that Lithuanian TV broadcsters choose to deal with the disruption. The above mentioned cases are given to make a generic impresson of the sector-specific examples, illustrating the outcomes, or responses that, based on the analysis of internet sources, Lithuanian free-TV broadcasting incumbents are choosing. In order to test these and many other initiatives in practice, in the chapter below, the research methodology is presented.

3.2. Empirical research design and variables

Fontaine & Kevin (2016) exclude two main categories of pan-European broadcasting groups:

1. TV broadcasting groups, generally the subsidiaries of global and major U.S. media conglomerates, having a wide range of specific niche brands that are broadcast in Europe (e.g., Discovery, Viacom, Time Warner, 21st Century Fox).
2. TV broadcasting groups, or multi-country broadcasters having generalist channels that are found as important in different national markets having a high market share (e.g., CEME, RTL, MTG).

In this research, the author presents cases from both pan-European TV broadcasting groups: first, the pilot research, a global FOX International Channels case, is prepared in order to identify the general trends, which is then followed by the main research, the multi-case and within-case analysis in the Lithuanian context, where such multi-country broadcasters, as MTG operate. The sequence and the logic of the latter research is represented below. The mentioned cases are enriched with the statistical and other data provided in chapter 3.1.

Choice of research paradigm: qualitative. To start with, the qualitative research paradigm is suitable for context-specific research, as in the latter case. As Bitinas et al. (2008) suggest, some researches require the qualitative approach, as the conclusions can be made only by implementing this approach. And indeed, only qualitative approach is relevant when trying to identify different opinions, knowledge diffusion and storytelling. For instance, Bitinas et al. (2008) provide an example of the qualitative research paradigm when identifying an appropriate motivation strategy. Therefore, in order to reveal the factors determining the choice of response strategy by local incumbent TV broadcasters to global disruptive innovations, the qualitative research paradigm is perceived as relevant.

Choice of research strategy: hermeneutic. Essentially, Heidegger's (1927; 1962) theory of hermeneutics derives from the fact that we exist in an already interpreted world (Seymour, 2007) and the latter approach is dependent upon and mediated by 'prejudices' (quot. Seigfried 1976). The hermeneutic approach helps understand utterances on the basis of a common background of meaning (Dreyfus & Rabinow, 2014), therefore**,** hermeneutics works as the methodology and practice of interpretation (Paterson & Higgs, 2005). Put differently, hermeneutics tells that we are always making investigations under the light of subjectivity and all we can do is interpret. According to Gummesson (2003), hermeneutics incorporates preunderstanding, understanding and explanation and there is a constant oscillation between what we know and what we have learned. Therefore, hermeneutics was chosen as an appropriate research strategy since any hermeneutic perspective proposes that: (1) a researcher has a preliminary knowledge and practical understanding of what the investigated people are 'up to' (Packer 1985, quot. in Seymour, 2007) and (2) that the information respondents tell about their activities and experiences are a prime locus of discovery (Thompson 1997, quot. in Seymour, 2007). By following this approach, the chosen research strategy helped to reveal how the representatives of the TV industry perceive the phenomenon of disruptive innovation in theory and to find out what were the most common response strategies and underlying factors towards disruptive innovation in practice.

The research objective is to reveal the factors (and their combinations) determining the choice of response strategy by local incumbent TV broadcasters to global disruptive innovations.

Research problem. The current research in the field of TV industry mostly analyzes one of the perspectives: response strategies and influencing factors (Christensen, 1997;

Charitou & Markides, 2003; Sandström et al., 2009; Viellechner & Wulf, 2010) towards disruptive innovation or disruptive innovation in TV industry (Benson, 2007; Sarkis, 2009; Storsul & Krumsvik, 2013). Thus, the current research does not investigate the factors determining the choice of response strategy by local incumbent TV broadcasters to global disruptive innovations. Therefore, these research questions are raised:

1. What are the key trends and new disruptive business models in TV industry?
2. What are the key challenges for TV broadcasters as specific actors within the modern media value chains?
3. What are the strategies of Lithuanian TV broadcasters in the context of disruptive innovation?
4. What main factors determine the choice of response strategy by local TV broadcasters to global disruptive innovation?

Research methods:

1. Multiple case analysis;
2. Within-case analysis;
3. Data analysis;
4. Semi-structured interview;
5. Content analysis.

1. Pilot research. With an objective to reveal and understand the general trends and challenges in a global TV broadcasting industry, a pilot research has been carried out. Based on a semi-structured interview, the latter research highlights the most visual factors and strategic incentives, which partially constitute to the main research. Where possible, the latter factors have roughly been structured into environmental (Catalysts of disruption), company-specific (Human/ managerial and Structural/ organizational) factors and other variables. It is to note, that the pilot research did not imply to reveal a full spectrum of factors (variables) or strategies at first. Later, having pursued the TV industry analysis and further literature analysis, additional factors were added to the main research instrument, as well as the response strategies, while some other variables have been not taken into consideration in the main research.

2. Main research. In order to disclose how the factors behind response strategies determine and manifest within incumbent TV broadcasting companies facing disruptive innovation, multiple cases have been prepared. Multiple case studies have been designed in two steps, according to Eisenhardt (1989). First, a within-case analysis has been implemented in order to reveal different perceptions of factors and response strategies in all TV groups in Lithuania. Second, the comparison of manifestations of factors and response strategies have been provided. As a matter of fact, multiple cases enable the creation of more generalizable theory compared to a single case analysis and increase the reliability of findings in a given industry (Sarkar, 2016; Eisenhardt & Graebner, 2007). Multiple case studies have been illustrated by the results of 11 semi-structured interviews of Lithuanian free TV broadcasting companies (or TV groups). The number of interviews that has been taken at one TV group is related to the number of free TV channels the latter TV group possesses in Lithuania. The interviewees were top managers or members of top management team at Lithuanian TV groups. All the interviews were recorded and transcribed. The qualitative data and content from all the cases has been analyzed with Maxqda software, which allows to identify the manifestations and its frequencies within-case and the relations between multiple cases. In addition, the content analysis method has been used to draw an outline of each TV group according to public quantitative data. The multiple case and within-case analysis have pointed out the main factors influencing the choice of response strategies at incumbent forms, engaged in disruptive innovation.

Data collection method and appropriateness for research goals

According to Bewley (2002), if the research goal is to understand the nature of a phenomenon with a view to formulating new theories, then in qualitative research, the style of an interview conducted should be less structured in the hopes that interviewees will come up with unexpected descriptions and arguments. In order to reveal factors behind the response strategies, a semi-structured interview method was chosen as an appropriate method. Thus, in the latter case, in order to ground the conclusions of the empirical research, both, qualitative and quantitative research data, obtained from different stakeholders enables the realization of these aspects: 1) better understanding of the phenomenon; 2) the appropriateness and validity of interview questions.

Sample definition

The researcher chose probability sampling and the relevant sampling methods, in order to ensure to each population element a chance of being chosen for the sample.

1. Pilot research. Stratified sampling was chosen for a pilot research, as global TV industry consists of various media companies and conglomerates. However, FOX International Channels was chosen as an example and as one of the Majors in media business, no. 3 global media company according to revenues (Statista, 2015), Twenty-First Century FOX, representing the global TV arena. FOX is perceived as a global TV industry giant, together with such companies as Time Warner, CBS, Viacom, etc. (BCG Perspectives, 2016).

2. Main research. Cluster sampling was chosen as a sampling approach due to the fact that the
Lithuanian TV broadcasting industry consists of 11 TV broadcasters, according to RRT (2013), which belong to four different TV groups:

1. LNK Group: LNK, BTV, TV1, Info TV, LIUKS!
2. TV3 Lithuania: TV3, TV6, TV8
3. LRT: LRT Televizija, LRT Kultūra
4. Lietuvos rytas media group: Lietuvos rytas.tv

Profile of the interviewees and the confidentiality & disclosure of results: Bourne & Jenkins (2005) highlight that recent research on micro strategy investigates how individual managers make their choices in terms of strategy. Bewley (2002) also agrees that it is important to find key informants, or critical people in companies that are very knowledgeable about the topic. Therefore, the latter profile of interviewees has been selected for both, pilot research and main research parts. Position: a top management or middle management position within a company (not to be disclosed further for confidentiality). Areas of responsibility: general management, international development, development management, finance management, program management, content creation, management consulting and other similar areas. Some Lithuanian interviewees asked for the **personal confidentiality level**, therefore, in order to keep the unique structure of the research, all interviewees are numbered 1-11. Bewley (2002) stresses, that it is essential to keep confidentiality of the interviewees for personal and economic reasons of a company.

Sequence of the research

The sequence of this research is illustrated below:

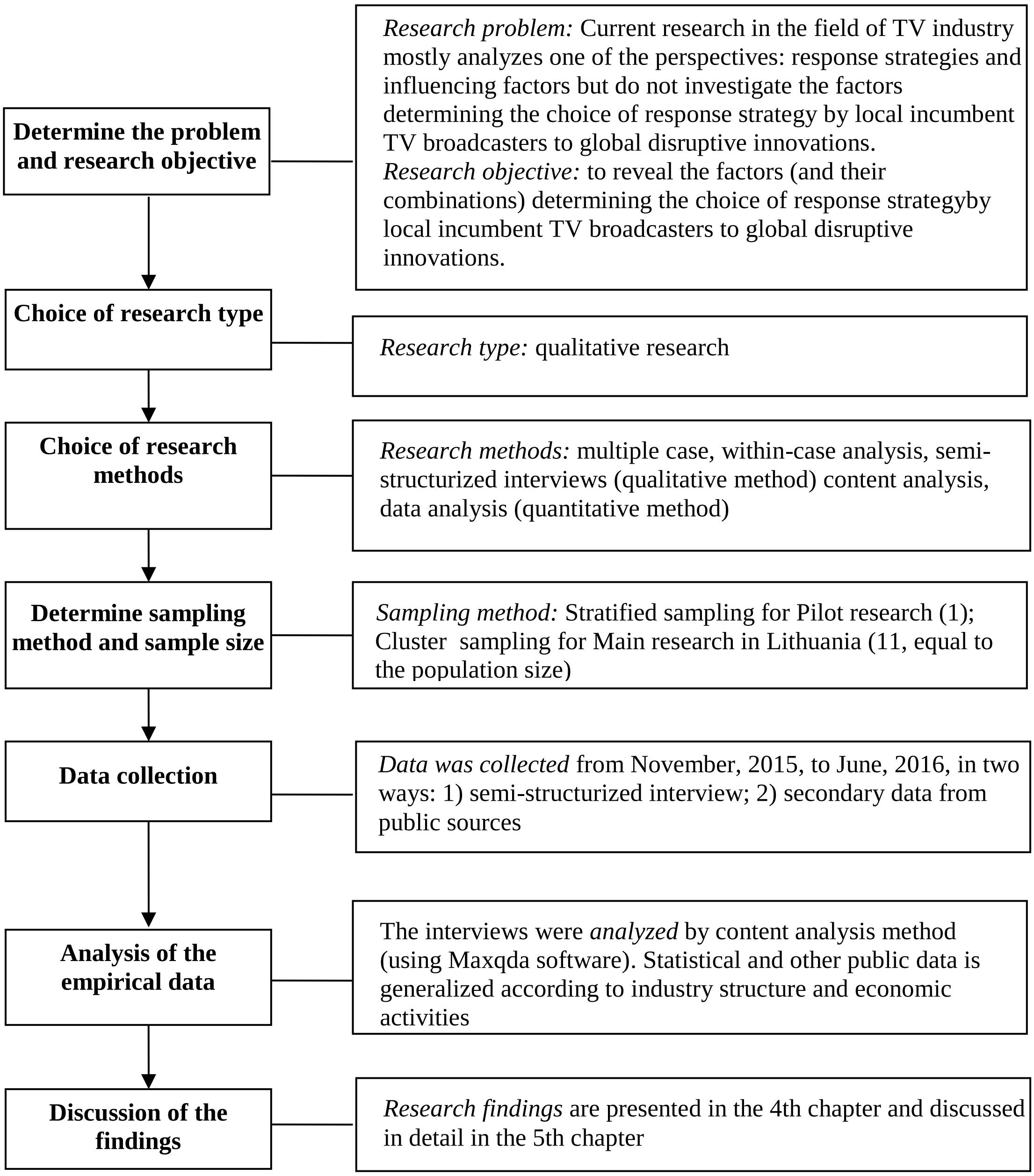


Figure 3. Sequence of the research (according to McDaniel & Gates, 2007)

This research consists of two main parts (1-2) and one overlapping part (3):

1. Pilot research (semi-structured interview) on FOX International Channels.
2. Semi-structured interviews with the experts of Lithuanian TV broadcasters.
3. Secondary data and statistical data analysis on global TV industry, as well as Lithuanian TV industry, its local incumbent TV broadcasters, and its innovations (presented in part 3.1 and linked to within-case or multiple cases in part 4).

The empirical research framework is illustrated below.

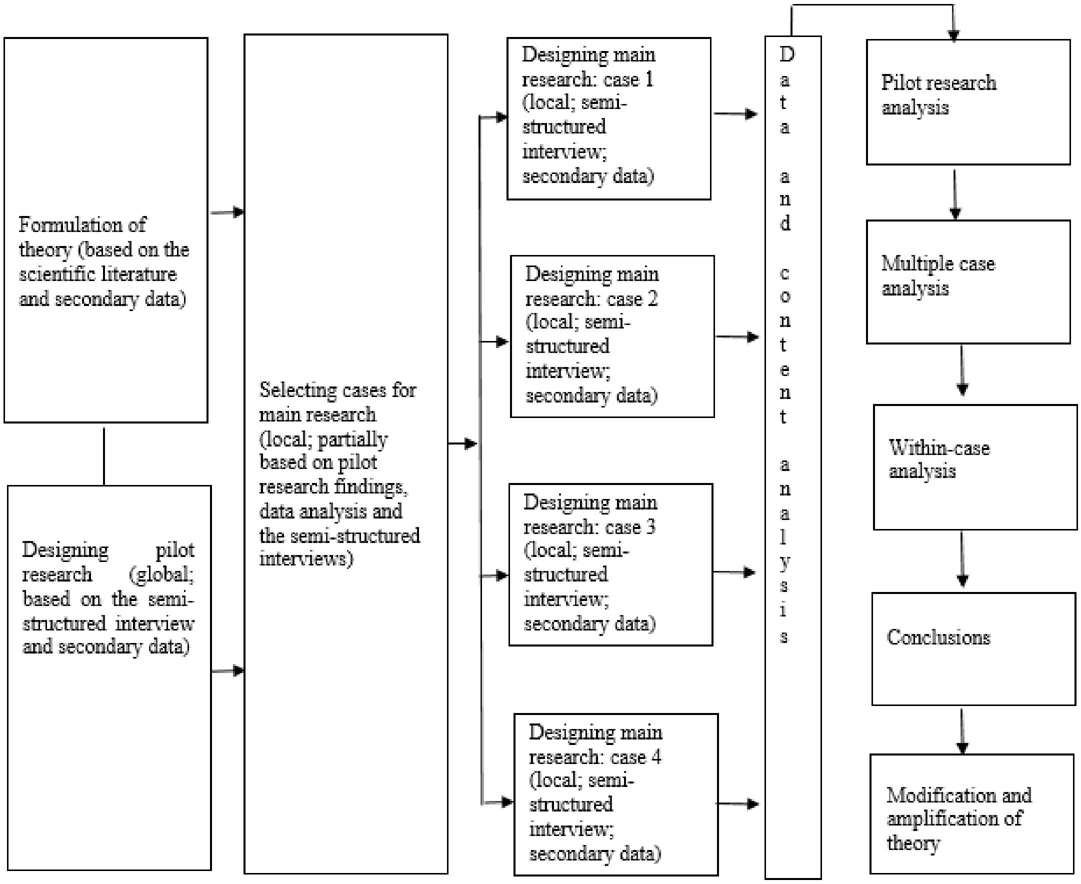


Figure 4. Empirical research framework

Firstly, in order to design the main research, the theoretical background, as well as the pilot research have been used as a basis for formulating and redesigning questions for the main semi-structured interviews. This descriptive pilot research is an attempt to describe what is the TV industry facing globally. The pilot interview was conducted on November 26, 2014 in Rome, Italy. The duration of the interview is 1 hour and 52 minutes. The interview questionnaire consisted of 9 items, and some questions were raised during the interview in order to obtain complete answers. At the same time, the Lithuanian cases have been chosen.

Secondly, the analysis of secondary data and secondary statistical data provided by various global TV industry reports and the data from Statistics Lithuania is employed to explore the industry and local incumbent TV broadcasters in Lithuania. Secondary statistical data shows relevant market information and innovation-specific factors of the analyzed companies. In addition, semi-structured interviews represent the views of experts of Lithuanian TV broadcasters on disruptive innovation and its impact on its response strategies. There were 11 interviews conducted with the experts on the basis of the questions of the pilot case study and the analysis of literature and secondary statistical data. The interviews were arranged from March to June, 2016, in Lithuania. The interview time varied from 44 minutes to 2 hours and 9 minutes.

Lastly, based on data and content analysis (the latter has been elaborated with Maxqda software) from the cases, a within-case and multiple cases were created. Afterwards, general conclusions were drawn according to the data. According to the extracted data, the theoretical contribution was made by modifying the existing scientific literature on influencing factors, response strategies, and disruptive innovation topics.

Factor measurement

In order to reveal the manifestations of factors (or variables, as named in the 4th part; the concepts are used interchangeably) behind response strategies within-case and the relations between cases, the qualitative data from all the cases has been analysed with Maxqda software, which allows to identify the frequency the code has been used throughout the interviews. The latter analysis allows to point out the main factors, their antecedents, the response strategies to disruptive innovation, as well as their relations and combinations.

Validation of results

Bitinas et al. (2008) argue that the validity of research results is one of the main objectives for a researcher, however, complete validity is impossible to reach. It is also stressed that the validity depends on the chosen research strategy, research objectives and research methods. Thus, in a qualitative research, the validity is important to interpret the results and make the conclusions accordingly, which are based on the relevance of the research instrument (Kardelis, 2002, quot. in Bitinas et al., 2008). It is suggested by the latter researchers that the results of a research can be perceived as valid if one of the methods have been applied: (1) triangulation; (2) the researcher made a part of the research; (3) there were other researchers involved in the research; (4) mechanic data recording and storing technologies have been used; (5) other researchers have participated during the phase of result analysis. In addition, it is also essential to ensure that the results obtained can be transfered to the general set. Therefore, in order to assure the validity of results, further steps were made. First, the questions of the semi-structured interviews (both, for a pilot research and a main research), were sent by email in advance to the interviewees to prepare. Second, all the interviews have been recorded and stored in various digital devices. Third, the results between pilot research and the main research have been compared in order to understand, if the interviewees interpreted the trends and challenges in the industry accordingly. Lastly, the results of the research are applicable to the general set as the pilot research gave an idea of what is happening in the TV broadcasting market, while all the free Lithuanian TV broadcasting companies (or TV groups) have participated in the research. It is also to mention, that the researcher tried to keep the ‘open’ atmosphere during the interviews and did not try to constrain the mind flow of the respondents. By doing this, the researcher captured the required information and other significant industry facts. However, all the questions have been answered by providing lots of extra information to consider. And since every research has its limitations due to validity-related issues (Bitinas el at., 2008), in the paragraph below the research limitations are being presented.

Research limitations

Scientific literature (e.g., Bogner & Menz, 2009) advocates that the interviewees engaged in their field of expertise will always have their own particular interest and opinion in the investigating subject. Thus, differences among conversations with experts exist and a proliferation of ways of proceeding is inevitable. Therefore, interpretations of opinions and facts have been compared to the other interviewees of the same TV group.

The implemented research was based on 1 global case and 11 Lithuanian cases. Even though the pilot interview had to give the researcher an idea of how the TV broadcasting industry functions on a global scale, in order to apply these findings in a broader context, further research and the collection of different data is needed. In the case of local (Lithuanian) cases, the amount of interviews represents the number of free TV channels in Lithuania. Given the fact, that some TV Groups, LNK for instance, possesses 5 channels (equal to 5 interviews in this case) in the market, the results of the interviews are to some extent in favor to this market player. It is also claimed that to some extent these results represent the commercial televisions (9 interviews) better than the public broadcaster (2 interviews accordingly). Thus, given the named limitations, further research on topic might include triangulation strategy or a mix of qualitative and quantitative research methods.

Research instrument

1. Pilot research

The pilot research was based on an interview (see questions below) that allowed to describe the global television broadcasting market and its trends, as profiled in the chapter 3.1. The questions were structured according to the theoretical category.

Table 8. Semi-structured interview questions for FOX International Channels

No.	Variable(-es)	Question	References
1.	Business Model, Industry Structure	What is a dominant Business Model (BM) design in your industry?	Chesbrough & Rosenbloom, 2002; Chesbrough, 2010
2.	Business Model	Do the competitors in this industry compete more in terms of different products/ services (value proposition), or by approaching the market with a different BM? Or is there basically the same BM, just different product/service provided?	Osterwalder, 2004; Osterwalder, Pigneur & Tucci, 2005
3.	Business Model, Catalysts of Disruption	Key rules, according to which the businesses play in your industry, by offering the specific value proposition (commercializing, monetizing the offering; managing costs)?	Zott & Amit, 2007; Hagel, 2015
4.	Business Model	What is your company's BM? Several BM that you can mention? How do they relate to each other? Any conflicts?	Casadesus-Masanell & Ricart, 2010; Casadesus-Masanell & Zhu, 2013
5.	Business Model	To what extent does your company replicate the dominat BM design? If so, in what elements do you seek to differentiate it from the competitiors? Does your differentiation go beyond the value proposition (offering different product/service)?	Morris, Schindehutte, Allen & 2005; Teece, 2010
6.	Factors; Catalysts of Disruption	What are the key factors that determine the shape of your company's BM? Is it more internal (perception of a manager, existing structures, processes, resources - brand, key competences that you have), or external (such as the key technology trends, economic conditions (purchasing power of the customers), lifestyle changes, etc.)?	Pohle & Chapman, 2006; Chesbrough 2007; Teece, 2010; Hagel, 2015
7.	Factors; Catalysts of Disruption	If both, which are the most important (see the lists above) of internal and external factors in your company? Your industry?	Porter, 1990; Christensen, 2004; Pohle & Chapman,

			2006; Von Stamm, 2008; Hagel, 2015
8.	Factors	Do the customers/ competitors have a greater influence towards the BM dynamics in your company? When you decide to make adaptations to your current BM, what are the key things you look at? Changed customer preferences? New BM adopted by the competitors? What other factors come to your mind?	Porter, 1990
9.	Factors	To what extent the interplay of Structural/ organizational and Human/ managerial factors depend on the company's competitive position in the industry?	Porter, 1990; Dutton & Duncan, 1987; Christensen & Bower, 1996; Sandström et al., 2009; Madjdi & Hüsig, 2011;

It is to note that the pilot research had a primary objective to reveal and help understand the general trends and challenges in a global TV broadcasting industry. The pilot research highlights the most visual factors and strategic incentives, which partially constitute to the main research questions. However, the the main research was constructed not only on the pilot research basis; in addition, the TV industry analysis and further literature analysis have been implemented in order to extract additional factors and the response strategies for the main research instrument.

2. Main research: semi-structured interviews

In addition to what has been noticed from the global statistical data in the chapter 3.1. and revealed during the pilot case analysis, certain questions should be modified and added in order to represent the Lithuanian incumbent TV broadcasters:

Table 9. Semi-structured interview questions for Lithuanian TV broadcasters (see Annex 1 for the full Lithuanian version)

No.	Variable(-es)	Question (in English)	References
1	**Key trends and challenges in industry**	What trends do you foresee in your company's case? What are the key challenges for TV broadcasters as specific actors within the modern media value chains?	Pilot research
	Business Model Trends	What are the key trends and new disruptive business models in TV industry? Do the competitors in this industry compete more in terms of different products/ services (value proposition), or by approaching the market with a different BM? Or is there basically the same BM, just different product/service provided? What is the role of technology as a key success factor in competition? Do companies compete more on technologies, or on its products/services?	Osterwalder, 2004; Osterwalder, Pigneur & Tucci, 2005
		Enabling technology: How did the enabling technology (e.g. digital infrastructure providing richer connectivity; affordable access to sophisticated tools of production; cheaper, faster, more reliable shipping	

		making the world smaller; affordable sensors making the invisible visible) influence this industry and the company you represent?	
		Customer mindset: How did the customer mindset (e.g. from "wanting the best" to "accepting the basics"; from accepting standardized to expecting personalized; from ownership to access; from passive customer to active customizer) influence this industry and the company you represent?	
		Platform: How did the platform itself (e.g. aggregation and social platforms reducing isolation; aggregation platforms reducing inventory and distribution costs; scalable learning platforms reducing barriers to entry; learning and aggregation platforms increasing collaboration) influence this industry and the company you represent?	
		Economy: How did the economy (e.g. sense of scarcity increasing willingness to share; constrained buying power decreasing willingness to pay up front; lower purchasing power increasing demand for affordable, versatile products; challenging economic conditions increasing demand for "good enough") influence this industry and the company you represent?	
		Public policy: How did the public policy (e.g. regulatory and legislative structures adopting "wait and see" approach; local decision making and budgeting; changes in the tax or legal code) influence this industry and the company you represent?	
3	**Response strategies**	Is there a common response strategy in the TV industry? If yes, what is it? Which of the mentioned strategies exist in Lithuanian TV broadcasters facing disruptive innovation: (1) **traditional business and sustaining innovation strategy**, (2) ***ignore the innovation* strategy,** (3) ***disrupt the disruption* strategy,** (4) **innovation adoption with focus on existing businesses (considering creating a new business unit) strategy,** (5) ***embrace the innovation* strategy**, (6) **merger and acquisition (M&A) strategy.** If your company did not experience any disruptive innovations, please choose one or a few strategies which, in your opinion, should work in your industry facing disruption.	Christensen, 1997; Charitou & Markides, 2003
		Human/ managerial actions/ variables: Does the quality of management have the strongest impact on misunderstanding the importance of an emerging threat, such as disruptive innovation? If yes, in your opinion, what main managerial factors determine the choice of response strategy by local	Christensen & Bower, 1996; Viellechner & Wulf, 2010; King & Baatartogtokh, 2015; Denning, 2015; Pilot research

		TV broadcasters to global disruptive innovation (E.g. non-autonomous decision making, expertise, executive's vision, executive's characteristics, or his risk propensity)?	
		Structural / organizational variables: Which structural/ organizational variables have the strongest impact on misunderstanding the importance of an emerging threat, such as disruptive innovation? Which of the following factors determine the choice of response strategy by local TV broadcasters to global disruptive innovation: corporate governance, bureaucracy and policies, policy of investments, resources, heterogeneity, company structure or value network?	Dutton & Duncan, 1987; Christensen & Bower, 1996; Sandström et al., 2009; Madjdi & Hüsig, 2011; Pilot research

Tested global disruptive innovation. The author chose to test local incumbent TV broadcasting companies' response strategy towards the *launch of an Internet TV* as a global disruptive innovation, which has been adopted by many of the global TV networks. Accordingly, the factors are engaged to sustain or ignore the latter choice.

Having set the appropriate research methodology, in the 4th chapter, the analysis of the global pilot research and the local multiple cases are being presented.

4. TV broadcasters and global disruptive innovation: strategies and underlying factors

In this part, a conceptual model is analyzed from the practical perspective by naming the response strategies and underlying factors in case of global player and local TV broadcasters in the light of **global** disruptive innovation in the TV industry.

4.1. A global TV broadcasting company: key findings

FOX International Channels (FIC), as the pilot research case, has revealed the actual situation of the global TV industry, the business models companies are using to compete, the challenges it is facing in global media value chains and a spectrum of antecedents and factors, influencing incumbent TV firms, engaged in disruptive innovation.

4.1.1. Key trends and new disruptive business models in global TV industry

Observations made by a representative of a multinational TV network, FOX International Channels (FIC), draw attention to the key trends in the TV industry. According to the interviewee, there are at least **three common trends** that are seen as crucial in the global TV business: **the internationalization processes,** new **possibilities provided by internet and digitalization,** and **relevant content creation and distribution** for the television. The representative highlights that digital-oriented TV provides another important revenue stream. When asked about the future of TV industry, the interviewee mentions that in 10 years things can change drastically, but the context will still be very important: companies should play according to the rules of the industry, existing laws, and know well the competitors and consumers. Indeed, Schindler, Upreti and Goswami (2011) sustain the idea that the context and the **relevance of content** is about to become a crucial sales proposition, just as the quality of its delivery in the TV industry.

Talking about the variety of TV business models the interviewee summarized that *there is no one business model, it depends on several things: context – first of all, competitors, economy, vision of the company*. Being asked for more details about the business models that are becoming disruptive due to global challenges, the respondent argues that *business models are very different depending on the context. If the context is more or less similar business models are similar.* Basically, a typical TV business model contains key activities and revenue streams from advertising, broadcasting, and producing. The interviewee adds more facts about the revenue streams: *if you produce new contents you could have publishing revenues, music revenues, if you do sports you can have also that kind of revenues. The main sources are affiliates revenues, advertising revenues, distribution revenues, production and co-production revenues. Production can be also paid by sponsor*. The respondent continues*: if you run a channel you can have basically one main business model based on affiliates revenues and other revenues, and you can have different business models with joint ventures and partners, or if you can't channels to platforms so you have to sell it to intermediator. In some places you might be in a position that you sell service <...>*. Further investigation of TV broadcasters as specific actors within modern media value chains is provided in the subsequent chapter.

The interviewee from FOX International Channels comments the above-mentioned trends in more depth. The respondent argues that *when doing business, especially in the expansion, or in the very early stage of the startup, you can be very flexible, you can experiment, and at a certain point you have to think of two points: you can't risk forever* *because you will have competitors, changing technologies, and second – what to do next, where do you want to go. You don't have to abandon what you are doing, but you have to follow and focus on your next journey. Sometimes they do the mergers, sometimes you need it to expand through investing.*

4.1.2. TV broadcasters as specific actors within the modern global media value chains: key challenges

As a representative of FOX International Channels explains, TV broadcasters' business models differ according to the context, competitors, economy, and vision. However, the majority of them have some common activities which are **advertising, broadcasting,** and **producing (content creation)**. In this chapter some examples are given about how certain business models are interrelated with the modern media value chains. To begin with, an overview of FOX, as a part of a multi-media company, is provided: FOX International Channels is *a multi market company, a part of 21st Century FOX which is the company that they care of the media, there are several different tracks on divisions.* In <…> ***movie division*** *we have the studios, distribution, everything. The other is* ***television in terms of broadcasters****, for example Sky Italy, which is partially owned by Murdoch* (Rupert Murdoch is the Executive Chairman of News Corp, the largest news media and entertainment company; author's insertion), *and then there are FOX International Channels.* Again, coming back to the specifics of the context, the interviewee says that *there are some similarities of running different kind of channels*, but at the same time you have to evaluate the opportunities, competition and government: *it means that in some countries you have an opportunity for joint ventures for new channels. In some countries you can't and you have to run channels through one lucky brand.* Talking from the **perspective of the value chain**, the respondent explains that the *content is global, marketing is global, the launch of content of the premieres tries to be simultaneous. <...> however, there are other contents or channels that are relevant for context or country, and not relevant and not possible in other countries.* Further on the respondent provides some specific facts about launching different channels. *For example, in Italy, one of strongest channel is Fox Crime. It was born in Italy with a very specific crime identity. <...> in other countries this was not relevant at all so they don't have Fox Crime, they don't like crime. Another example is Fox Live. It is a very different channel depending on the country. In Italy it has specific identity, which is very much female, American TV series like Gray Anatomy, Scandal, or Kastl; younger, which is specific in lifestyles context. In Latin America it is mainly reality shows, live production, fiction, and very much unreal lifestyle channel, while in Italy it is between lifestyle channel and TV series channel.* The interviewee ends this part with a statement that FOX is *between local to global, and global to local.*

As the interviewee mentioned one of the global **response strategies**, to disruptive innovation, namely, **mergers and acquisitions strategy**, it is important to analyze what leads a company to adopt this strategy. Indeed, Fontaine & Kevin (2016) advocates, that, globally, consolidation at the national level, expansion and acquisition of major national players, as well as cross consolidation between telecommunications and cable companies are evident in the TV industry. In the case of FIC, a provided example was more related to the resources. However, it is worth mentioning that *in some countries you might need an acquisition when you export everything from another country and you just run business with a very few people, like one in operations, one general manager, one commercial guy, and programming. But if you want to be consistent you have to produce the contents that match to the audience, to provide advertising, so that is something that needs resources.* Changing rules of the game, new competitors, disruptive technologies make companies think of mergers, or expansion through investing.

Also, joint venture channels are popular within different countries, which implies to think of the value chain differently. An example from Turkey is given: *in Turkey we launched a Kitchen channel and in it we invited local families. We asked for 24Kitchen chef to provide a lot of suggestions for Unilever products. In this case you* ***generate revenues outside TV*** *with partnership: create an event or launch books, use a special event with a partner, special show*. Therefore, by taking different opportunities from outside, FOX can generate a substantial amount of money.

Broadcasting as such is: *when you distribute the content that you create or buy. It is a part of a business model but for FOX particularly it is not very significant. FOX produce TV series, but FIC don't distribute this. This distribution in business overall is up to the movies* <...>. But if FIC produce something *in Italy, for example, Boris, or TV series, they can distribute by themselves, because it is just started a global sales arm for FOX International Channels. If you produce a show you can distribute this internally or to the third party. Internally means, for example, if you produce in Italy you could send content to FOX Denmark.* Also, *if you did a premiere in pay-TV window you can go to the third party.* Differently, in other companies, like in *Disney there was one distribution arm which distributed everything – movies, television, channels, digital. <...> In FOX – no: they run channels, not production, not contents. So what they broadcast, what they premiere is something acquired. So broadcasting is a cost, not a profit*. However, the *revenues are coming from affiliates. It is the platform – Sky Italia, Sky Deutchland. <...> it is called* ***affiliates business****. So the platform pays you in order to run a channel.*

The other broadcasting-related revenue stream concerns co-production: if you, as a company *enter in co-production with free-TV broadcasters you can have a show which is very important to your country, is split between pay-TV and free-TV, so you can have a revenue share. If you do this in Latin America, you split the revenues between you and co-producer.* From the **production, or content creation perspective**, the interviewee named the main 'products': *movies, TV series in minor studios for small cables for the network, they do locally television for FOX channels, so they have diversified production.* In the Italian context, *they do movies production and co-production with partners, but Warner is much stronger in that field in terms of producing, co-producing movies in the countries because they have 2 things: consistent amount of money in the country and they are willing to take the risk because the product portfolio is big so you can sustain risk. It is difficult to produce a blockbuster, usually you have to produce 10 movies and if you are lucky one can become a blockbuster. And you have to have 1 – 3 failures. So FOX does movies but not on the scale that Warner does in Italy, with actors like Tornatore. <...>. Big player in Italy is Medusa, which is of Mediaset, also Sony. They compete in significant way.* Trying to understand better the scale of business between broadcasting and producing in countries, the interviewee explains that FOX is more likely to *produce more for the cinemas, movie business, not for television, but this is a part of a business model.* But again, television is not left behind.

It is important to note that FIC tries to keep their niche customers by providing them *niche channels for niche audiences with a specific advertisement. Sometimes niche channels are more profitable because they need much less structural costs and gives more revenues, so are very profitable.* Also, not all channels are supported in all countries due to local opportunities. The other distinction is that *in some countries you have Sports, in some countries you have Movies, in some not. So FOX Movies is in Latin America, but it is not broadcasted by Sky Italia, because they pay much more. So why Sky Italia has to pay to FOX when they have Sky Cinema?* On the contrary, *if you have a very small pay-TV platform that* *doesn't have a lot of money <...> to sustain FOX Movie channel we give the content to premiere the channel.*

Lastly, negotiating production-related businesses, the respondent gives an example of the High School Musical, which after some time turned into big business that controlled everything – TV, publishing, music. Therefore, the interviewee claims, *you have to do business inside business.* Also, the case of National Geographic is worth mentioning in this part, because this channel *is very focused on affiliates revenues, plus video and publishing magazine revenues.*

Talking about the **advertisement**, the respondent claims that *if you want to be strong in advertisement and CPS platform, you need a strong platform, like Sky Italy. Not in Germany, because Sky in Germany is not strong because the free TV is super popular*. Also, it is important to note that the company has important partnerships in advertising, for instance: *for National Geographic there was a partnership with Unilever, Shell*. Moreover, the Channels have a separate advertisement company within the company, called FOX One Stop Media: *the advertising of FOX is divided by regions and there is one person responsible for one region. They do traditional advertising, and do global projects with partners. Then inside advertising you can have sponsorship,* the respondent adds. The interviewee highlights the importance of strong brands: *the competition is important in terms of advertisement, because if you are a successful channel, brands will advertise.* Also, advertisement shows the main differences and risks between pay-tv and free-TV. The last one is considered to be more risky because it is *totally based on advertisement.* And much more profitable one is pay-TV business.

After having analyzed FIC from the value chain perspective, the main revenue streams can be pointed out: affiliates revenues, advertising revenues, distribution revenues, production and co-production revenues (also, production can be paid by a sponsor).

4.1.3. Catalysts and factors manifesting globally in the light of disruptive innovation

Starting from the global perspective, according to the representative of FOX International Channels (FIC), the most common factors, describing the choice of the strategy, can be distinguished and analyzed by implementing the qualitative research technique content analysis. The figure below represents encoded fragments, elaborated using Maxqda software, of the latter interview. In order to reveal chosen variables and its groups' manifestations within the present research, the data from the pilot case has been encoded and analyzed. Thus, the research distinguishes smaller codes (variables or contexts), as illustrated below.

Within the *Catalysts of Disruption* category, the variables had very different manifestations frequencies: Trends and challenges (mentioned 2 times); Enabling technology/ Digitalization (mentioned 7 times); Platform (mentioned 11 times); Customer mindset (mentioned 2 times); Economy (mentioned 3 times); Public Policy (mentioned 1 time). It is to mention, that there are *other, not labeled Factors, or Contexts*, indicating a company or a context, which were mentioned as extremely important during the interview (e.g., Context was mentioned 32 times). However, *Context*, according to the extracts from the interview, makes part of *Catalyst of Disruption.*

Within the *Factors* category, the most popular sub-categories were excluded: Structural/ organizational variables and Human/ managerial variables. The most popular factor within Structural/ organizational variables was Value network (mentioned 16 times), while in the other sub-category the most frequent one was named Strategic direction/ vision (mentioned

17 times). The factor part, as one of the distinctive parts of this research, is presented further in more detail.

Lastly, within the *Business Model*, *Industry Structure* category, the variables were quite frequently used: Content (as a value proposition in BM) (mentioned 13 times); Response strategy (mentioned 1 time); Competitors/ competition (mentioned 10 times); Business model (mentioned 19 times). Within the Business model, the most frequent sub-code was Revenues (mentioned 15 times).

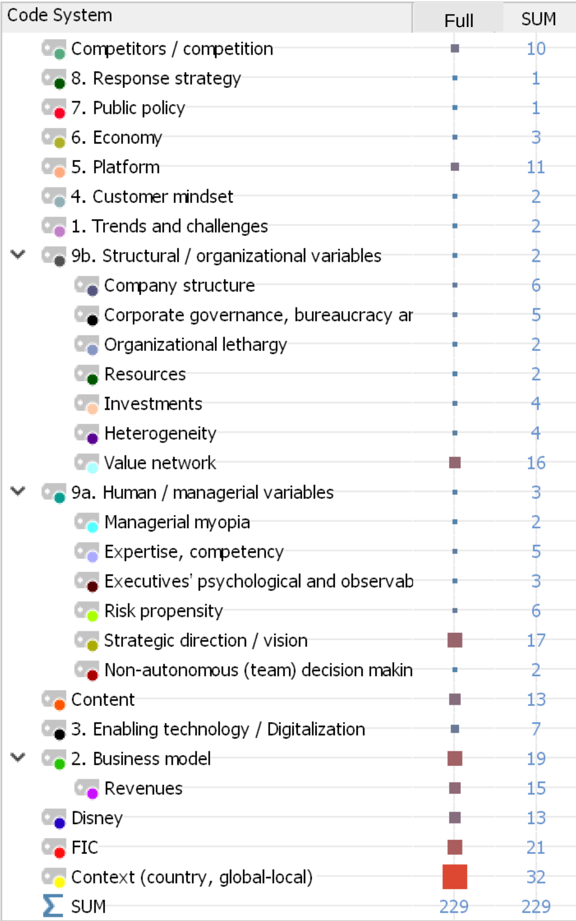


Figure 5. Variables behind the disruptive innovation in global TV broadcasting companies

As seen from the figure, the times the representative used one code is provided on the right side of the picture. Thus, the most mentioned codes, or fragments, talking about the global view of the TV industry (mentioning cases not only from FIC, but also Disney's ABC, Mediaset, etc.), are extracted and illustrated in the table below. In addition, the content analysis of the interview's data is provided further in the chapter.

Table 10. Factors and catalysts determining the choice of response strategy globally

Code (Factor)	**Frequency**	**Description**	**Example**
Context	(N=32)	Catalyst of disruption (Economy, Public	<...> context is very important, because you operate in the context, and you can't ignore it;

		policy, Customer mindset)	There is no one business model, it depends on several things. Context first of all, competitors, economy, vision of the company; there are other contents or channels that are relevant in context of a country, and not relevant and not possible in other countries; Channel which is specific in lifestyles context; Producing the contents that should be relevant to the local context.
Business model	(N=19)	Business model trends	Industry the business model contains advertising, broadcasting, producing if broadcasting in terms of affiliates. Revenues come from affiliates revenues, so the platform pay you in order to run a channel. And you advertise. <…> you can have sponsorship. Then, in addition to this, you have 2 other things – distribution – if you produce a show you can distribute this internally and to 3rd party <…> if you produce in Italy you could send content to FOX Denmark. To the 3rd party means if you did a premiere in pay-TV window you can go to the 3rd party. The 4th potential stream is to enter in co-production with free-TV broadcasters <…>, split between pay-TV and free-TV, so you can have a revenue share. You produce more for the cinemas, movie business, not for television <…> but this is a part of a business model. <…> you don't produce for the television only. Maybe this was long time ago. When context was different. if you run a channel you can have basically one main business model based on affiliates revenues and other revenues, and you can have different business models with joint ventures and partners, or if you can't channels to platforms so you have to sell it to intermediator.
Strategic direction/ vision	(N=17)	Human/ managerial factor	those channels can change because of the vision of the president; with the new president the vision is to focus on the main brand; at first I didn't believe on our president's vision because it is very much a status quo; The vision of the former European President and Worldwide President was expanding the channels where the channels are not yet and in terms of channels plus adding additional businesses, narrow businesses. The vision of two new Presidents is pretty much the opposite: let's focus on the brand that we do have; Vision is very important as well. The vision comes from the top manager of course.
Value network	(N=16)	Structural/ organizational factor	We are a multi market company, a part of 21st century FOX <…> there are several different tracks on divisions. <…> it is movie division, we have the studios, distribution, everything. Better if you produce locally with local talents, artists that can create significant content. FIC makes "movies production and co-production with partners <…>. But Warner is much stronger in that field.

			In terms of producing, co-producing movies in the countries because they have 2 things: consistent amount of money in the country and they are willing to take the risk because the product portfolio is big so you can sustain risk. <…> so FOX does movies but not on the scale that Warner does in Italy <…> A big player in Italy is Medusa, which is of Mediaset. Also Sony.
Content	(N=13)	Business Model, Structural/ organizational Factor	<...> content which can provide the identity of FOX; <...> contents should be relevant Strong content can make your channel relevant and different from other ones, because there is a range of channels that you can watch on a free TV. For a strong distinctive content <...> local production can be very successful; contents make you very distinctive; Produce the contents that match the audience.
Platform	(N=11)	Catalyst of Disruption (Platform)	If you want to be strong in advertisement and CPS in platform, you need a strong platform, like Sky Italy. Not in Germany, because Sky in Germany is not strong because there free-TV is super popular. If you have to choose between a pay-TV television platform that pays you, like CBS, Sky, and I go (as a digitally-oriented company) to the web for free based on advertising.
Enabling Technology/ Digitalization	(N=7)	Catalyst of Disruption (Enabling Technology)	<...> market is very much advanced and sophisticated in terms of channels, digital channels; in countries, where they have digital terrestrial channels they are basically strong in regards to Pay TV; We try to be digital, have many digital platforms on demand; digital-oriented because they give you a lot of money.

According to the interview material, the first most important factor is **vision, perceived as a Human/ managerial factor** in the theoretical part of the thesis. Talking more deeply about the core factors mentioned during the interview, it is important to mention some **vision-related factors**, such as **risk propensity, competency**, and **expertise**. As the representative claims, *everything starts from the vision. <...>. The vision is something that you can't buy. You have it or you don't. For me it is very simple. You might be a very good manager, a very good executive in terms of company's needs, company's requirements, but those that had vision take the major risk. And then they match on how strong they are in terms of background so if they prove in the period of time that they are working, they are successful or mainly successful*. Also, the respondent points out an example of a **vision-related response strategy**: *for example, the director of Sky Italy rejected constantly to do digital platform, because he didn't believe it. (Wanted to stay in his business) so that was his vision, that was completely wrong but that was the vision. It was right in the sense that taking away the core business is wrong*. Therefore, the interviewee adds*, **the vision of concentrating on your own business is general manager's decision**. And to expand the business where the channels are not. Interestingly, as a representative of the company, the interviewee said he/she I was totally against the vision of my boss, while making his/her own strategic decisions at the company.* The respondent supports this statement by mentioning later on: *I care about my vision. And my boss was about the rules. We have always exceptional guys, very strong executives in terms of skills, the way they do jobs, but visionaries – not so many. My vision crashed with* *the company's.* When asked if the vision of the Global CEO was very much in line with all the different regions, the interviewee answered that it was not necessarily because of different contexts and approaches: *particularly FOX gives a lot of freedom to local countries. If a President in Latin America writes projects that are relevant to Latin America, that's very much FOX attitude I would say*.

The last excerpt provides an explanation between two very important factors – **vision(s)** of the President(s) and **context**. Thus, the following research paragraph explains in more depth the **context**, the second most important factor that the respondent mentioned throughout the whole interview. It is important to mention that **context** is a very broad category which is closely **related to a few catalysts of disruption (in this case economy, public policy, and customer mindset)**, as highlighted in the theoretical part. As the interviewee claims the business models of the industry depend on a few things: *context first of all, competitors, economy, vision of the company*. In this part, the representative speaks of the interests of countries regarding specific, local channels. While trying to identify the priorities in different contexts the company analyzes why some channels exist in different countries as joint ventures: *in France, they have a joint venture channel Voyage which is a traveler's channel and in the Netherlands they have a joint venture channel Kitchen which is basically for cooking. <...>. So those channels are **very local**, based on the opportunities of the country and some rules.* From the context perspective, the interviewee mentions not only the choice of different channels, but also the different content. Therefore, the TV companies should be aware of *producing the contents that should be relevant to the local context.* Again, the **shift from global to local** is very important in this case. Talking about European context the respondent argues that *Europe is complex, because it is a region made of very different markets in terms of: a) maturity b) government c) broadcasting context.*

Since **context** and **content** are very interrelated in this interview, as shown in the previous paragraph, next step is to analyze the **content**, which, from the company perspective, is perceived as an identifying factor of a certain TV channel and from a user perspective is seen as a relevant value proposition. It is indeed perceived as an **internal company factor**, very much related to the company's value network, investments, resources and overall company structure. Therefore, **content** is named a **Structural/ organizational factor** in this case. Talking about the linkages between the context and the content, the interviewee argues that *in some countries American content is very popular, and in others this is not very relevant. So you can match it with some local contents. Better if you produce locally with local talents, artists that can create significant content*. It is also highlighted that *strong content can make your channel relevant and different from other ones, because there is a range of channels that you can watch on a free TV. For a strong distinctive content <...> local production can be very successful.* Content is also seen as a competitive advantage for the companies: *you compete by contents with free TV. If you are premiering a movie, you are competing in a time slot with free TV. If you have similar contents, you compete by contents with channels.* In relation to value network, the interviewee gives an example: *if you produce in Italy you could send content to FOX Denmark. If FOX wants to sell contents to RAI, they are competing for the same customers with different portfolio.* Talking about the investments it is also claimed that investing to the content is very important in case of every segment. The importance of the resources that a company has is revealed in this quote: *if you want to be consistent you have to produce the contents that match to the audience, to provide advertising, so that is something that needs resources.* Also, to some extent, a lack of resources plays a big role in this business: *the brand tries to stay away from the opportunities, because this requires less resources in long run and more consistency from global to local, marketing campaigns can be applied everywhere, processes are more easy.*

Finally, the role of **digitalization** and its linkages with the above mentioned factors is discussed. When entering new markets, the relevance of digitalization plays an important role. For example, *in the UK it is difficult because the market is very much advanced and sophisticated in terms of channels, digital channels*. Talking about the interviewee's previous career in the global TV networks, an example of competitors is given, which lets the author understand the importance of digitalization: *Disney is a strong believer in digital for example. A competitor to Disney is cartoon network or digital terrestrial channels*. Therefore, global TV broadcasters are facing the digital challenges from the competitor's perspective. The respondent argues, that *in countries, where they have digital terrestrial channels they are basically strong in regards to Pay TV*. When linking vision to digitalization, one example is given: *<...> the director of Sky Italy rejected constantly to do digital platform, because he didn't believe in it. <...>. I don't believe they will substitute traditional business completely. Television has to please too many people.* But when it comes to the younger segment the interviewee agrees that they are digitally-oriented. But all in all FOX is *digital-oriented because they give you a lot of money*.

Interestingly, when analyzing relations between factors and catalysts only in the case of FIC company, a different picture is seen. In short, in case of FIC, the most common codes were these (see figure below).

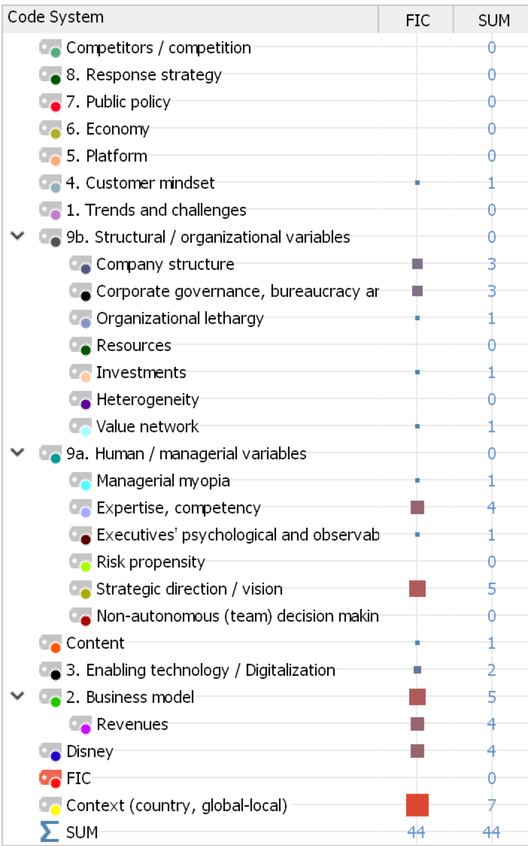


Figure 6. Variables behind the disruptive innovation in FIC

Thus, Maxqda software allowed to relate the codes to the analyzed company (FIC) and extract the most evident ones. In case of FOX International Channels, the disruption-related variables, or factors are:

1. **Structural/ organizational variables** (*company structure* and *corporate governance, bureaucracy and policies*);
2. **Human/ managerial variables** (*expertise, competency* and *strategic direction/ vision*).

In addition to the above mentioned factors, other important variables are related to company's business model, its revenue streams, and competitors (Disney ABC in the latter case). It is highlighted that the context in which the company operates is undeniably important. Thus, further on, it is important to analyze the specifics of Lithuanian broadcasting TV's context and reveal the manifestations of the context-specific factors in the light of disruptive innovation.

4.2. Lithuanian TV broadcasters: key findings using within-case and multiple case analysis

To start with, within-case analysis is used to represent the specifics of the four TV Groups in Lithuania. The current part of the cases has been prepared based on secondary statistic public data.

But, first, it is essential to present the competitive environment. When talking about the main market competitors, it should be noted that the most popular channels were the commercial *TV3* and *LNK*, the main competitors on the scale of ratings in the television market of Lithuania (Nugaraite, n.d.; Račas et al., 2011). All in all, the three main competitors – broadcasting groups are the following (MAVISE, 2016):

a. The Swedish Modern-Times Group, operating 10 channels, including the leading TV channel, TV3 Lithuania;
b. MG Baltic, operating 6 channels, including the 2nd ranking TV channel in terms of audience market share, LNK;
c. The Public Service Broadcaster Lithuanian National Radio and Television (LRT) is operating a total of 4 TV channels, including the 3rd ranking TV channel in audience, LRT;
d. Lietuvos Rytas Media Group, including Lietuvos Rytas TV.

Having presented the industry specifics, next, the TV groups are presented separately.

1. LNK TV Group: a general outline

The purpose of this general outline is to investigate the factors determining the choice of response strategy by Lithuanian incumbent TV broadcasters to global disruptive innovations. The actual part of the case presents LNK Group's background, based on secondary data analysis. The subsequent parts of the case analysis reveal the choice of response strategy and underlying factors based on five interviews with top managers of LNK. The amount of interviews was based on the amount of free TV channels the television broadcasts for the Lithuanian market.

Table 11. LNK TV Group overview (Apie LNK, n.d.; MG Baltic, 2013; MG Baltic Media, 2013; Rimkuviene, 2012; MG Baltic, n.d.; TNS, 2015; TNS, 2016; Lietuvos televizijos rinkos 2014 metais apžvalga, 2015; KANTAR TNS, 2016; LNK vadovai, n.d.; LNK darbuotojai, 2016; LNK registracinė informacija, 2016).

Section	Main facts
Company (TV group) overview	LNK TV broadcasts entertainment programs, consisting of TV series, popular shows, and new movies. LNK TV program duration is of 19 hrs per day/ 133 hrs per week. Original production – 35 %. Foreign production – 65 %. The LNK Group that includes LNK, BTV, TV1, Info TV and Liuks! TV had retained its leading position in the Lithuanian TV market in 2013. The Group has also launched the Internet TV LNK Go.
Establishment	Founded in 1995, March 1.
Development	On 22 May 2013, the Competition Council cleared a merger wherein UAB 'Laisvas ir nepriklausomas kanalas' acquired 100 per cent of BTV shares. BTV channel has been the most quickly growing TV in Lithuania. BTV is the only channel that has been growing during the last three years. The BTV audience share has increased up to 6.7 % from 5.6 % in 2012. In 2013, the channel has become the 3rd most popular TV, having displaced LRT. On 31 December 2011 the first high definition (HD) Lithuanian TV program was countrywide broadcasted to the public by LNK.
Brands	LNK Group belongs to the MG Baltic Media Group (as well as Mediafon and Alfa Media). UAB 'Laisvas ir nepriklausomas kanalas' owns 5 free national television programs – LNK, BTV, TV1, Info TV, Liuks! and the Internet TV LNK Go. UAB 'Laisvas ir nepriklausomas kanalas' has the biggest TV group in the country, comprising the most popular channels LNK, BTV, also TV1, which is tailored for women audience, information channel 'Info TV' and entertainment channel 'Liuks!'
Audience share	LNK retained 17.1% of the audience which is owned by LNK Channel Group (joint audience share of LNK Group amounted to 31.5%: LNK 17,1%; BTV 7%; TV1 3,6%; Info TV 2,9%; Liuks! 0,8%). As the year before, in 2015 the TV market leaders rankings remained unchanged – LNK, run by LNK Channel Group (overall audience share amounting to 29.7%: LNK 15,9%; BTV 7,1%; TV1 3,4%; Info TV 2,7%; Liuks! 0,6%), had one of the biggest audience in terms of share, 15.9%.
Monthly reach of the audience, 2014	Monthly reach of the audience in case of LNK was more than 80 %; BTV – more than 70%; TV1 - more than 70%; Info TV - almost 60 %; Liuks! - n.d.
Daily reach of TV channels, %.	**Jan 2015:** LNK 41.2%; BTV 26.6%; TV1 19.2%; Info TV 19.4%; Liuks! 8.9% (KANTAR TNS, 2015)**. Jan 2016:** LNK 40.3 %; BTV 27.0%; TV1 17.1%; Info TV 19.1%; Liuks! 6.0%
Popularity of TV channels among different target groups, 2014	LNK is popular within the age group of 44.
Company (TV group) structure	The **administrative structure** of the LNK Group is as follows: General Director, Finance Director, Program Director, Editor-in-chief, Sales Director, Promotion and Marketing Director, Technical Director, Director of Operations, Development Director. **Number of employees.** 63 (as of 11/10/2016).
Revenue streams and other financial data	Turnover of UAB 'Laisvas ir nepriklausomas kanalas', 2013: 18,421,281 Eur; 2014: 21,186,284 Eur; 2015: 25,238,000 Eur.

2. TV3 Group Lithuania: a general outline

The purpose of this general outline is to investigate the factors determining the choice of response strategy by Lithuanian incumbent TV broadcasters to global disruptive innovations. The actual part of the case presents TV3 Group's background, based on secondary data analysis. The subsequent parts of the case analysis reveal the choice of response strategy and underlying factors, based on three interviews with top managers of TV3. The amount of interviews was based on the amount of free TV channels the television broadcasts for the Lithuanian market.

Table 12. TV3 Group Lithuania overview (Apie TV3, n.d.; MAVISE: TV3, n.d.; Bloomberg, 2016; Nugaraite, n.d.; MTG, 2003; TNS, 2015; TNS, 2016; Lietuvos televizijos rinkos 2014 metais apžvalga, 2015; KANTAR TNS, 2015; KANTAR TNS, 2016; TV3 registracinė informacija, 2016).

Section	Main facts
Company (TV group) overview	TV3 Group is the most watched television group in Lithuania. Entertainment channel belongs to the MTG Group, which broadcasts several TV3 channels in Nordic and Eastern European countries. The main channel, TV3 was previously known as Tele 3, and was the first private channel in Lithuania. Nowadays, TV3 is the leader in terms of audience in the Lithuanian market.
Establishment	Founded in 1992.
Development	TV3 Lithuania, UAB owns and operates TV channels. The company was formerly known as Tele-3, UAB and changed its name to TV3 Lithuania, UAB in 1996. As of June 3, 2003, TV3 Lithuania, UAB operates as a subsidiary of Modern Times Group (MTG) AB. On June 3, 2003 MTG acquired the remaining 16 percent of the shares in TV3 Lithuania, increasing its ownership to 100 percent. MTG owns 100% of TV3 and other channels in the Baltic States Estonia and Latvia.
Brands	TV3 Group belongs to the international media and entertainment business group Modern Times Group (MTG), which also broadcasts TV6 and TV8 channels in Lithuania, owns entertainment and news portal www.tv3.lt with TV3 Play and the radio station Power Hit Radio.
Audience share	The vast majority of the audience in 2014 belonged to TV3 (17.2%), which was run by MTG Channel Group (joint audience share of MTG Group amounted to 24.3%: TV3 17.2%; TV6 4.4%; TV8 2.7%). As the year before, in 2015, the TV market leaders rankings remained unchanged - TV3, run by MTG Channel Group (overall audience share amounted to 23.1%: TV3 16.2%; TV6 4.3%; TV8 2.6%)
Monthly reach of the audience, 2014	Monthly reach of the audience in case of TV3 was more than 80 %; TV6 – more than 70 %; TV8 – about 60 %
Daily reach of TV channels, %.	**Jan 2015:** TV3 41.0%; TV6 21.3%; TV8 15.3%. **Jan 2016:** TV3 40.0%; TV6 19.7%; TV8 15.6%.
Popularity of TV channels among different target groups, 2014	TV3 and TV6 are popular within the age group of 37.
Company (TV group) structure	**Number of employees.** A team of more than 140 people in Lithuania. Specifically, there are 131 employees at UAB TV3 (as of 10/10/2016).
Revenue streams and other financial data	Turnover of UAB TV3, 2013: 23,069,009 Eur; 2014: 22,517,294 Eur; 2015: more than 23,000,000 Eur.

3. Lietuvos Rytas TV: a general outline

The purpose of this general outline is to investigate the factors determining the choice of response strategy by Lithuanian incumbent TV broadcasters to global disruptive innovations. The actual part of the case presents Lietuvos Rytas TV's background, based on secondary data analysis. The subsequent parts of the case analysis reveal the choice of response strategy and underlying factors, based on one interview with a top manager of Lietuvos Rytas TV. The amount of interviews was based on the amount of free TV channels the television broadcasts for the Lithuanian market.

Table 13. Lietuvos Rytas TV overview (Balčiūnienė, 2015; MAVISE: Lietuvos Rytas TV, n.d.; Lietuvos rytas TV, n.d.; TNS, 2015; TNS, 2016; Lietuvos televizijos rinkos 2014 metais apžvalga, 2015; KANTAR TNS, 2015; KANTAR TNS, 2016; Lietuvos televizijos rinkos 2014 metais apžvalga, 2015; Lietuvos ryto TV administracija, n.d.; Lietuvos ryto TV apyvarta, n.d.).

Section	**Main facts**
Company (TV group) overview	UAB 'Lietuvos Rytas' group comprises daily Lietuvos Rytas, internet portal, printing house and Lietuvos Rytas TV. Previously known as Penktas Kanalas (Channel 5), Lietuvos Rytas TV takes 55% of all showing programs from foreign countries.
Establishment	Founded in 2008, on October 12.
Development	Lietuvos Rytas TV replaced Lithuanian Penktas Kanalas (Channel 5). Lietuvos Rytas TV is part of Lietuvos Rytas Media Group.
Brands	Lietuvos Rytas TV and Lietuvos rytas.
Audience share	4.1% in 2014; 3.7% in 2015.
Monthly reach of the audience, 2014	Monthly reach of the audience in case of Lietuvos Rytas TV was almost 70%.
Daily reach of TV channels, %.	**Jan 2015:** 24.6**%. Jan 2016:** 21.9%.
Popularity of TV channels among different target groups, 2014	Lietuvos Rytas TV is popular within the age group of 50.
Company (TV group) structure	Administration of the TV channel is composed of the Manager of the unit, Program and Acquisitions Director, Creative Director, Production Director, Marketing Director, Sales Director, News Service Director, Technical Director, and the Press Agent. **Number of employees.** About 70.
Revenue streams and other financial data	Turnover in 2013 and 2014 was between 2-3 mln Eur, in 2015 it was between 3-5 mln Eur. The company tends not to make profit, but it loses 8 times less during the last 3 years. In 2014, **the only non-profitable unit,** UAB 'Lietuvos ryto' televizija, generated income which was 22% higher compared to previous years amounting 2,8 mln. Eur. TV's losses were transferred to its printing house in order to derate its tax rate on corporate income. The shareholder, UAB 'Lietuvos rytas' provides all the financial support for the TV. In terms of sales, Lietuvos Rytas TV works together with TV3 group but also makes its own sales.

4. Lithuanian National Radio and Television (LRT) Group: a general outline

The purpose of this general outline is to investigate the factors determining the choice of response strategy by Lithuanian incumbent TV broadcasters to global disruptive innovations. The actual part of the case presents LRT Group's background, based on secondary data analysis. The subsequent parts of the case analysis reveal the choice of response strategy and underlying factors, based on two interviews with top managers of LRT. The amount of interviews was based on the amount of free TV channels the television broadcasts for the Lithuanian market.

Table 14. Lithuanian National Radio and Television (LRT) Group overview (About LRT, n.d.; LRT HD, n.d.; LRT-TELEVIZIJA, n.d.; MAVISE: LRT, n.d.; TNS, 2015; TNS, 2016; Lietuvos televizijos rinkos 2014 metais apžvalga, 2015; KANTAR TNS, 2015; KANTAR TNS, 2016; Lietuvos televizijos rinkos 2014 metais apžvalga, 2015; LRT biudžeto vykdymo ataskaitos, 2015; LRT biudžeto vykdymo ataskaitos, 2016).

Section	**Main facts**
Company (TV group) overview	Lithuanian National Radio and Television (LRT) is a non-profit public broadcaster that has been providing regular radio services since 1926 and television broadcasts since 1957. LRT operates three national television channels, three radio channels and an internet portal. It also provides satellite and live internet broadcasts, radio and television podcasts. Since the 1st January 2015, the Act amending the Law on the Lithuanian National Radio and Television came into force, which prohibited the commercial advertising in case of LRT but provides sustainable State funding.
Establishment	Lithuanian Television commenced its activity on 30 April 1957.
Development	Beginning with 1975, Lithuanian Television began regular broadcasting of color programs. LRT sets up its website lrt.lt in 2000. On 16 February 2003 Lithuanian Radio and Television launched its second TV channel LTV2. In 2007, lrt.lt starts real time broadcasts of LTV and LTV2 TV channels. On 2007 LRT has launched international TV channel LTV World created with the view of broadcasting via satellite. July, 2012. The updated Lithuanian National Radio and Television presents its new trade marks in TV market: LRT TELEVISION (former LTV), Internet Portal LRT.LT and specialized channels: LRT KULTURA (former LTV2) and LRT LITUANICA (former LTV World) for the Lithuanian emigration from all over the world. In 2016, LRT TELEVIZIJA HD was launched.
Brands	In total, Lithuanian National Radio and Television owns these brands: LRT-TELEVIZIJA (and LRT TELEVIZIJA HD); LRT KULTŪRA; LRT LITUANICA; LRT RADIJAS; LRT KLASIKA; LRT OPUS, out of which it has three TV brands for the national market: LRT Kultūra (2003); LRT (1957).
Audience share	2015: LRT group 9.9%: LRT Televizija 8.8%; LRT Kultūra 1.1%. 2016: LRT group 10.3%: LRT Televizija 9.2 %; LRT Kultūra 1.1%.
Monthly reach of the audience, 2014	Monthly reach of the audience in case of LRT was almost 80%.
Daily reach of TV channels, %.	**Jan 2015:** LRT TV 31.8%; LRT Kultūra 13.1%**. Jan 2016:** LRT TV 33.2%; LRT Kultūra 12.0%.
Popularity of TV channels among different target groups, 2014	LRT is popular within the age group of 50+.
Company (TV group) structure	The LRT Council is the highest decision-making body of the Lithuanian Radio and Television (LRT), and its duty is to ensure the public interest. The Council is composed of the 12 professionals responsible for different activities – social, science and culture. The formation of the LRT Council is organized by the Seimas committee on Education, Science and Culture. The Committee elects the

	Chairman of the Council, for the term of 3 years. **Number of employees** is around 600 people.
Revenue streams and other financial data	LRT subsidy plan for the year 2016 was 33,674,000.00 Eur; accordingly, for the year 2015 it was 29,964,666.00.

Differently from the commercial channels, the LRT Group has its **vision, mission, values, strategy** and **goals.** The LRT **mission** is inherent in methods intended for implementing purposes and values, which apply to LRT daily activities. The LRT Management seeks to impart its clear vision of the LRT mission and values to its staff, audience and general public. Its **vision** is to be responsible, reliable and modern public broadcaster connecting Lithuanian society and its diaspora (2012–2017 m. Lietuvos nacionalinio radijo ir televizijos (LRT) valstybinė programų strategija).

Having presented separate cases, in the successive chapters, the multiple case analysis has been performed with Maxqda software, in order to reveal key trends, catalysts of disruption, disruptive business models, response strategies, and factors, underlying the chosen response strategies to disruptive innovation.

4.2.1. Key trends and new disruptive business models in Lithuanian TV industry

In order to reveal the key trends and business models of the Lithuanian TV broadcasting companies, facing disruptive innovation, a Maxqda code matrix analysis is carried out. Similarly to the precedent part of analysis, the Figure below, representing the spectrum of the variables, manifesting within Lithuanian TV broadcasting industry, has more precise and defined code categories, that have been based on the theoretical and pilot research. By doing so, the investigation identifies the most evident, yet important, variables or their groups and revealing their specific contexts in Lithuanian TV broadcasting companies.

The within-case analysis allows to identify the most evident variables that are illustrated by the examples all the 11 interviewees from all the 4 TV Groups have provided. As seen from the Figure above, the most commonly in absolute used codes, related to disruptive innovation during the interviews were the latter ones:

Within quite a generic category, comprising *1. Trends and challenges* (mentioned 109 times) and *2. Business model* (mentioned 148 times), evidently, both codes were frequent when talking about Lithuanian TV broadcasting companies, as incumbents, engaged to disruptive innovation.

Within the *Catalysts of Disruption* category, the variables had quite different manifestations frequencies, yet were still popular to mention during the interviews: 3. Enabling technology (mentioned 194 times); 4. Customer mindset (mentioned 108 times); 5. Platform (mentioned 144 times); 6. Economy (mentioned 7 times); 7. Public Policy (mentioned 33 times).

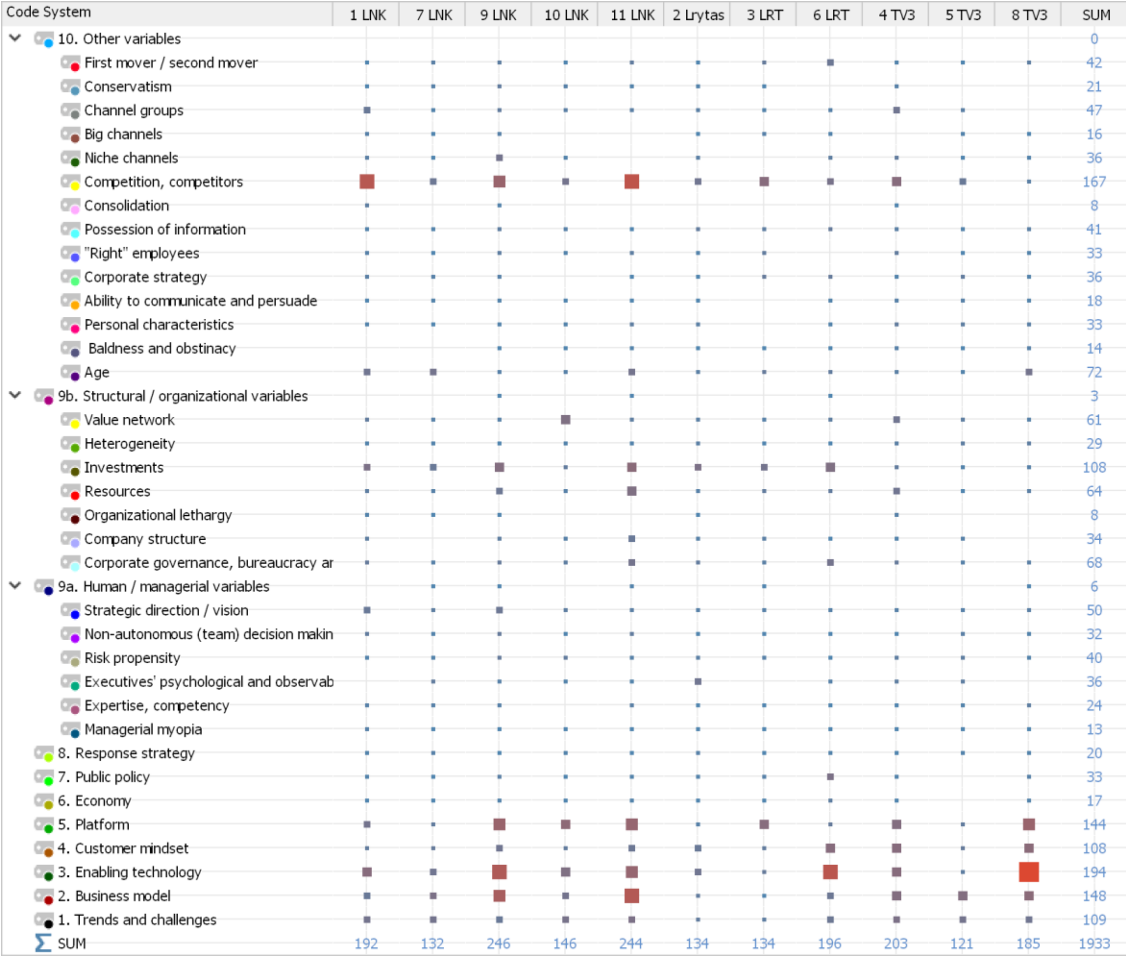


Figure 7. Manifestations of variables in Lithuanian TV broadcasting companies facing disruptive innovation

Within the *Factors* category, the sub-categories remained the same, as in the research methodology and in pilot research: *Structural/ organizational variables*, *or factors*, and *Human/ managerial variables or factors* (it is to remind, that the author uses these concepts interchangeably). In total, all *Structural/ organizational variables* have been mentioned in different contexts 375 times, while *Human/ managerial variables* have been mentioned in different contexts 201 times. The three most popular factors within *Structural/ organizational variables* were Investments (mentioned 108 times); Corporate governance, bureaucracy and policies (mentioned 68 times); Resources (mentioned 64 times). Within the *Human/ managerial variables* sub-category the three most frequent ones were named Strategic direction/ vision (mentioned 50 times); Risk propensity (mentioned 40 times); Executives' psychological and observable characteristics (mentioned 36 times). **Interestingly, while the calculations of codes indicate the relative importance of the *Structural/ organizational variables*, the interview extracts demonstrate the opposite situation. In the words of the respondents, *Human/ managerial variables* have a relatively stronger impact on the choice of response strategy to disruptive innovations.** In order to analyse these contradictions, the *Factor category*, as one of the distinctive parts of this research, is presented further from different research angles (also sustained by manifestations of *Other variables*) in more detail, based on the extractions of interviews. It is also to mention, that the code *8. Response strategy* (mentioned 20 times) is linked to the factors, therefore, is described in the latter and following paragraphs in more detail.

Lastly, within the *Other variables* category, the variables were not identified in the primary research methogology, but due to the interview approach (semi-structured), were quite frequently used by the interviewees and can be linked to sustain some *Factors*, or the *Response strategy*. The three most popular codes were indicated as follows: Competition, Competitors (mentioned 167 times); Age (mentioned 72 times); Channel groups (mentioned 47 times).

Since some contradictions among research results and *Other factors* group have been distinguished, relevant extractions of the interviews are being presented in the subsequent research parts.

4.2.2. TV broadcasters as specific actors within the modern local media value chains: key challenges

Theoretically and context-wise, Lithuania, as a small open economy (OECD, 2016), can profit from imitating (Pajarinen, Rouvinen & Ylä-Anttila, 1998) and following the pathways global companies follow. Put differently, according to the theoretical notions and implemented research results, there is a linkage between the first mover or the second mover advantage and a value network.

Another notion for this chapter derives from the practical perspective. According to PwC (2013) and Schindler, Upreti & Goswami (2011), the traditional value chain for media companies has been changing recently. Therefore, instead of having a linear value chain, containing content creators, aggregators, distribution system and consumer devices, ultimately it became a fluid and adaptable network, facing disruptive changes.

Therefore, considering the above mentioned insigts and its contemporary linkages to the value chain, or value network in the latter case, it is important to analyze it from the relational perspective. In the Figure below, a relational Maqxda matrix is provided.

In order to do so, the author has set the main variable, Value network, and has attempted to reveal the manifestations and indicate relations among Value network and other variables. Obviously, the most related code to Value network is a Business model, as value network makes part of it. On the one hand, this relation is inevitable and does not raise scientific questions according to definition (e.g., Osterwalder, 2004; Gordijn, Osterwalder & Pigneur, 2005; Chesbrough, 2007; Sandström et al., 2009). On the other hand, such a link might indicate the transformation of the business model from the value network perspective, facing disruptive innovation. Hence, the author argues, that the latter relationship reveals the business model transformation process and advocates **Business model innovation (BMI) for Lithuanian TV broadcasting companies. As the context for the BMI, the analysis reveals the engagement in disruptive innovation, which is supported by two catalysts of disruption: Trends and challenges (interrelated to Value network 16 times) and Enabling technology (interrelated to Value network 13 times).**

By linking the above mentioned statement to the interviews in terms of *Value network*, the *Value network* is very important, as the TV does not produce in-house, Interviewee 7 confirms it, and the quality of a manager is judged according to what kind of product he/ she buys, which simplifies the *Business model*. Interviewee 1 adds that their strategy towards *Value network* has changed significantly over the last few years. The latter notion might be linked to *Trends and challenges* in the industry. The *Value network* is an important topic in Representative 5 case. It is said that there are certain needs that TV creates, and certain needs

Code System	Value ...	SUM
10. Other variables		0
First mover / second mover		1
Conservatism		0
Channel groups		2
Big channels		1
Niche channels		2
Competition, competitors		13
Consolidation		0
Possession of information		3
"Right" employees		1
Corporate strategy		1
Ability to communicate and persuade		2
Personal characteristics		2
Baldness and obstinacy		0
Age		1
9b. Structural / organizational variables		0
Value network		0
Heterogeneity		8
Investments		8
Resources		11
Organizational lethargy		0
Company structure		1
Corporate governance, bureaucracy ar		9
9a. Human / managerial variables		0
Strategic direction / vision		2
Non-autonomous (team) decision makin		1
Risk propensity		6
Executives' psychological and observab		2
Expertise, competency		2
Managerial myopia		2
8. Response strategy		1
7. Public policy		1
6. Economy		1
5. Platform		8
4. Customer mindset		6
3. Enabling technology		13
2. Business model		25
1. Trends and challenges		16
SUM	152	152

Figure 8. Relations among Value network and other variables

they satisfy. The latter company thinks to hav satisfied the trendy need to be in the Internet. The latter idea combines *Trends and challenges*, *Customer mindset* and *Enabling technology* paradigms. Interviewee 8 shares his insights on *Value network* and *Financial revenues*. Concerning the revenues, you are not only looking for customers who want to cover broadcasting; you should search for those who want to cover the creation of the content, he says. Therefore, it is essential to create a content that would useful to both the client and the TV. Moreover, the link of the latter context to enabling technology was found. Talking about TV producers as a part of the *Value network*, Interviewee 8 finds the situation more difficult to adapt to for those producers who have worked for a long time, and only with the TV production. For them, it is difficult to create for the Internet. Thus, the division of producers' market exists and still, traditional TV seems a more solid place for them. Therefore, the content is being created separately for traditional TV viewers and for those who chose the Internet. Again, technology-wise, *Value network* works as a partner network to create an innovation in Representative 3 case. It is possible to finalize with the Interviewee 1 words, that the *Value network* is doing a great impact on the choice of the response strategy (to disruptive innovation).

Thus, the latter within-case analysis allows to state the following: the business model, in terms of value network in Lithuanian TV broadcasting companies, is changing and facing the technological and customer mindset-related catalysts of disruption. Further on, it is important to recognize the response strategy, or strategies, the Lithuanian TV broadcasting companies are chosing in order to respond properly to the disruptive innovation.

4.2.3. Response strategies of Lithuanian TV broadcasters in the context of disruptive innovation

The response of the Lithuanian broadcasters, when chosing the response strategy, was mostly linked to the Internet-related decicions, or to the launch of the Internet TV service. Hence, the analytical part from this section mostly investigates the strategies and factors influencing the choice of response strategy to distutive innovation from the perspective of the Internet TV project. The response strategy towards the Internet TV, as briefly indicated in the previous part, is linked to industry's *Trends and challenges*, changing *Customer mindset*, the Internet, as both, an *Enabling technology* and a disruptive innovation, and *Value network.* So far, the obtained investigation result allowed the researcher to go in depth and analyse the response strategies of Lithuanian TV broadcasters in the context of disruptive innovation, or the launch of an Internet TV, in this particular case.

According to the results of the interviews with the representatives from Lithuanian TV broadcasters, **10 out of 11** respondents confirmed that in order to respond to disruptive innovation, they have chosen **(4) innovation adoption with focus on existing businesses (considering creating a new business unit) strategy. 1 of 11** respondents has claimed, that the company he represents has chosen **(1) traditional business and sustaining innovation strategy**. However, in some cases (mostly in LNK TV's cases) (6) merger and acquisition (M&A) strategy was also mentioned. Interestingly, these results basically confirm Christensen's (1997) idea when facing the disruptive innovation, that suggests: (1) to create a new business unit, or (2) to sustain innovation. However, in order to analyze in more depth the relations between the response strategy and all research factors, or variables, the Figure below is presented.

Interestingly, the relations matrix reveals that as separate categories, the most evident ones, can be highlighted the latter categories, which influence the response strategy:

Variables 1-2:

1. Trends and challenges;
2. Business model;

Variables 3-7, Catalysts of disruption:

1. Enabling technology;
2. Customer mindset;
3. Platform;
4. Public policy.

Variables 9a: Human/ managerial factors

Variables 9b: Structural/ organizational factors
Other variables:

1. First mover/ second mover;
2. Channel groups;
3. Competition, competitors;
4. Niche channels.

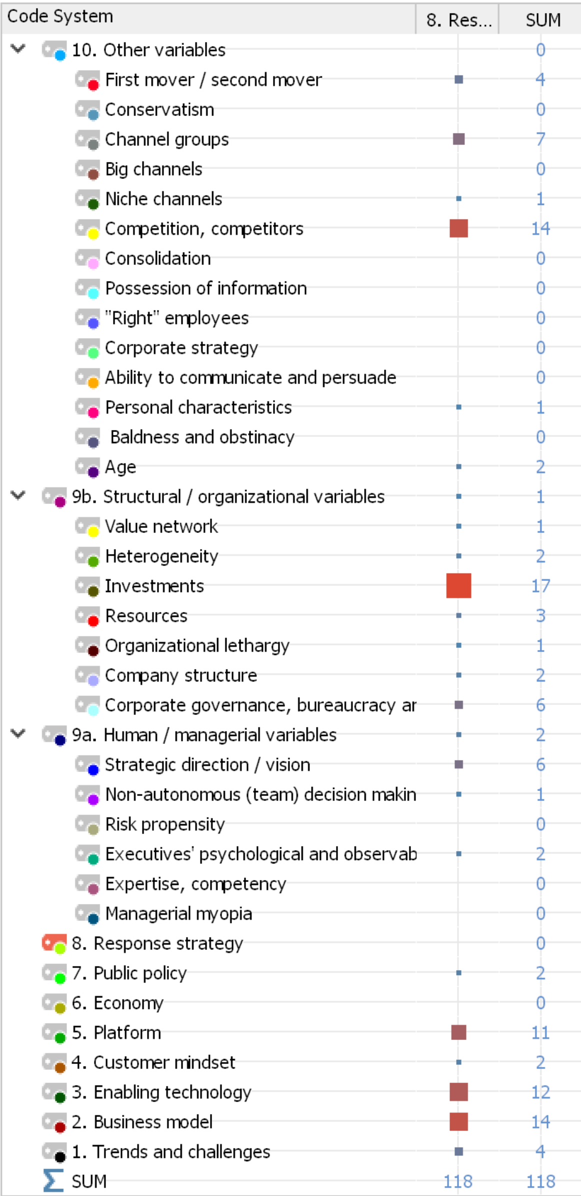


Figure 9. Relations between Response strategy and other variables

In case of Variables 1-2, *Trends and challenges*, as well as *Business models*, Interviewee 9 admitted that the launch of their Internet TV was clearly the result of a global trend because the world has been going that way. Interviewee 7 agrees that their company implements constant monitoring of all kinds of new global information. The representatives receive professional online daily news. On the global scale, they get the information about what goes on in the world, what the latest formats, the latest *Trends*, and even personalities are. The representatives of the company attend main global TV fairs and bring back the ideas. Regarding the TV formats, Interviewee 7 implements constant monitoring of what interests the company and whether it is worth or not buying. Thus, in terms of launching an Internet TV, information from global market has facilitated the decisions made within Lithuanian TV broadcasters. An interesting link between customer mindset and *Trends and challenges* was named by Respondent 2 who sees great opportunities of cooperation and integration of TV and the Internet. Representative 2 thinks that a company which has a television channel will also have to possess the Internet channel/ platform. Interviewee 4 has ensured that TVs are competing only by content. The technology is the least important factor here, she says, even though 3 years ago there were continuous discussions, whether the Internet will cannibalize TV, or if the TV will cannibalize the Internet. But now it is mainly a merger, a consolidation, where the Internet explicitly declares that they will not survive without the video content, therefore it is necessary for them to go hand in hand with the TV. Nevertheless, the 'TV Everywhere' solution is absolutely a must for televisions in order to have the viewer on every device. So, the main challenge remains to make the viewer happy. Indeed, Interviewee 4 perceives the decrease of the *Put level* of 10–15 percent per year, meaning that traditional TVs will experience fundamental changes in terms of TV viewer structure. Interviewee 8 said that a younger or more educated viewer uses the Internet and chooses pay TV programs. He continues that the great difference between the online viewer and the television viewer is about content availability and accessibility. Nowadays, people have smartphones, computers, tablets, and smartwatches. Interviewee 6 adds that if TV creates a show or any product, the viewer needs to have the possibility to pick it up where it is convenient for him/her; it could a swell be a telephone. When it comes to advertising and other production creation, there is a global trend to make it as cheap as possible, Interviewee 8 says. This trend is very vital within a significant number of customer cases. Thus, the Internet TV allows advertising cheaper and more accurately: the Internet service providers have lower costs compared to traditional TV. Even though Interviewee 8 suggests the synergy between the TV and the Internet in order to have the best results, a contemporary business customer is still more generous to traditional TV projects. Moreover, a *Business model* should be reconfigured to combine revenue streams from the traditional TV and the Internet TV. According to Interviewee 8, there are two types of products: for TV and for the Internet. Sometimes it takes time to convince consumers not to underestimate one or the other group of TV viewers. In most cases, the clients imagine that most of the budget should go to traditional TV, and it is not so instrumental for the Internet. But currently, he explains, the online advertising is not inferior to what is seen on TV. Partially it is due to the fact that one can easily display advertisement in HD on the Internet, while the TV lacks this option. Another advantage for the Internet is that it is easier to define and target the preferred segment here. Having a number of different portals and the Internet TV, Interviewee 8's team can help decide where to advertise. By all means, one thing is a constant: combined advertising on TV and on the Internet is beneficial twice. It is therefore inaccurate to say that if a client advertises on the Internet nobody watches the advertisement. Naturally, the initial message is stronger on TV. Interviewee 8 finalizes that reciprocal exchange or synergy between traditional TV and Internet TV advertisements provides the best results, as one cannot function properly without the other. When talking about business models, Interviewee 10 says that the Internet TV is a fruit of customer needs rather than a promising revenue stream. Indeed, Interviewee 9 adds that, for instance, in India that has about 1 billion inhabitants, the Internet or Mobile TV business can survive by having 3 percent of viewers. In Lithuania it would not survive, she says. However, according to Interviewee 1, their

Internet TV is now perceived as a separate TV channel on the Internet, constituting a part of a business model.

Then, regarding *Catalysts of disruption*, primary notion has been suggested in the previous chapter. However, the most evident ones and related to the response strategy are *Enabling technology* and *Platforms*. This discovery only sustains the idea, that a disruptive innovation, even though having many different, mostly new approaches (e.g., Hagel, 2015; King & Baatartogtokh, 2015; Denning, 2016a; Chase, 2016), rather than Christensen's (1997) technology-related notion, in business environment is evidently perceived from the technological perspective. Hence, *Enabling technology* is an undeniable facilitator when launching an Internet TV, as a response to disruptive innovation. Interviewee 6 thinks that any technological innovation is related to complex solutions – from changing cameras to training people. Interestingly, its link to *Platform* basically goes through *Customer mindset* perspective. Thus, when speaking about the role of the *Platform*, the dissemination of information, communication with the customer, or co-working projects, Interviewee 3 mentions Facebook as an active tool to disseminate direct information and get it back through different platforms. He mentions that all the platforms are used by different segments. If, for instance, their company wants to announce the broadcast of The Wall Street Wolf movie, Facebook is probably one of the best places to reach a young audience. In fact, he says, the dissemination of information on one side, and social networking as a form of communication with the audience on the other, are the main goals to reach through different platforms. By all means, innovative technologies pay off at least considering the image of TV broadcasters in a segment of younger audience who knows and understands the use of technology, for instance. Talking about technology- and innovation-related events, Interviewee 3's company attended innovative events, so the TV broadcaster interacted with a certain audience, sophisticated in IT. Not all of those solutions pay back in Euros, he says. Some time ago the TV did not have any strategy on what exactly should be uploaded to the Internet, but after some experimenting they designed a strategy to upload music-related content or TV show trailers with references to the TV web portal or repository. By uploading contents to Youtube first, the TV Group gained attention of the younger audience which is usually hard to attract. Thus, by combining these two platforms, the TV reached a wider range of audience. In order to go hand in hand with current industry trends, TV groups have to have their own platform online. Interviewee 8 has highlighted that her TV Group's Internet TV and their web portal has a considerable number of direct streaming programs.

There is a link between the choice of response strategy and *Human/ managerial factors*, according to interviewees. Specifically, *Strategic direction/ vision*, *Non-autonomous (team) decision making*, and *Executives' psychological and observable characteristics* are related to the chosen response strategy. *Strategic direction/ vision has* been perceived as very important by Interviewee 5 in terms of launching the Internet TV. Interviewee 8 first considered it as a trend from Scandinavia, but in the end the strategic direction was taken by the CEO of the latter TV Group. Indeed, Interviewee 4 admits having had a vision regarding new products and production, including the Internet TV project. *Non-autonomous (team) decision making* are related to the strategic direction in Interviewee 9 case. While Interviewee 9 argued it had to be the Internet TV, other managing team members disagreed and proposed a concept of a website with a TV archive. With limited resources at that time the team decided to make the website, which eventually became an Internet TV. *Executives' psychological and observable characteristics* can also be linked to the response strategy. Watching traditional TV is a habit that has deep roots, Respondent 2 says; so, the viewer is not very much into watching contents on the Internet. Probably, he/she would rather be lying on bed and watch traditional TV. And indeed, traditional television still tends to be more popular if compared to the Internet TV.

The previous conclusion can be made only by possessing adequate characteristics. Interviewee 4 shares her experience about starting to sell target audiences. After doing so, the main competitor, the other TV Group, did not do anything for a year. At the beginning, the customers were not satisfied, as it was something new and they also had to change their business principles. But, eventually, the clients adopted the new rules from Interviewee 4 TV and forced the other TV group to do the same. Thus, the other TV Group had to invest in software and change their system. In the case of Interviewee 4's TV Group, they made mistakes 5 years ago, and these mistakes are still relevant to both the other TV group and the Internet TV.

Regarding *Structural/ organizational factors*, all factors, especially *Investments*, *Resources* and *Corporate governance, bureaucracy and policies* can be related to the response strategy. The process to identify the *Investments* is undoubtedly an important facilitator when launching an Internet TV. Indeed, when asked how one TV Group is different from a traditional TV in terms of Internet TV contents, Interviewee 9 admits to have *Invested* in it. But mostly their Internet TV shows everything that has been shown on TV. However, there are some specific products, usually about 10 products during the season. And, indeed, they attract audience, she says. Representative 6 adds that innovation processes go in line with the investment. And as all Lithuanian tax payers are involved in the formation of their budget, the TV plans the investments into innovative technologies in order to meet the expectations of their viewers. Thus, by combining traditional and Internet TV platforms, the TV has reached a wider range of audience: the TV Representative 3 counts 45 million 500 thousand views since 2009, and now is the largest media repository in Lithuania. On the contrary, Interviewee 7 states, the TV Group he represents does not attempt to be an ultimate leader in technology. He highlights that the investments have a definite size and the TV Group invests in valuable technologies. Interviewee 1 adds that if the latter Group has to invest 1 million Euro, the company firstly evaluates investment goals. In the case of competitors, Interviewee 11 argues that the main competitor's Internet TV solution is related to their group strategy, internal investment strategies, and plans. Thus, the other Channel group is trying to differentiate its business and expand it in order to make the package more attractive to investors, in case they have to sell it. Indeed, Interviewee 4 adds that soon they are launching a modern TV solution which will comprise everything, including a new Internet TV. The users will be able to watch it from all devices: phone, tablet or a large screen. Representative 4 admits that there was no market pressure to have it before because this is a big investment. In order to reduce costs, this project is being made with Latvia and Estonia as a joint investment, a joint product. However, Interviewee 10 finalizes that, in general, even though the Internet TV is not a big business, the investment is crucial.

The process to identify the *Resources* is another important point to mention. Interviewee 4 emphasizes that with the emergence of the Internet TV they did not assume more staff. In fact, the TV tries to optimize costs and integrate their Internet TV into the existing structure. If once a program manager was responsible for 1 channel, now he/she deals with 3 channels, the Internet TV and also with the video contents for the web platform. The latter TV Group has experienced growth in terms of channels and now, they state, they have 4 of them. In the case of the main competitor, within their Internet TV *unit*, there is currently one person working. Mainly there are two of them, including Interviewee 9, she says. *Resources* for the Internet TV, according to Interviewee 7 are sufficient because the contents replicate in about 90 percent the one on a traditional TV. The resources are needed to place the contents to servers and for Internet TV promotion. It is to note that the Internet TV contents requires just as much human resources as the traditional TV content. It means same budgets, she says. So far, as the same budgets do not generate the same returns, the TV is not ready to invest, Representative 11 adds. According to Interviewee 10, the Internet TV is partly an expression of *political* will – a required attribute, he says. At the moment, their Internet TV is still too small to have a unit label and a head of the unit.

Talking about *Corporate governance, bureaucracy and policies,* Interviewee 6 has said that all the decisions are within the framework of the Council strategy, and, indeed, the launch of the Internet TV was a part of the strategy. Also, Interviewee 3 mentions that the *bureaucratic* procedures were complex. Being a budget institution, this TV has to follow public procurement procedures, prepare reports, and meet lots of bureaucracy. Interviewee 5 agrees that the *Corporate governance* has a significant impact as it comes from both the global corporate governance model and from a local TV company. Interviewee 8 also admits that *Corporate governance* has a great impact.

Interestingly, *Other variables*, such as *First mover/ second mover*; *Channel groups*; *Competition, competitors*; and *Niche channels* have also had the influence on the choice of strategy. Indeed, according to various Interviewees, Big TV channels are experiencing decline, while the *Niche channels* start growing. According to Interviewee 1, in Lithuania, the niche phenomenon is related to several factors. The first is the supply. The second is the demand that to some extent follows the global trend. Thus, one of the niche solutions was the Internet TV.

But to the greater extent, the launch of an Internet TV was influenced by local competitive environment. The *Competition, competitors* sub-category was also perceived as a broader construct, mainly meaning the actions of other *Channel groups* and the consideration which of them was a *First mover* and which is a *Second mover*. Interviewee 9 laughs that there are, of course, competitors who teach always very well. Interviewee 9 argues that hectic competition between her group and the main competitor, other *Channel group*, leads to solutions that logically do not make sense in many respects. Further, Interviewee 9 gives an example of their Internet TV project. While Interviewee 9 had argued it had to be the Internet TV, the other team members disagreed and proposed a concept of a website with a TV archive. Importantly, at that time the resources were very limited, and the team decided to make a website. But eventually it happened so that the TV Group had to re-arrange it as a TV. This is an obvious example, she says. The myopic moment occurred when the current project was postponed, and the other *Channel group* made it earlier.

Then, the second thing Interviewee 9 mentions is that her TV group has been competing in the oligopolistic market where the competitor launched their Internet TV earlier, thus becoming the *First mover*. If not the crisis, they should have been first, she says. But the crisis came, the resources were very limited, and the TV Group was forced to abandon the idea of the Internet TV. Hence, another channel group launched it first. However, one thing the TV group would not have done (which the main competitor did) was free viewing. If Interviewee 9's TV group were first, they would have charged it, she said, very minimally, only to accustom the viewer. In the case of Interviewee 10's TV Group, he admits to be the second-mover in launching the Internet TV. Whereas in the case of the main competitor, he argues, that was a corporate decision. Eventually it happened that the other group launched their Internet TV first and became a *First mover*. However, Interviewee 10 claims that the *Second mover* 'strategy' of his TV Group might be perceived both as strength as well as weakness. It is also related to the fact, as highlighted by Interviewee 7, his group chooses to wait until the technology gets cheaper.

Having linked the response strategies of Lithuanian TV broadcasters with most frequently manifesting factors in the context of disruptive innovation, named as an Internet TV, in the subsequent chapter based on multiple case analysis and within-case analysis, Human/ managerial and Structural/ organizational factors, determining the choice of response strategy by local TV broadcasters to global disruptive innovation, are being disclosed.

4.2.4. Factors determining the choice of response strategy by local TV broadcasters to global disruptive innovation

The results of the interview, however, revealed the undeniable importance of these factors: *Human/ managerial factors* and *Structural/ organizational factors* (or variables). In order to reveal the combinations and in depth manifestations of these factors in case of the response strategy, two approaches are analyzed: within-case, following *all-in-one* logic, and multiple case analysis, thus representing separate TV Groups' results.

Multiple case analysis

Multiple case analysis represents the manifestations of the aforementioned factors in each TV Group separately. The analysis has been carried out with Maxqda relations browser.

In case of LNK TV Group, all factors to some extent have been used in the context of response strategy to disruptive innovation. However, the most frequently related factors, according to both factor categories, are the below mentioned factors, that are illustrated by some excerpts from the interviews, sustaining their relations, or combinations. The linkages between factors and response strategies are highlighted.

Value network and *Investments*. For instance, Interviewee 1 talks about the HD technology and its relation to whole local value network and investments: the producers who will have to buy new cameras, suitable lights, rethink editing process, etc. What concerns movies, the TV already has them in HD, and it is possible to broadcast. Lastly, it requires investments for archiving and storing the HD production.

Value network and *Resources*. Value network is very important in case of LNK, as the TV does not produce in-house, Interviewee 7 confirms, therefore, does not need to have its own resources.

Heterogeneity and *Investments*. Interviewee 1 claims that there are some heterogeneous activities, like the investments that come from the MG Baltic.

Heterogeneity and *Resources*. *Heterogeneity* is an important factor in choosing the response strategy, because it describes the most efficient way to use limited resources, and how to choose the best mix, Interviewee 1 says. As for *Heterogeneity,* Interviewee 9 sees the ways to have more synergy. The MG Baltic Media Group has the Alfa.lt news portal, which currently has a minimal effect on LNK. However, if it became a strong portal, developed according to LNK's vision, LNK would win.

Investments and *Corporate governance, bureaucracy and policies*. According to Interviewee 11, in terms of investments, everything is being decided by the shareholders.

Investments and *Managerial myopia*. Interviewee 9 has argued that in case of *Managerial myopia* there have been some myopic moments, as LNK has had to learn from the mistakes. Interviewee 9 agrees that it is very important to find consensus, as the investments are high.

***Investments* and *Response strategy*.** According to Interviewee 1, TVs should be aware of not investing too much: if the Internet TV does not guarantee a long-term competitive advantage and has a risk to disappear after a year, it makes no sense to invest much, he finalizes. Interviewee 10 claims that LNK Go is not a big business but the investment crucial. Interviewee 9 argues that when it comes to big investments, like the acquisition of BTV, the shareholders want to see the price that LNK is going to pay.

Resources and *Investments*. Interviewee 9 has argued that the crisis came, and the resources were very limited, thus, LNK was forced to abandon the idea of the Internet TV.

Strategic direction/ vision and *Corporate governance, bureaucracy and policies*. In case of *Strategic direction/ vision*, this factor is seen as probably the most decisive. Both, the vision of LNK and the vision of LNK's CEO are fundamental, Interviewee 7 says. Of course, these visions are in line with the higher structures, but at the same time, the stakeholders did not argue about these visions.

Strategic direction/ vision and *Non-autonomous (team) decision making*. Talking about *Non-autonomous (team) decision making*, Interviewee 9 agrees that the managing team is discussing and always searching for consensus. The cases in which she decides are very rare. If she lacks patience for some quick decisions or she sees a guaranteed win-win project, then she decides. However, Interviewee 10 argues that the CEO is quite a clear settler herself.

***Strategic direction / vision* and *Response strategy*.** According to Interviewee 1, at the beginning, the competition was among the major channels, but later it started among consolidated channel groups. This was a big change in strategic direction. This change took place in 2010, when TVs started launching niche channels because the trend was unstoppable. The TV groups started to think how to compensate the loss of the major channel's audience.

The Figure below illustrates the relations of factors influencing the response strategy based on multiple case analysis in case of LNK TV.

Figure 10. Factors influencing the response strategy based on multiple case analysis, LNK case

Next, Lietuvos Rytas TV case analysis is performed in a similar way.

In case of Lietuvos Rytas TV Group, only a few factors have been used in the context of response strategy to disruptive innovation. However, the most frequently related factors, according to both factor categories, are *Investments* and *Response strategy* that are illustrated by some excerpts from the interviews, sustaining the relations.

***Investments* and *Response strategy*.** Interviewee 2 says that the choice of a strategy highly depends on the money a company has. Also, Lietuvos Rytas TV cannot react very quickly without evaluating each project. In order to make a very big decision the first thing to do is to find a very large strategic investor in Lithuania.

The Figure below illustrates the relations of factors influencing the response strategy based on multiple case analysis in case of Lietuvos Rytas TV.

Figure 11. Factors influencing the response strategy based on multiple case analysis, Lietuvos Rytas TV case

Next, LRT TV case analysis is performed in a similar way.

In case of LRT TV Group, not all factors have been used in the context of response strategy to disruptive innovation. However, the most frequently related factors, according to both factor categories, are the below mentioned factors, that are illustrated by some excerpts from the interviews, sustaining the relations. The linkages between factors and response strategies are highlighted.

Value network and *Resources*. *Value network* allows LRT to create something, with a partner to create an innovation, Representative 3 says. He only mentions that it all depends on resources: human, technical, and financial, that has to be planned way before the project implementation.

Heterogeneity and *Company structure*. As for *Heterogeneity*, according to Interviewee 6, there is room for improvement, but the synergy among various news services, including radio, TV and the Internet exist. This is also highly desirable by the company.

Investments and *Resources*. The innovations are in line with the investments, Interviewee 3 adds. LRT always tries to find the cheapest way to find a proper innovative solution: go through universities, communicate with young programmers.

Investments and *Expertise, competency*. Regarding the *Investments*, Interviewee 3 says this is the Director General's decision. The proposals of what needs to be updated, changed, etc., are collected from all units and then they are placed in the budget. And since the investments generally are major than the budget, the Director General decides where to invest (top-bottom decision).

***Investments* and *Response strategy*.** According to Interviewee 6, LRT surely plans the investments into innovative technologies in order to meet the expectations of their viewers. Thus, their priorities are investments in content and technology. Interviewee 3 adds that the advantage of LRT is that they can experiment and do not have to wait for the return on investments right away, during the same financial year, as the commercial channels cannot afford it themselves. In case of the commercial networks, if it does not generate revenues quickly, it will be closed down. On the contrary, LRT can wait and evaluate some solutions and decisions in a long run and then tell whether the technology paid off.

Resources and *Non-autonomous (team) decision making*. Interviewee 3 adds that they have structural decisions. He admits, that anybody in LRT can have or express a certain idea, but then it has to be linked to certain business processes: who will make the contents, who will administer it, who will answer to the questions or comments on Facebook, will somebody answer to them on weekends? If there is a specific content for social media, somebody has to decide which part exactly should be cropped, etc. LRT includes all the relevant people and departments in content-related or management-related decision making.

Corporate governance, bureaucracy and policies and *Strategic direction/ vision*. In case of *Strategic direction/ vision*, Interviewee 6 responds that firstly it is about the Director General's vision that has to be presented during the competition for the position of Director General and every 5 years if he/ she gets re-elected. Clearly, the vision has to be in line with the Council's strategy.

Strategic direction/ vision and *Non-autonomous (team) decision making.* Customer mindset-related decisions also depend on the LRT Council, strategic direction and durability, says Respondent 6.

The Figure below illustrates the relations of factors influencing the response strategy based on multiple case analysis in case of LRT TV.

Figure 12. Factors influencing the response strategy based on multiple case analysis, LRT case

Lastly, TV3 TV case analysis is performed in a similar way.

In case of TV3 TV Group, all factors to some extent have been used in the context of response strategy to disruptive innovation. However, the most frequently related factors, according to both factor categories, are the below mentioned factors, that are illustrated by some excerpts from the interviews, sustaining the relations.

Value network and *Heterogeneity*. Value network works as an integral system based on cooperation between the TV and producers when the viewer goes to tv3.lt during the advertisement on ttraditional TV and watches, for instance, the backstage of the XFactor's show, he may remain watching TV3, says Respondent 5.

Value network and *Corporate governance, bureaucracy and policies*. Talking about *Corporate governance, bureaucracy and policies,* Interviewee 4 has stressed that in Lithuania TV3 was a horizontal organization having a lot of matrix points in line with the higher organization. She gives an example of program purchasing. This means that the local Acquisition Manager communicates with the Acquisition Managers in the Baltic countries and Central-Eastern Europe and form a common need list, which is then submitted to the Central Acquisition Team and then they negotiate and buy content for all countries. Interviewee 5 agrees that the *Corporate governance* has a significant impact. He says that the industry itself has learned that there is an impact.

Value network and *Risk propensity*. *Value network* and risk are related bcause of the uncertainty. Representative 5 says there are certain needs that TV3 creates, and certain needs they satisfy. They satisfy the trendy need to be in the Internet. Thus, TV companies invest to the Internet projects but don't really know how to earn from advertising online. Interviewee 5 highlights that TV3 risks, but risks wisely. With the tv3.lt portal the company took the 3rd or 4th position, while alfa.lt remained in the 7th place.

Heterogeneity and *Resources*. As for *Heterogeneity*, Respondent 5 says that TV3 is trying hard to implement heterogeneity among different actions and indeed, substantial linkages already exist, starting from costs, cross prom making, content management, etc. And even now, when making a television reality show, Representative 5 is always very keen that a part of TV projects have online broadcasting. For example, TV3 should give some contents to the portal tv3.lt, and after that even the Power Hit Radio DJs would be able to talk about the reality show content. For complement activities TV3 is very a heterogeneous company. Interviewee 4 agrees that this is one of the major advantages the TV3 Group has because the whole picture can be seen. For instance, while TV3 broadcasts the XFactor live, other departments can make direct connections during breaks through the Internet, and the radio can organize morning shows with the participants of the XFactor. If there were different people working on all these units, it would be very difficult to coordinate the process.

Investments and *Corporate governance, bureaucracy and policies*. Respondent 4 says that when a project requires investments, TV3 has to get approval from the Board. Interviewee 4 extends that her task is to persuade the Board regarding the investments, which sometimes becomes a time-consuming process. Even if Interviewee 4 wants to make a decision within 1 month, it sometimes takes up to 3 months due to formal procedures.

Corporate governance, bureaucracy and policies and *Non-autonomous (team) decision making*. Talking about *Non-autonomous (team) decision making* and its linkage to the response strategy, Respondent 5 highlights that they make decisions in a team. Interviewee 4 adds that it is important to highlight that every idea should become a project, or be rejected. When a project requires investments, TV3 has to get approval from the Board. This means the team has to prepare a project, present it to the members of the Board, and, if approved, it can be implemented.

Strategic direction/ vision and *Non-autonomous (team) decision making*. Respondent 4 ensures she does not take the decisions autonomously because she is not able to implement everything on her own. Therefore, there is a leading management team involved: Sales Manager, Creative Director in charge of programming and marketing, Head of Media, who have to believe in the project. Interviewee 5 argues whether the *Strategic direction or vision* comes from him and he supposes that officially it is his decision, but informally it belongs to the team.

The Figure below illustrates the relations of factors influencing the response strategy based on multiple case analysis in case of TV3 TV.

Figure 13. Factors influencing the response strategy based on multiple case analysis, TV3 case

Interestingly, according to the performed multiple case analysis of the four TV Groups, there were only a few cases when combinations of two factors were diffused among different TV Groups. This remark lets the author state that even though the TV Groups compete in the same Lithuanian Free-TV broadcasting market and is competing for the same viewer, their response strategies to disruptive innovation are based on different factors. The only (almost) matching point, except for the TV3 group, was the clear relation between the *Investments* and *Response strategy*. In LNK, LRT and Lietuvos Rytas TV cases, as purely local TV industry players' cases, it is pretty evident and presumable. In case of TV3, as mentioned by their competitors, the launch of the Internet TV, as a response strategy, is a must, therefore might have not be linked to the investments. The other possible condition, expressed by TV3's competitors, is that the response strategy is being implemented throughout all the MTG network, thus cheaper and top-down. It is also evident, that the market is highly oligopolic, as being stated by Interviewee 9, and mainly having two strongest industry players: TV3 Group and LNK Group. However, it is to note, that the other two TV Groups are meeting the primary selection condition and are incumbent TV broadcasting companies in Lithuania. Therefore, in order to represent the full picture of manifestations of *Human/ managerial factors* and *Structural/ organizational factors* in the choice of the response strategy, lastly, within-case analysis is pursued.

Within-case analysis

In order to have a full view of the factors (or variables) and their combinations influencing the response strategy to disruptive innovation in Lithuanian TV broadcasting industry, within-case analysis is performed. By doing so, the Figure below reveals the manifestations of *Human/ managerial factors* and *Structural/ organizational factors* in the choice of the response strategy. In this part, it is also revealed which group of factors has a relatively higher importance in choice of the response strategy, as inquired previously, having met the research contradiction.

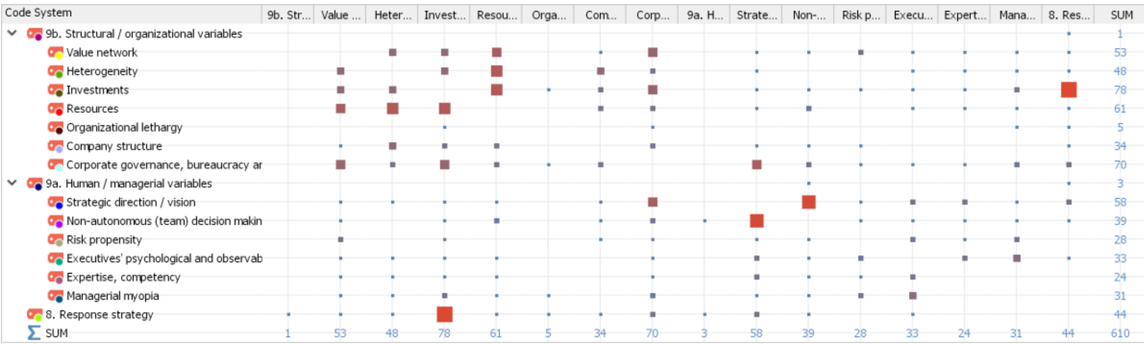


Figure 14. Factors influencing the response strategy based on within-case analysis

First, by referring to the frequency, the code, or a factor, has been used throughout all the interviews, some factor relations are evident implementing within-case analysis, while the others are manifesting somewhat to a lesser extent. By all means, all the theoretically selected factors have been tested empirically and the influence on the response strategy by Lithuanian incumbent TV broadcasting companies facing disruptive innovation has been revealed (see column SUM). Based on the within-case analysis, these factors are advocated to be the most evident and influencing (red squares only; frequency > 50) the response strategy: *Structural/ organizational variables*: (1) *Value network*; (2) *Investments*; (3) *Resources*; (4) *Corporate governance, bureaucracy and policies*; and *Human/ managerial variables*: (1) *Strategic direction/ vision*. It is, however, to note that all the factors have been mentioned by the interviewees, therefore, they cannot be excluded from the empirical research results.

In order to perform deeper factor analysis, the combinations, or relations between factors have also been revealed. As seen from the picture above, Maxqda software allowed the author to identify the strongest relations between variables. To provide a broader relational picture, in this part, not only the red squares have been analysed. Since most of these relations have been illustrated by within-case examples, in this part, only the frequencies of interrelations (by using Maxqda Code Relations Browser) and manifestations among TV Groups (using Maxqda Code Matrix Browser) are identified among the latter variables.

- *Value network* and *Heterogeneity* (16 times used in interrelated contexts; mostly evident in LNK Group and TV3 Group's cases);
- *Value network* and *Investments* (16 times used in interrelated contexts; mostly evident in LNK Group, Lietuvos Rytas TV and LRT Group's cases);
- *Value network* and *Resources* (22 times used in interrelated contexts; mostly evident in LNK Group and TV3 Group's cases);
- *Value network* and *Corporate governance, bureaucracy and policies* (18 times used in interrelated contexts; mostly evident in LNK Group, TV3 Group and LRT Group's cases);
- *Heterogeneity* and *Investments* (16 times used in interrelated contexts; mostly evident in LNK Group, Lietuvos Rytas TV and LRT Group's cases);
- *Heterogeneity* and *Resources* (24 times used in interrelated contexts; mostly evident in LNK Group and TV3 Group's cases);
- *Heterogeneity* and *Company structure* (16 times used in interrelated contexts; mostly evident in LNK Group and TV3 Group's cases);
- *Investments* and *Resources* (24 times used in interrelated contexts; mostly evident in LNK Group, Lietuvos Rytas TV and LRT Group's cases);
- *Investments* and *Corporate governance, bureaucracy and policies* (18 times used in interrelated contexts; mostly evident in LNK Group, Lietuvos Rytas TV and LRT Group's cases);
- ***Investments* and *Response strategy* (35 times used in interrelated contexts; mostly evident in LNK Group, Lietuvos Rytas TV and LRT Group's cases);**
- *Corporate governance, bureaucracy and policies* and *Strategic direction/ vision* (22 times used in interrelated contexts; mostly evident in LNK Group's case);
- *Strategic direction/ vision* and *Non-autonomous (team) decision making* (33 times used in interrelated contexts; mostly evident in LNK Group's case);
- *Executives' psychological and observable characteristics* and *Managerial myopia* (14 times used in interrelated contexts; mostly evident in Lietuvos Rytas TV's case).

The latter relationship analysis brings forth some interesting outcomes. First, *Structural/ organizational factors* were relatively more interrelated in the cases of LNK Group and TV3 Group, while *Human/ managerial factors* had more synergy points in the case of LNK Group. Second, a clear mix of both factor groups was not evident in any of the TV Group's case. Lastly, *Investment*-related factors were highly diffused in the cases of LRT Group & Lietuvos Rytas TV and, on the contrary, less diffused in the case of TV3 Group.

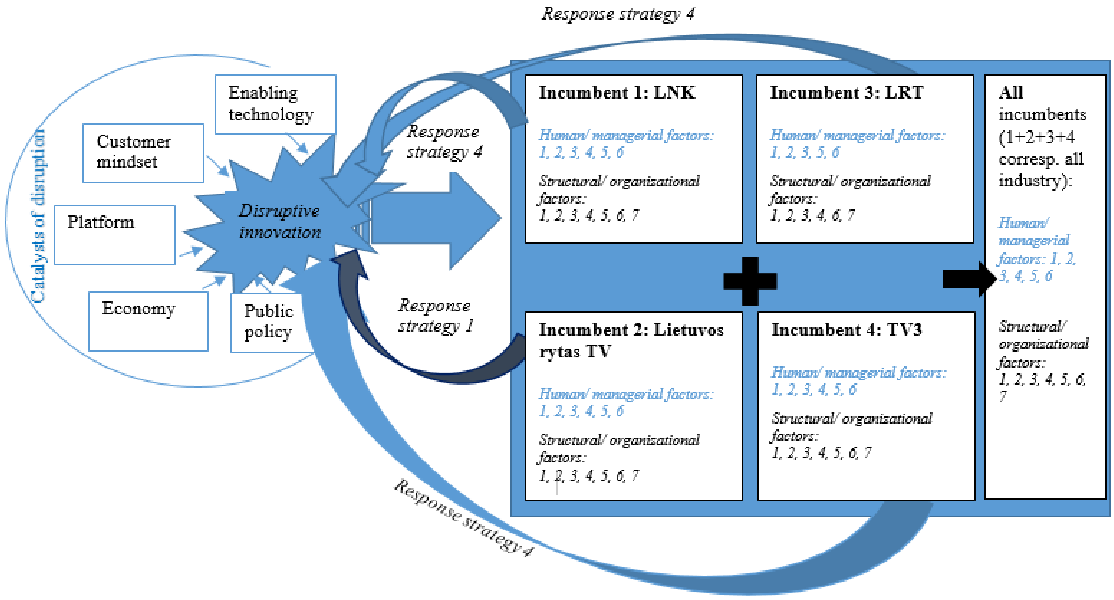
The second objective in this part was to clarify the contradictions, found counting *Structural/ organizational factors* and *Human/ managerial factors* mathematically and revealing their essence based on content analysis. As presented in the part 4.2.1, even though *Structural/ organizational variables* at first are perceived as more influencing, on the contrary, *Human/ managerial variables* have a relatively stronger impact on the choice of response strategy to disruptive innovations. In order to analyse these contradictions, content analysis is performed. Indeed, when talking about a more relative factor group, that has more impact on the response strategy, Interviewee 8 adds that the *Human/ managerial factors,* when working in a corporation, influence at least 50 percent of the result, if not more. This is what makes all the success and all the television online processes successful, he says. Interviewee 3 agrees and adds, that is all influenced by *Human/ managerial factors*. Interviewees 7 and 11 keep a more moderate position but still agree that *Human/ managerial factors,* or soft factors, are very important. Interviewee 9 highlights that the *Human/ managerial factors* in the choice of response strategy are unambiguously fundamental. On the other hand, regarding *Structural/ organizational factors*, Interviewee 9 highlights that the latter factor group does not oblige or constrain to chose the response strategy at all. Interviewee 4 argues, that nobody sets a strategy for them, thus decreasing the impact of the *Structural/ organizational factors* in the process of choosing the response strategy to disruptive innovation. It is although to note, that the other interviewees did not express direct position towards this issue.

4.3. Linking the choice of response strategy by local TV broadcasters to influencing factors in Lithuanian TV broadcasting industry

Based on the empiric results of the main research, the tested conceptual model reveals the linkages among the main research concepts: (1) catalysts of disruption, (2) response strategy, and (3) factors determining the choice of the response strategy. It is to note, that the tested disruptive innovation and desired response strategy towards it was related to the **launch of the Internet TV**. From the perspective of the small open economy, Lithuania, with its incumbent TV broadcasting companies, has some certain pathways and choices, as demonstrated in the Figure and the analysis below.

The implemented research has empirically revealed:

1. The role and importance of all 5 *Catalysts of disruption* when facing the disruptive innovation in Lithuanian TV broadcasting industry, in case of incumbent industry players. However, the more frequent Catalysts of disruption were perceived as *Enabling technology*, *Customer mindset* and *Platform*.
2. The existence of two out of six *response strategies* in Lithuanian TV broadcasting industry, in case of incumbent industry players: *(4) innovation adoption with focus on existing businesses (considering creating a new business unit)* and *(1) traditional business and sustaining innovation strategy.* However, in some LNK TV’s cases, (6) merger and acquisition (M&A) strategy was also mentioned as a complementary, for market expansion, together with the (4) innovation adoption with focus on existing businesses (considering creating a new business unit) strategy.
3. The manifestations of all indicated sub-factors within the categories of *Human/ managerial factors* (6) and *Structural/ organizational factors* (7) in the Lithuanian TV broadcasting industry, in case of incumbent industry players. It should be noted that only in the case of LRT, two of the factors have been excluded. The other 3 incumbent players, even in different quantities, have demonstrated the importance of all the factors when chosing the response strategy to disruptive innovation.



Human/ managerial factors:	*Structural/ organizational factors:*
1. Strategic direction / vision	1. Value network
2. Non-autonomous (team) decision making	2. Heterogeneity
3. Risk propensity	3. Investments
4. Executives' psychological and observable characteristics	4. Resources
5. Expertise, competency	5. Organizational lethargy
6. Managerial myopia	6. Company structure
	7. Corporate governance, bureaucracy and policies

Figure 15. Tested conceptual model

In fact, quite similar importance perception of both groups' above mentioned factors can be also grounded by the statistical data. Interestingly, Statistics Lithuania (2013) provides information that the Lithuanian companies, operating in J60 Programming and Broadcasting area, compared to all companies, implement technological innovations (50 percent of companies during the years 2012–2 014), as well as non-technological innovations (35.7 percent of companies during the years 2012–2014). In other words, Structural/ organizational factors, or the 'hard' factors, count, but at the same time, the 'soft', or the Human/ managerial factors are also perceived to be very important.

However, the model did not reveal:

1. The importance of *Other factors* in the choice of response strategy to disruptive innovation (this has been done in the chapters 4.2.1 and 4.2.3);
2. The *combinations, or relations* of various factors, underlying the response strategy to disruptive innovation (this has been done in the chapters 4.2.2, 4.2.3 and 4.2.4);
3. The relevant *weight/ importance* of the factor groups: *Human/ managerial factors vs. Structural/ organizational factors*, underlying the response strategy to disruptive innovation (this has been done in the chapter 4.2.4).

In order to provide the full picture of the factors behing response strategies at incumbent firms engaged in disruptive innovation, the discussion part presents the missing linkages, as well and provides business case insights from global to local. Moreover, based on the empirical research results, the final part of the thesis amplifies theoretical notions on disruptive innovation, small open economies, strategic management, business model literature, and provides managerial implications on the topic.

5. Discussion and recommendations

While the researched scientific literature provided only a few distinct linkages between patterns, or catalysts of disruption and disruptive innovation (e.g., Hagel, 2015; Christensen, 1997), response strategies and influencing factors (Christensen, 1997; Charitou & Markides, 2003; Sandström et al., 2009; Viellechner & Wulf, 2010), value networks in the context of disruptive innovation (Christensen, 1997; 2003; Tesfaye & Nguyen, 2012; Evens, 2010), first-mover vs. second-mover incumbents (Zhou, 2002; Madjdi & Hüsig, 2011; Viellechner & Wulf, 2010), and disruptive innovation in TV industry (Benson, 2007; Sarkis, 2009; Storsul & Krumsvik, 2013), the author attempted to link and to test empirically the chosen *response strategies* by local *incumbent firms*, engaged to global *disruptions* and the *factors* behind response strategy. Having carried out the empirical research and presented its results in the previous parts, still, some implications must be argued based on different perceptions of the executed empirical research and the suggestions of scholars.

It is also crucial to stress the importance of the context in this research. The current investigation higlights the specifics and the importance of incumbent Lithuanian firms' response strategies and factors in the light of disruptive innovation, providing the valuable context-related notions to extend the existing theory on topic. Moreover, the context application provides theory extention from the global case analysis as well.

1) Implications on disruptive innovation theory

The classic **scientific literature** sources on disruptive innovation suggest that even the successful firms operating correctly in a given market risk to lose market leadership and fail when new entrants take over the market (Christensen, 1997). Fisher (2001) sustains the controversial idea that a company can be doing everything correctly: dialoguing to its users, investing in R&D, competing boldly, and still fail due to a new *technology* or a *business model* that at first seemed irrelevant. In case of *incumbent* firms, it is generally presumed, that as companies become bigger and more successful, they tend to reduce risk and ignore innovation. However, the theory of disruptive innovation suggests that it is not the case. Indeed, industry giants often adopt sustaining technologies, or innovation, that often influence performance breakthroughs. Christensen (1997) advocates, that the adoption of a sustaining technology, or innovation, helps leading companies to create better results for its customers. Differently, a disruptive innovation, or technology, allows creating products and services which are not targeted to main pool of customers. Therefore, mainly companies ignore disruptive innovations for rational reasons, as the profit margins seem to be low for their businesses. Hence, Christensen (1997) proposes two response strategies for incumbent firms, engaged to disruptive innovation: *(1) to create a new business unit,* or *(2) to sustain innovation.* In addition, *Catalysts of disruption*, highlighted by Hagel (2015), can also be linked to strategic pathways of the latter companies. On the other hand, there are many researches criticizing the classic theory of disruptive innovation, stressing such primary factors of disruption, as shifting economies of scale, first-mover advantage, legacy costs, inability to innovate, managerial myopia (King & Baatartogtokh, 2015), incumbent companies' inability to respond to disruptive innovation accordingly (Denning, 2015), or that the theory should be expanded by considering the excess capacity notion and the adoption of an innovative business model (Chase 2016).

Based on the observations from the **global pilot research**, the actual situation of the global TV industry, the business models companies are using to compete, the challenges industry is facing in global media value chains and a spectrum of antecedents and factors influencing incumbent TV firms, engaged in disruptive innovation have been highlighted. The three common trends named by the Representative correspond to the main concepts in the literature of disruptive innovation and are sustained by various authors: (1) the *internationalization processes* (disruptive changes in media industry, advocated by Benson, 2007), (2) new *possibilities provided by internet and digitalization* (*Enabling technology*, as a Catalyst of disruption, provided by Hagel, 2015), and (3) relevant *content creation and distribution* for the television (*Customer mindset*, as a Catalyst of disruption, provided by Hagel, 2015).

Based on the **empirical research implemented in Lithuania** it is advocated that there is no need to expand Christensen's (1997) theory of disruptive innovation, nor propose alternative response strategies, referring to the contemporary contradictions and criticism towards the theory (see King & Baatartogtokh, 2015; Denning, 2015; Chase, 2016). The empirical results of the main research sustain Cristensen's (1997) notion, that first, generally business practitioners perceive disruptive innovation from the technological perspective (thus, sustains the existence of *Enabling technology* and *Platform*, as main Catalysts of disruption). To some extent, *Customer mindset*, as a Catalyst of disruption emerged in the discussions, but again, it had roots in the changing technology and customer's shift to the Internet. Second, even though the managers were proposed to choose an adequate response strategy, still, they chose Christensen's (1997) strategies, adapted for the current research objectives: (*(1) to create a new business unit*, or *(2) to sustain innovation*) in the very essence. And only to some extent, also *mergers and acquisitions (M&A) strategy* was chosen, while other types of strategies did not gain much attention from the practitioners. Thus, the author's suggestion is to explain, but not to expand the existing theory of disruptive innovation for business and therefore, help companies confront the 'innovator's dilemma' between monetizing on its current business and/ or creating a new source of future growth.

2) Implications on business models: from global to local

Findings from the **scientific literature** suggest that, in relation to various disruptive changes, companies do need to transform their business models, as the core logic for explicating how a firm will remain profitable, will change over time (Najmaei, 2011). Therefore, it is essential to identify how the **innovation** of the *business model* (Chesbrough, 2007) can generate new value in an industry (in value proposition, target market, value chain, revenue mechanisms, value network or ecosystem, competitive strategy). In other words, the business model innovation is not only a modification of an existing product or service; it describes the development of a new activity system for the creation and capture of value (Amit & Zott, 2010) in existing radical changes in established paradigms (Markides, 1997; Hamel & Valikangas 2003, quot. in Najmaei, 2011). Therefore, in the light of disruptive innovation, it is important to emphasize the importance of business model innovation and its types. In the latter research case, the most suitable type of business model is perceived as an *Industry model* (Giesen, Berman & Bell et al., 2007), innovating the whole industry *value chain*. The other important notion on topic derives from the fact that (1) companies *commercialize* innovative ideas and technologies through their business models, and (2) that the *business model represents a new subject of innovation*, which complements the traditional subjects of process, product, and organizational innovation and involves new forms of cooperation and collaboration (Zott, Amit & Massa, 2011), thus a business model innovation itself can be a pathway to competitive advantage if the model is sufficiently differentiated and hard to replicate for incumbents and new entrants alike (Teece, 2010). On the one hand, in highly technological industrial contexts, as TV industry in this case, it is also essential to highlight the importance of *e-business models*, as a sort of technological 'outcome' in business modelling (Osterwalder, 2004; Gordijn & Akkermans, 2001; Gordijn, 2003). In fact, when talking about the *launch of the Internet TV*, the e-business model allows to describe work processes utilized in virtual or electronic environments (Botto, 2003, cit. in Hanafizadeh & Nikabadi, 2011) like the *Internet, to carry out transactions and create value for customers* (Currie, 2004; quot. in Hanafizadeh & Nikabadi, 2011). On the other hand, other authors (e.g., Chesbrough, 2007) stress the idea that business model innovation clearly requires involvement of soft skills, e.g., *top leadership*. Moreover, Doz & Kosonen (2010) propose the importance of meta-capabilities: *strategic sensitivity*, *leadership* unity, and *resource* flexibility. Smith, Binns & Tushman (2010) highlight how business model innovation depends on *leadership* that can make *dynamic decisions*, build commitment to both, overarching *visions* and agenda specific *goals*, learn actively at multiple levels and engage conflict. Santos, Spector & Van Der Heyden (2009) also emphasize the importance of the behavioral aspects involved in business model innovation. When linking business modelling to open innovation perspective it is important to note that *open innovation* influences *spillovers of a company's business model* (Chesbrough, Vanhaverbeke & West, 2006). Thus, here innovation is perceived as a strategy to increase the firm's competitive advantage that can be reached together with other agents in the *value network*. In the light of disruption, it is crucial for companies to benefit from 'openness', as from means of expanding *value creation with partners, customers* and *suppliers* (Gassmann & Enkel, 2004).

Based on the observations from the **global pilot research**, from the business model perspective, the Representative argued, that the global TV broadcasting industry's *business model* contains *advertising, broadcasting* (broadcasting in terms of affiliates), and *producing* (content creation) revenues. It is explained further, that when running a channel, a company has basically one main business model, based on affiliates revenues and other revenues. In addition, a TV broadcaster can have different business models with *joint ventures* and *partners*. It is also to mention that FOX is more likely to produce more for the cinemas, movie industry and not for television, but however, this is a part of a FIC's business model. It is important to note that FIC tries to keep their business model suitable for *niche customers* by providing them niche channels with a specific advertisement. The Representative claims, that sometimes *niche channels* are more profitable because they need less structural costs and gives more revenues. In relation to FIC business model, the global player has a separate advertisement company within the company, called FOX One Stop Media. In addition to the notions in the Business modelling literature, the Representative from FIC also links the *business model* to soft skills, e.g., *vision*. The representative explains, that throughout the time, the European President's and the Worldwide President's *vision* has changed from the expansion of the channels to new markets, plus adding additional narrow businesses, to pretty much the *opposite vision*, focusing on current brand. Also, the importance of *value network* is highlighted in case of FIC business model.

Based on the **empirical research, implemented in Lithuania**, the *business models* were presented from the *disruptive business model*, as well as from the *value chain* perspectives. Indeed, the empirical research results sustain the importance of a *business model* when engaged to disruptive innovation. In accordance, PwC (2013) and Schindler, Upreti & Goswami (2011) advocate that the traditional value chain for media companies has been changing recently. Obviously, the analysis with the Maxqda software revealed that the most related code (interrelated 25 times) to the value chain, or in this case, *Value network*, is a *Business model* (as value network makes part of a business model). On the one hand, this relation is inevitable and does not raise scientific questions according to definition (e.g., Osterwalder, 2004; Gordijn, Osterwalder & Pigneur, 2005; Chesbrough, 2007; Sandström et al., 2009). On the other hand, such a link might indicate the *transformation, or the innovation of the Business model* from the *Value network* perspective, when facing disruptive innovation.

Hence, the author argues, that the latter relationship reveals the business model transformation process and advocates *Business model innovation* (BMI) for Lithuanian TV broadcasting companies. As the context for the BMI, the empirical analysis reveals the engagement in disruptive innovation, which is supported by two catalysts of disruption: *Trends and challenges* (interrelated to *Value network* 16 times) and *Enabling technology* (interrelated to *Value network* 13 times). The interrelations of various variables will be presented further, following the logic of the current research. Based on these findings it is suggested to amplify the existing scientific notions on Business modelling literature by linking it closer to disruptive perspective: catalysts of disruption and to factors behind response strategies, when facing the disruption.

3) Implications on strategy discourse and response strategies

The **scientific literature** suggests that the linkage between an organization and its environment is a primary component of strategic management (Rabin, Miller & Hildreth, 2000), and strategic sense making is the key organizational cognition-action processes of environmental scanning, interpretation and associated responses (quot. Thomas et al., 1993), or *strategic analysis, strategic choice*, and *strategy implementation*, as Grant (2016) suggests. Scanning in this context means the search of the external environment's events or issues that possibly affect the company. This draws attention to analyze environmental uncertainty, as a source of disruption. Similarly, Hagel (2015) suggests, that in order to avert disruption for incumbents, it is essentially important to see it coming. Therefore, (1) understanding the shape *new disruptions* are likely to assume (patterns of disruption); (2) understanding what particular *response strategies* the industry should adopt; and (3) understanding what external factors will act as *catalysts of disruption*, are crucial. By understanding this, companies engaged to disruptive innovation can start not only to anticipate the environmental changes but also *transform* the 'unexpected' into 'expected' and get the competitive advantage, by adopting a *Strategy as* a cohesive *response to an important challenge* (Rumelt, 2011, quot. in Grant, 2016). Therefore, the term *Response strategy* is the most related to this research. In the light of disruptive innovation, the latter response strategies have been proposed based on various research (Markides, 2006; Worlock, 2007; Yovanof & Hazapis, 2008; Christensen & Bower, 1996; Christensen, 1997; Christensen & Overdof, 2000; Markides, 2006; Georgantzas et al. 2005; Sandström et al., 2009; Bores et al., 2003; Medina, 2011): (1) traditional business and sustaining innovation strategy; (2) *ignore the innovation* strategy; (3) *disrupt the disruption* strategy; (4) innovation adoption with focus on existing businesses (considering creating a new business unit) strategy; (5) *embrace the innovation* strategy; and (6) merger and acquisition (M&A) strategy.

Based on the observations from the **global pilot research**, the *merger and acquisition (M&A) strategy* was mentioned in the FIC case.

Based on the **empirical research implemented in Lithuania**, there were two main response strategies to disruptive innovation, mentioned by the incumbent firms' representatives: focusing on and investing in the (1) *traditional business and sustaining innovation* strategy, and (4) *innovation adoption with focus on existing businesses (considering creating a new business unit)* strategy. These two choices generally correspond to Christensen's (1997) response strateges. However, in two of the investigated cases, LNK and TV3, (6) *merger and acquisition (M&A) strategy* was mentioned as having impact during the market expansion phase. The empirical results on the response strategies imply, that there is no substantial empirical background to test more than the presented number of strategies in the TV broadcasting industry. However, the research also revealed that the identification of the proper strategy is not enough. It is therefore important to evaluate whether the incumbent was the *first mover*, or the *second mover* in the industry. Considering *first mover* and *second mover* perspectives and advantages, it can be stated that: (1) LRT Group is perceived as an absoulte *first mover* in innovative technologies and its adaptations: HD broadcasting, 360 cameras, Virtual Reality content, TV applications, etc.; (2) TV3 Group generally is a *first mover* of almost everything what now all TVs have, including the Internet TV; is a *first mover* in terms of online TV broadcasting for its audience; in terms of content that TV3 offers today; TV3 has been a *first mover* to accustom public to 'delayed view' and created conditions for their audience to watch it; it is to mention, that the competitors consented to TV3's *first mover* position in the industry; (3) LNK Group is perceived as a *second mover* in almost all activities: based on one LNK's interview excerption it can be stated that the TV3 Group is an *active first mover*, whilst LNK Group is a *second mover*. However, despite being a little behind the competitor, the TV group perceives it as an advantage: one always has a chance to get closer to the *first mover* and beat it with some quality content; (4) Lietuvos Rytas TV Group does not define itself either from the first mover, or the second mover perspective. However, the author argues that based on the fact that Interviewee 2 has admitted to be myopic management-wise, Lietuvos Rytas TV is perceived as a *second mover*. Based on the latter research insights, strategic management literature and response strategies undoubtedly have to be linked to the *first mover* and the *second mover* perspectives.

4) Implications on factors behind response strategies: from global to local

Findings from the **scientific literature** suggest that in order to attain success, companies have to constantly strengthen their organizational capabilities – intangible assets and possible sources of strategic advantage (Teece & Pisano, 1994; Wang & Ahmed, 2007; Cordes-Berszinn, 2013; Galdo, 2016). According to various researches, these common *Human/ Managerial factors* are highlighted (Christensen & Bower, 1996; King & Baatartogtokh, 2015; Day & Lord, 1992; Vlaar, de Vries & Willenborg, 2005; Chesbrough, 2001; Hambrick & Mason, 1984; Viellechner & Wulf, 2010): (1) *Strategic direction/ vision, (2) Non-autonomous (team) decision making, (3) Risk propensity, (4) Executives' psychological and observable characteristics, (5) Expertise, competency,* and *(6) Managerial myopia*. As Teece et al. (1997); Chesbrough (2003); Wang & Ahmed (2007); Teece (2007); Kindström et al. (2013) advocate, the latter capabilities, often linked to human/ managerial practices, or factors, help organizations effectively deal with new challenges, create advanced configurations of resources and find relevant solutions allowing companies to obtain and sustain their high performance as well as innovatively-shaped competitive advantage by setting the 'right' response to disruptive innovation strategy. Also, in a similar vein, quoting Sandström et al. (2009), it appears reasonable that the capacity to respond to disruptive innovations depends largely on more formal characteristics of the incumbent. According to various researches, these common *Structural/ organizational factors* are highlighted (Dutton & Duncan, 1987; Christensen & Bower, 1996; Sandström et al., 2009; Madjdi & Hüsig, 2011): *(1) Value network, (2) Heterogeneity, (3) Investments, (4) Resources, (5) Organizational lethargy, (6) Company structure,* and *(7) Corporate governance, bureaucracy and policies.*

Based on the observations from the **global pilot research**, the most common factors behind the response strategy in case of FIC were the following: the most frequent factor within *Structural/ organizational variables* was *Value network* (mentioned 16 times), while in the *Human/ Managerial* sub-category, the most frequent one was *Strategic direction/ vision* (mentioned 17 times). The relevance of *Value network* is based on the following quotations: *we are a multi market company, a part of 21st century FOX*; *there are several different tracks on divisions <...> it is movie division, we have the studios, distribution, everything*; *better if* *you produce locally with local talents, artists, that can create significant content*; FIC makes *movies production and co-production with partners*. Also, as *Structural/ organizational factor, Content* was mentioned: according to the Representative, content can provide the identity of FOX, as well as strong content can make your channel relevant and different from other ones. The importance of the *Strategic direction/ vision* is sustained by some excerpts, e.g., *those channels can change because of the vision of the president* or *at first I didn't believe in our president's vision because it is very much a status quo*. The other *Strategic direction / vision* – related notions have been presented in the previous sub-chapter 'Implications on business models: from global to local'.

In order to ground the *launch of the Internet TV*, as a response strategy to global disruptive innovation, at this stage, the **empirical research implemented in Lithuania** adopted two perspectives: within-case, following *all-in-one* logic, and multiple case analysis, representing separate TV Groups' results, that allowed the author to exclude the *factors (and their combinations*) in a relevant manner.

First, *multiple case analysis* represented the manifestations and combinations of the *Human/ managerial factors* and *Structural/ organizational factors* (or variables) in each TV Group separately. (1) In case of LNK TV Group, all factors to some extent have been perceived as influencing in the context of response strategy to disruptive innovation. However, the most frequently related factors, according to both factor categories (or to response strategy), are: *Value network* and *Investments*; *Value network* and *Resources; Heterogeneity* and *Investments; Heterogeneity* and *Resources; Investments* and *Corporate governance, bureaucracy and policies*; *Investments* and *Managerial myopia; Investments and Response strategy; Resources* and *Investments; Strategic direction/ vision* and *Corporate governance, bureaucracy and policies; Strategic direction/ vision* and *Non-autonomous (team) decision making; Strategic direction/ vision and Response strategy*. (2) In case of Lietuvos Rytas TV Group, only a few factors have been used in the context of response strategy to disruptive innovation. However, the most frequently related factors, according to both factor categories and response strategy, are *Investments* and *Response strategy.* (3) In case of LRT TV Group, not all factors have been named as influencing in the context of response strategy to disruptive innovation. However, the most frequently related factors, according to both factor categories (or to response strategy), are: *Value network* and *Resources; Heterogeneity* and *Company structure; Investments* and *Resources; Investments* and *Expertise, competency; Investments* and *Response strategy; Resources* and *Non-autonomous (team) decision making; Corporate governance, bureaucracy and policies* and *Strategic direction/ vision; Strategic direction / vision* and *Non-autonomous (team) decision making.* (4) In case of TV3 TV Group, all factors to some extent have been named as influencing in the context of response strategy to disruptive innovation. However, the most frequently related factors, according to both factor categories, are: *Value network* and *Heterogeneity; Value network* and *Corporate governance, bureaucracy and policies; Value network* and *Risk propensity; Heterogeneity* and *Resources; Investments* and *Corporate governance, bureaucracy and policies; Corporate governance, bureaucracy and policies* and *Non-autonomous (team) decision making; Strategic direction/ vision* and *Non-autonomous (team) decision making.* The multiple case analysis allows the author to state that even though the TV Groups compete in the same Lithuanian Free-TV broadcasting industry and is competing for the same viewer, their response strategies to disruptive innovation are based on different factors. The (almost) only matching point, except for the TV3 Group, was the clear relation between the *Investments* and *Response strategy*. In LNK, LRT and Lietuvos Rytas TV cases, as purely local TV industry players' cases, it is pretty evident and presumable. In case of TV3, as mentioned by their competitors, the *launch of the Internet TV*, as a response strategy to a global disruption, is a *must* by all means, therefore, might have not been linked to the investments. It is also evident that the market is highly oligopolic, as being stated by Interviewee 9, and mainly having two strongest industry players: TV3 Group and LNK Group.

Second, *within-case* analysis allowed to get a full view of the factors (or variables) and their combinations, influencing the response strategy to disruptive innovation in Lithuanian TV broadcasting industry, as well as revealing the contradictions of this research. Based on the within-case analysis, these factors are advocated as the most evident and influencing the response strategy: *Structural / organizational variables*: (1) *Value network*; (2) *Investments*; (3) *Resources*; (4) *Corporate governance, bureaucracy and policies*; and *Human/ managerial variables*: (1) *Strategic direction/ vision*. It is however to note, that all the factors have been mentioned by the interviewees, therefore, cannot be excluded from the empirical research results. The next implemented relationship analysis brings out some interesting outcomes. First, *Structural/ organizational factors* were relatively more interrelated in the cases of LNK Group and TV3 Group, while *Human/ managerial factors* had more synergy points in the case of LNK Group. Second, a clear mix of both factor groups was not evident in any of the TV Group's case. Lastly, *Investment*-related factors were much diffused in the cases of LRT Group & Lietuvos Rytas TV and, on the contrary, less diffused in the case of TV3 Group. Also, it is important to clarify the research contradiction, based on the relative *weight* of the more influencing *factor* group. Even though *Structural/ organizational* variables, calculating mathematically, are perceived as more influencing, on the contrary, *Human/ managerial* variables have relatively stronger impact on the choice of response strategy to disruptive innovations according to interviews' excerpts. The further argumentation on the matter is presented in depth in the part 4.2.4. The other contradiction among research results was linked to *Other factors* group. Here, empirical evidence was found that *Other factors*, such as *First mover/ second mover*; *Channel groups*; *Competition, competitors*; and *Niche channels* have also had influence (or was related) to the choice of response strategy.

To sum up, to some extent, all the mentioned factors shape the choice of response strategies to disruption by the local incumbent firms confronting global disruptive change in case of TV broadcasters in Lithuania. Moreover, it can also be grounded based on statistical information (Statistics Lithuania, 2013). However, the relative *weight* of factors depend on the company itself and managers working for the TV broadcaster. Therefore, not to mention the need to extend scientific literature on *separate factor* manifestations, it is also suggested to amplify the scientific literature by the notions of the relative *weights* of the *factor groups* in different industrial contexts.

5) Will the response strategy, the launch of the Internet TV pay off? Managerial implications on the response strategy, facing the global disruptive innovation

In order to evaluate the theoretical return on this investment, based on the interviews conducted in Lithuania, the research provides some data on topic. Indeed, there are modest and also bold statements regarding the Internet TV.

To start with, Representative 2 has expressed quite a sceptical perception of the Internet TV. Continuing with the explanation of the choice, Interviewee 2 says, the choice of the Internet TV launch highly depends on the money the company has. In addition, there is a strong opinion that not a single Lithuanian television would leave its traditional TV business and start a new Internet TV business because traditional business still generates a lot of money. This statement does not mean, however, that TV companies are not investing in Internet technologies. In Interviewee 2's TV case, they are focusing on the traditional TV business and are observing what happens in the market. Also, they invest only in profitable projects. In the case of other big TV Groups, they can afford buying new channels or platforms as they are large financial groups. Representative 2's company, as a part of a media group, has to act very cautiously.

Other than that, Interviewee 9 mentions that the Internet has been receiving more attention and their Internet TV solution pays off, as well as all the other absolutely profitable channels. Interviewee 9 gives an example of their Internet TV project development cycle. There was a very clear interest from the Marketing Department. However, Interviewee 9 remembers that at the beginning it was not the product she wanted. At first, it was a website with an integrated archive, but not an Internet TV. However, the Marketing Department perceived it as a marketing tool, while the Sales Department perceived it as added value for business clients. Therefore, it could be generalized that suitable staff determines appropriate decisions because of their business interest. Nevertheless, in that case, other departments saw it more problematically: the Finance Department always wanted minimum investment, the Technical Director did not want to give his budget, the Traffic Manager needed one additional employee for this job, etc. (Interviewee 9 laughs). As Interviewee 9 claims, the strategy of their TV Group is more linked to the maintaining audience, offering free TV channels. And the other important part of the strategy is dedicated to strengthen the Internet, but at the same time, the Group does not invest too much to the Internet, as the return is still very modest. But the fact was, the Internet TV had been in the company's strategy, and it was launched.

Interviewee 1 argues that lately it has become trendy to invest a part of the advertising budget in the Internet, as there is a young spectator out there and the Internet is more effective with that. But Interviewee 1 argues that there are many arguments why such strategy cannot be not reasoned. He bases his insights on Dansu (2016) market research, saying that the online advertising has been found not as profitable as it looks like. There are such issues as ad blocking, false users, etc. Despite those, the advertisers still tend to think that the Internet is the king and invest 50 percent of the advertising money there. In Lithuania, the importance of the Internet as media has been rising. The trend is clear, but it is not exceptional, he says. At the same time, Interviewee 1 understands that their traditional TV platform will mutate or disappear. But those changes are not as quick as everybody claims, considering the market overview. But if the advertiser needs young audience, traditional TVs can help less and less. Talking about the know-how, Interviewee 1 argues that maybe, if the company had a very good online specialist, they may have entered the Internet earlier and in a broader sense. Since they did not have one, they had to follow the trend, were forced to make mistakes and learn from them. But since these have been relatively small investments, they can give that a second try. During that time the know-how emerges. The latter TV Group had an idea to hire somebody who knows the Internet and the TV business model well, but it was difficult to find the one for that kind of a startup project, he said. However, there is one head person, who has been engaged in the Internet TV specifically. To some extent, he can be called a Chief Digital Officer. In the case of Interviewee 1's Internet TV, he argues whether putting efforts on the local Internet TV does not limit the TV. Besides, global players have been fighting for the same market share. Eventually, Interviewee 1 doubts whether a shift to the Internet TV would not mean getting into the direct competition with global players.

Representative 6 has chosen mainly to sustain the traditional TV business. Interviewee 3 has chosen the same response strategy accordingly, but, at the same time, they put lots of effort on innovation and have employees for developing the Internet TV exclusively to correspond to customer's needs. Representative 5 and Representative 4 chose to follow the trend to adopt the Internet TV and focus on traditional TV businesses at the same time. Based on their strategy, this is what they did in 2015. 2015 was the year of transformation for this TV Group, when the representatives revised classical or traditional TV activities. The team optimized the costs to the maximum. After this program the TV Group reduced staff in order to keep the classic TV as a cash cow that would guarantee daily income. In parallel, they allocated funds to create a new generation TV. They did not share contents with others (e.g., cable networks) due to the fact that in 2016 their own VOD was launched. The main concept is similar to Netflix, except the fact that it has a localized content which means that it will be translated into the Lithuanian language. This VOD will have sports broadcasts that Netflix does not offer, and that would be the new VOD's competitive advantage, she says. Thus, the TV Group has collected much contents which makes them more competitive; they would be able to have another channel completely filled with their contents. As highlighted, this VOD has been created for all the Baltic countries. Interviewee 8 specifies that their Internet TV is basically the same in terms of broadcasting, only shown on two channels: one channel online, and the other on traditional TV. Content-wise it has some differences, but the Internet TV is a technological innovation that is complementary to the traditional TV, and vice versa. Interviewee 8 thinks the time will come when multitasking in terms of watching both sources at the same time emerges.

6) Implications on the research model and proposition for further research on topic

Findings from the **scientific literature** suggest that in many cases, the *factors behind response strategies* can be linked to firm's dynamic capabilities (e.g., Teece, 2007; Teece & Pisano, 1994; Teece et al., 1997). Considering this notion, the factors could have been distributed as the dynamic capabilities' framework implies. Hence, one of the possible research stream might be to advocate linkages between dynamic capabilities and disruptive innovation pillars, opting out the response strategies, and making the research model less complex. On the second thought, from the business perspective, more strategic pathways were revealed using the author's model.

Another interesting notion on further research on topic derives from the observations from the global pilot research. It was noted that, despite the trends and catalysts of disruption in the global TV industry, the most frequently used Human/ managerial factor was the managing person's *Strategic direction/ vision*. Therefore, it would be interesting to redefine the research model and investigate the impact of the *Strategic direction/ vision* in the choice of response strategy for incumbent firms, engaged to disruptive innovation.

Based on the empiric research, implemented in Lithuania, some future investigations can be carried out on the basis of the same main *research methodology*, applied in other technology-intense and innovation-based industries, having incumbent market players.

Lastly, the *triangulation strategy* approach for the obtained results might increase the credibility of qualitative results of the implemented analysis.

7) Theoretical and practical research results and implications.

From the **theoretical perspective**, the results of the research suggest to explain more in depth, but not to expand the existing theory of disruptive innovation for business and therefore, help companies confront the 'innovator's dilemma' between monetizing on its current business and/ or creating a new source of future growth. Based on the research findings, it is suggested to amplify the existing scientific notions on Business modelling literature by linking it closer to disruptive perspective: catalysts of disruption and to factors behind response strategies when facing the disruption. In addition, an integrated research framework has been prepared and tested based on the above mentioned theoretical insights. In the context of disruptive innovation, the latter framework incorporates and links these theoretical constructs: Catalysts of disruption, Response strategies and Human/ managerial & Structural/ organizational factors.

From the **practical perspective**, the integrated research framework can be used as an integral instrument to reveal the Response strategies and Human/ managerial & Structural/ organizational factors in the TV broadcasting industry, as well as it can be adapted to other, disruption-intense creative industries. In addition, the latter framework allows companies to identify disruptive market threats and choose an adequate response strategy based on the most important company-specific factors. The disclosed Human/ managerial & Structural/ organizational factors allow TV broadcasting industry's companies to, firstly, identify the factors, which are relevant in specific cases and, secondly, to set an appropriate response strategy to global disruptive innovation. The results of the research also allow local incumbent TV broadcasting companies to evaluate whether the response disruptive global innovation – the launch of an Internet TV - will pay off, based on all the local broadcasting companies' experience.

Conclusions

1. Disruptive innovation is perceived as an innovation employing a 'technology' in management, marketing activities and investment policy which transforms information, labor, capital, and materials into products or services of greater value, which becomes the main goal of a company, and, as a consequence, fundamentally changes the established 'rules of the game' in many industries.
2. A response strategy by an incumbent company engaged to disruptive innovation is advocated to be one of the following: (1) traditional business and sustaining innovation strategy; (2) *ignore the innovation* strategy; (3) *disrupt the disruption* strategy; (4) innovation adoption with focus on existing businesses (considering creating a new business unit) strategy; (5) *embrace the innovation* strategy, and (6) merger and acquisition (M&A) strategy.
3. Considering the nature of disruption, grounded by *catalysts of disruption* and the chosen *response strategy* by an incumbent, scientific literature suggests that in order to attain success, companies have to constantly strengthen their assets, or main factors and other possible sources of strategic advantage.
4. Two main sets of factors can be distinguished: *Human/ managerial factors* and *Structural/ organizational factors.* In the context of disruption, the main *Human/ managerial factors are*: (1) *Strategic direction/ vision, (2) Non-autonomous (team) decision making, (3) Risk propensity, (4) Executives' psychological and observable characteristics, (5) Expertise, competency,* and *(6) Managerial myopia*. In similar vein, the following *Structural/ organizational factors* are set out: *(1) Value network, (2) Heterogeneity, (3) Investments, (4) Resources, (5) Organizational lethargy, (6) Company structure,* and *(7) Corporate governance, bureaucracy and policies.*
5. The designed qualitative research methodology has been based on the analysis of the global and local TV industries. According to the methodology, the results of the pilot research were expected to reveal the manifestations of different factors and their combinations shaping global incumbent firms' response strategies, facing disruptive innovation, while the results of the main research had a scope to reveal the response strategies and influencing factors in the case of Lithuanian TV broadcasters.
6. The main research, based on 11 semi-structured interviews with local TV broadcasters' representatives has been finalized as a result of local multiple cases and a within-case of the local incumbent TV broadcasting companies: LNK Group case, LRT Group case, TV3 Group case, and Lietuvos Rytas TV Group case. The main research has revealed the factors and their combinations that determine the choice of response strategy, chosen by 10 out of 11 interviewees: the *innovation adoption with a focus on existing businesses (considering creating a new business unit) strategy*.
7. Within-case analysis has allowed to get a full view of the factors (or variables) and their combinations, influencing the response strategy to disruptive innovation in Lithuanian TV broadcasting industry, as well as has revealed the contradictions of this research. Based on the within-case analysis, these factors are advocated as the most evident and influencing the response strategy: *Structural/ organizational variables*: (1) *Value network*; (2) *Investments*; (3) *Resources*; (4) *Corporate governance, bureaucracy and policies*; and *Human/ managerial variables*: (1) *Strategic direction / vision*. It is however to note that all the factors have been mentioned by the interviewees, therefore, cannot be excluded from the empirical research results.

8. Multiple case analysis has revealed the fact that even though the TV Groups compete in the same Lithuanian Free-TV broadcasting industry and is competing for the same viewer, their response strategies to disruptive innovation are based on different factors and their groups. The (almost) only matching point, except for the TV3 Group, was the clear relation between the *Investments* and *Response strategy*. In LNK, LRT and Lietuvos Rytas TV cases, as purely local TV industry players' cases, it is pretty evident and presumable. In case of TV3, as mentioned by their competitors, the *launch of the Internet TV*, as a response strategy to a global disruption, is a *must* by all means, therefore, might have not been linked to the investments. It is also evident, that the market is highly oligopolic and has two strongest industry players: TV3 Group and LNK Group.
9. Statistical data analysis highlights the similar presence of both, technological (50%) and non-technological (35.7%) innovation in the TV industry during the period of 2012–2014.
10. The most diffused and effective response strategy, chosen by local incumbent TV broadcasters facing the disruptive innovation can be evidenced as the *innovation adoption with focus on existing businesses (considering creating a new business unit) strategy* influenced by a mix of *Structural/ organizational* and *Human/ managerial factors* which have a different relative *weight* based on the mathematical calculations encoded and implemented by Maxqda, and according to the interview excerpts analyzed manually.
11. The further research on the topic might be enriched by combining the triangulation method. It is also suggested to analyze the topic from another theoretical perspective by using the approach of dynamic capabilities, for instance.

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Appendices

Appendix 1. Interview questions (in Lithuanian)

FACTORS BEHIND RESPONSE STRATEGIES OF INCUMBENT FIRMS TO DISRUPTIVE INNOVATION: CASE OF TV BROADCASTING INDUSTRY

(liet. Veiksniai, lemiantys rinkoje įsitvirtinusių įmonių atsako strategijas į pertraukiamąsias inovacijas: TV transliuotojų industrijos atvejis)

Tyrimu siekiama nustatyti, kokia yra veiksnių bei strategijų, lemiančių **Lietuvos TV transliuotojų** *strateginius atsakus į pasaulines pertraukiamąsias (disruptive) inovacijas, raiška ir įtaka.* **Tyrimo problema**: *kokie veiksniai nulemia įsitvirtinusios įmonės strateginio atsako į pertraukiamąsias inovacijas pasirinkimą? Kokie galimi strateginiai atsakai į tokias inovacijas? Nuo ko tai priklauso (žmogiškųjų/organizacinių veiksnių)?*

Informacija renkama moksliniais tikslais, daktaro disertacijai parengti. Konfidencialumas respondentui yra garantuojamas. Esant poreikiui išlaikyti konfidencialumą apie interviu metu suteiktą bei disertacijoje naudojamą informaciją apie konkrečios įmonės strategijas, galimas įmonės pavadinimo neviešinimas.

Pusiau struktūruoto interviu klausimai

1. Kokias **tendencijas** galėtumėte įvardinti Lietuvos TV transliuotojų sektoriuje? Kokias tendencijas matote savo atstovaujamos įmonės atveju? Kokie yra esminiai iššūkiai TV tinklams, kaip modernių vertės kūrimo grandinių dalyviams?
2. Kokie **inovatyvūs verslo modeliai (VM)** atsiranda industrijoje? Ar konkurentai varžosi skirtingais produktais/paslaugomis (vertės pasiūlymu), ar skirtingais verslo modeliais? Ar šioje industrijoje iš esmės egzistuoja vienas verslo modelis, tik turintis skirtingus vertės pasiūlymus (produktas/paslauga)? Koks yra technologijos, kaip sėkmės faktoriaus, vaidmuo konkurencinėje kovoje? Ar Lietuvos TV transliuotojai labiau varžosi naujomis technologijomis, ar produktais/paslaugomis?
3. Kokios **rinkos jėgos** skatina sektoriuje vykstančias pertraukiamąsias inovacijas?
    a. Kaip įgalinanti **technologija** (pvz., skaitmeninė infrastruktūra; prieiga prie išmaniųjų gamybos sistemų; pigesnis, greitesnis, patikimesnis prekės ar paslaugos teikimas; įvairūs jutikliai, padedantys matyti nematoma (3D akiniai)) paveikė sektorių ir Jūsų įmonę?
    b. Kaip kinta ir ar kinta **klientų ir užsakovų** (TV žiūrovų, reklamos užsakovų, turinio kūrėjų) pozicija/poreikiai? Kaip pakitęs vartotojo požiūris (pvz., nuo „norinčio geriausio, įdomiausio produkto/paslaugos“ iki „priimančio bazinį vertės pasiūlymą“; nuo „priimančio universalų, standartizuotą, iki besitikinčio personalizuoto produkto/paslaugos“; nuo „pasyvaus vartotojo iki aktyvaus individualisto“) paveikė sektorių ir Jūsų įmonę?
    c. Kaip įvairios **platformos** (platformų, tarp jų ir socialinių, agregacija, mažinanti atskirtį; platformų agregacija, mažinanti inventoriaus ir distribucijos kaštus; mokymosi ir jungimosi platformos, skatinančios bendradarbiavimą) paveikė sektorių ir Jūsų įmonę?
    d. Kaip pasaulio ir šalies **ekonomika** (pvz., ar jaučiama mažesnė perkamoji galia; ar pastebimas universalių produktų/paslaugų poreikis, lyginant su

specializuotais; ar ekonomikos sąlygos lemia tik „pakankamai gerų“ produktų/paslaugų paklausą) paveikė sektorių ir Jūsų įmonę?

e. Kaip **viešoji politika** (pvz., kontrolės ir įstatymų leidžiamosios struktūros pamėgtas „pagyvensim-pamatysim“ požiūris; lokalus sprendimų priėmimas ir biudžetavimas; mokesčių ar teisinių normų, įstatymų ir kodeksų pokyčiai) paveikė sektorių ir Jūsų įmonę?

4. Kokios yra jums žinomos **atsako į pertraukiamąsias inovacijas strategijos**, vyraujančios Lietuvos TV sektoriuje? Įmonėje? Ar yra bendros sektoriui strategijos? Kurios iš minimų strategijų egzistuoja Lietuvos TV transliuotojų atveju:
   (1) **koncentruotis į esamą tradicinį verslą ir palaikomąsias inovacijas**, kurių tikslas – palaikyti esančią sistemą ar technologiją ir ją tobulinti, naudojant naujas priemones, leidžiančias pasiekti geresnių verslo rezultatų.
   (2) **ignoruoti inovaciją**, kadangi ji iš pirmo žvilgsnio netaikoma Jūsų verslui – t.y. tai visai kiti vartotojų segmentai, naujas vertės pasiūlymas, reikalaujantis kitokių kompetencijų ir t.t.
   (3) **atsakyti į pertraukiamąją inovaciją kita pertraukiamąja inovacija** – nebūtinai technologine, o galbūt strategine (koncentruotis į papildomas vertės pasiūlymo funkcijas, kokybę, tikslumą).
   (4) **žaisti du žaidimus – ir perimti inovaciją, ir koncentruotis į tradicinį verslą** tuo pačiu metu, vienu iš priimtiniausių tokio atsako variantų laikant naujo verslo vieneto kūrimą naujajai veiklai. Tokiu būdu siekiama užimti naujas rinkas bei įveiklinti naują technologiją, o taip pat susikurti naują VM.
   (5) **perimti inovaciją** ir, turint reikiamus išteklius, ištobulinti ją iki tinkamumo masinei rinkai.
   (6) vykdyti **susijungimų ir įsigijimų** strategiją, dažnai pasirenkamą dėl veiklų sinergijos, *know-how* perėmimo, resursų paskirstymo, strateginių vadovybės tikslų ar rinkos veiksnių.

   Jei, įvertinus interviuotojo pateiktus pavyzdžius, Jūsų nuomone, įmonei **neteko patirti** pertraukiamųjų inovacijų ir rinktis atsako strategijos, pasirinkite vieną ar kelias strategijas (ar strategijų derinį), labiausiai tikėtinas Jūsų sektoriaus ir įmonės atvejais, vertindami situaciją retrospektyvai ir iš perspektyvos.
   Gal teko susidurti su neįgyvendinta arba nesėkmingai pritaikyta strategija? Kas tai lėmė? Kokie faktoriai tai labiau įtakojo?

5. Kokie veiksniai (**žmogiškieji-vadybiniai** bei **struktūriniai-organizaciniai**) lemia atsako į pertraukiamąją inovaciją strategijos pasirinkimą Jūsų įmonės (ir Lietuvos TV transliuotojų?) atveju?

   a. Ar, Jūsų nuomone, vadovavimas bei asmeninės-vadybinės kompetencijos yra svarbūs veiksniai, padedantys numatyti bei pasiruošti kylančiai grėsmei, tokiai, kaip pertraukiamoji inovacija, rinkoje, bei į ją atsakyti tam tikru strateginiu atsaku? Jei taip, kokie **žmogiškieji ir vadybiniai veiksniai** lemia Jūsų įmonės atsako į tokias inovacijas pasirinkimą:
   - Ar ir kaip **vadybinis „trumparegiškumas“** lemia atsako strategijos pasirinkimą?
   - Ar ir kaip **autonomiškai priimami**, arba priešingai, **neautonomiškai priimami sprendimai** lemia atsako strategijos pasirinkimą?
   - Ar ir kaip vadovo/atsakingo asmens **patirtis** ir **profesionalumas** lemia atsako strategijos pasirinkimą?

- Ar ir kaip vadovo/atsakingo asmens **vizija** lemia atsako strategijos pasirinkimą?
- Ar ir kaip vadovo/atsakingo asmens **asmeninės savybės**, **amžius** lemia atsako strategijos pasirinkimą?
- Ar ir kaip vadovo/atsakingo asmens **drąsa** ir **užsispyrimas** lemia atsako strategijos pasirinkimą?
- Ar ir kaip vadovo/atsakingo asmens **rizikos tolerancija** lemia atsako strategijos pasirinkimą?
- Ar ir kaip vadovo/atsakingo asmens **gebėjimas komunikuoti, įtikinti** kitus darbuotojus lemia atsako strategijos pasirinkimą?

b. Ar, Jūsų nuomone, **struktūriniai ir organizaciniai veiksniai** (pvz., įmonės VM, vidinė politika) yra svarbūs ir padeda numatyti bei pasiruošti kylančiai grėsmei, tokiai, kaip pertraukiamoji inovacija, rinkoje, bei į ją atsakyti tam tikru strateginiu atsaku? Jei taip, kokie struktūriniai - organizaciniai veiksniai lemia įmonės atsako į tokias inovacijas pasirinkimą:

- Ar ir kaip **korporacinio valdymo modelis** lemia atsako strategijos pasirinkimą?
- Ar ir kaip įmonės **heterogeniškumas** lemia atsako strategijos pasirinkimą?
- Ar ir kaip įmonės **struktūra** lemia atsako strategijos pasirinkimą?
- Ar ir kaip **įmonės strategija** lemia atsako strategijos pasirinkimą?
- Ar ir kaip **biurokratija ir įmonės politika** lemia atsako strategijos pasirinkimą?
- Ar ir kaip **investicijų politika** (pvz., į MTEP) lemia atsako strategijos pasirinkimą?
- Ar ir kaip turimi **resursai** lemia atsako strategijos pasirinkimą?
- Ar ir kaip įmonės **vertės tinklas** lemia atsako strategijos pasirinkimą?
- Ar ir kaip tinkamų **darbuotojų** (aukščiausiosios - vidurinės grandies) parinkimas lemia atsako strategijos pasirinkimą?
- Ar ir kaip **informacijos turėjimas** (pvz., big data) lemia atsako strategijos pasirinkimą?

Ar, jūsų nuomone, galima išskirti **vieną iš dviejų kriterijų grupių**, kuri yra **svarbesnė** pasirenkant atsako strategiją? O galbūt **vieną kriterijų**? Ar egzistuoja ir kiti svarbūs, Jūsų nuomone, veiksniai, kurie nebuvo paminėti? Jei taip, kokie papildomi veiksniai lemia atsako strategijos pasirinkimą?