

MBUS 3755

LECTURE 7 DISRUPTIVE INNOVATION
& MUSICAL STYLES AS DISRUPTIVE INNOVATION

MBUS 3755 Fall 2025			
		Important dates	
		Online class	reading/homework assigned
date	lecture #	subject(s)	
8/12/25			
8/14/25	Thurs	1 Learning Outcomes, Goals, Structure of Class and GNCASH/The Idea Businesses	
8/19/25	tues	2 The Death of the Recorded Music Business, Streaming,	
8/21/25	thurs	3 What do artists, agents, managers do and how they make money Introduction to intellectual property, copyright, trademarks and rights of publicity	
8/26/25	tues	4 Theory of Public Goods Practice Quiz	Work on Gncash 1
8/28/25	thurs	5 GNCASH 1 Fundamental Accounting Equation,	Work on Gncash 1.5
9/2/25	tues	6 Gncash 1.5 Classified Assets	
9/4/25	thurs	7 Disruptive Technology and Musical Style as Disruptive Tech	
9/9/25	tues	8 How we got to Free: Fixed Costs, Variable Costs, Marginal Cost, Zero Marginal Pricing Theories and Rebuttal	Work on Gncash 2
9/11/25	thurs	9 Gncash #2 Management and Agent Commission Pre-recorded Start at 14 minute mark	
9/16/25	tues	10 Economics of Music Scenes	study for midterm I
9/18/25	thurs	11 Review for Midterm	
9/23/25	tues	12 Midterm I take in classroom	
9/25/25	thurs	13 Post game on midterm I Risk and Reward, Interest Rates, implicit interest rates, Elements of Record Deals and Risk and Value	Work on Bncash 3
9/30/25	tues	14 Gncash 3 Risk and Value	
10/2/25	thurs	15 The Math: FV and PV	
10/7/25	Tues	16 The Math: Expected Value	
10/9/25	Thurs	17 Financial Bubbles, The Three Is The Grunge Bubble	
10/14/25	tues	18 Gncash #4 Financial Bubbles the Three I's and the Grunge Bubble	
10/16/25	thurs	19 Logical Fallacies and The Matthew Effect pt 1	Work on Gncash 4
10/21/25	tues	20 Gncash program check Gncash 1-4 Quiz Online Logical fallacies Narrative Fallacy and The Matthew Effect part II	Work on Gncash 4
10/23/25	thurs	21 Review for Midterm	
10/28/25	tues	22 Midterm II take in classroom	study for midterm II
10/30/25	thurs	23 Gncash #5 Midterm II Postgame Present Value of Stream of Income, Estimates,	
11/4/25	tues	24 Gncash 6 Behavioral Economics Secret Reason Labels and others are profitable	Work on Gncash 5
11/6/25	thurs	25 Gncash 7 Secret Reasons: Compensation + Fun, Adulation, Status, Sex Drugs and Rock N Roll	Work on Gncash 6
11/11/25	tues	26 Gncash 8 ICP, Swot Analyses, Blue Ocean Strategy, Transmedia Story Telling part I	Work on gncash 7
11/13/25	thurs	27 Gncash 9 Part 1 ICP, Swot Analyses, Blue Ocean Strategy, Transmedia Story Telling part II	work on gncash 8
11/18/25	tues	28 Gncash 9 Part II TBD	work on gncash 9 part 1
11/20/25	Thurs	29 Review for Final Part I Gncash 5-9 quiz (quiz online)	work on gncash 9.2
11/25/25	Tues	30 Review for final Part II	
11/27/25	thurs	Thanksgiving Break	
			study for final
12/9/25	X	Final Exam 12:00-3:00 PM	

Current Assets vs Fixed Assets

consider:

2017 Ford E-150 Van owned by General Ortiz

2017 Ford E-150 Van owned Athens Ford

Disrupt



Buzzword of the decade

Disruptive Innovation as illustrated by the Music Business

Disruptive Innovation = Disruptive Technologies

Sometimes phrased as innovator's dilemma



Look at technology first!

2006



state of the art

\$1,500



inferior

\$99

Key Concepts - Disruptive Innovation

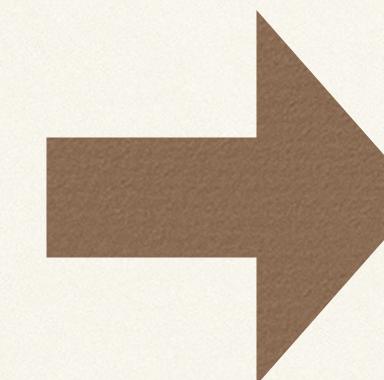
Disruptive innovation, a term of art coined by Clayton Christensen, describes a process by which a product or service takes root initially in simple applications at the bottom of a market and then relentlessly moves 'up market', eventually displacing established competitors.

Professor Christensen's 2-minute explanation of Disruptive Innovation

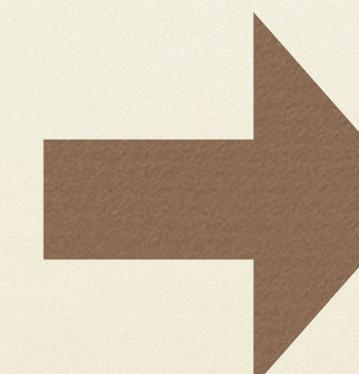
http://www.claytonchristensen.com/disruptive_innovation.html

The Innovators Dilemma

Because companies tend to innovate faster than their customers' lives change, most organizations eventually end up producing products or services that are too good, too expensive, and too inconvenient for many customers. By only pursuing "sustaining innovations" that perpetuate what has historically helped them succeed, companies unwittingly open the door to "disruptive innovations".



Voce Hammond B3 simulator



Teac 2340 series 4 track >>>>>>>>>>>> Professional 2 inch 24 track
recorders

Disruptive Innovation

An innovation that is disruptive allows a whole new population of consumers access to a product or service that was historically only accessible to consumers with a lot of money or a lot of skill. Characteristics of disruptive businesses, at least in their initial stages, can include: lower gross margins, smaller target markets, and simpler products and services that may not appear as attractive as existing solutions when compared against traditional performance metrics.

Disruption 1997

Travel Websites

You do the work
Lower quality customer service
“Does less”
More convenient
Less expensive

Travel Agents

Agent does work
Good customer service
“Does more”
Less convenient
More expensive

Home recording equipment and software VS Pro Studios



Disruption 1978

Home recording equipment and software vs Pro Studios



Disruption 2016

More examples of disruptive innovation

Email >>>>> US Postal Service

MP3s >>>>>>>> CDs

Home Recording Software >>>>>> Pro Studio Equipment

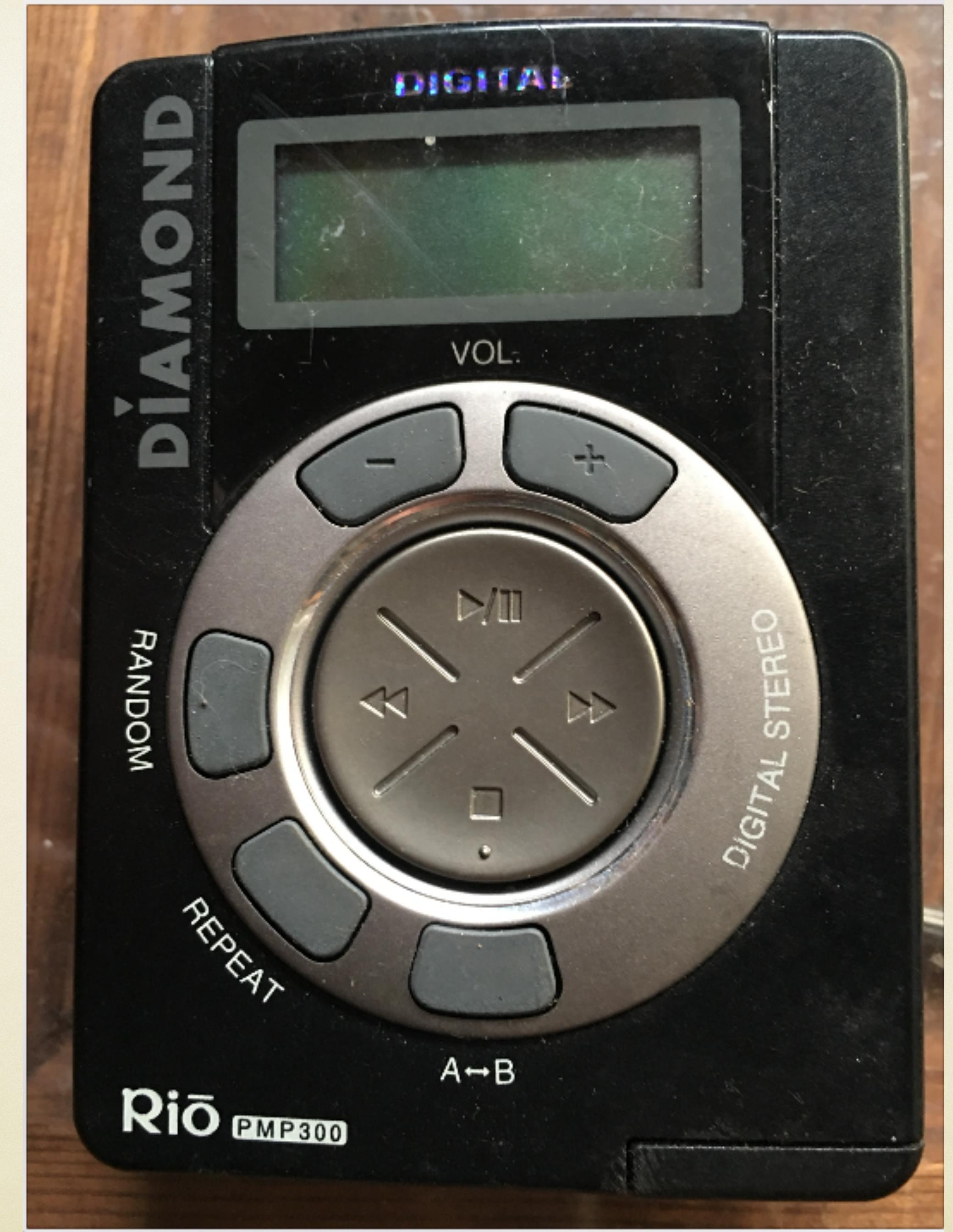
Voce Hammond B3 simulator >>>>>> Hammond B3 Organ

Ebook >>>>>> Paperback

Iphone/Android Apps >>>>>>>>> Full featured Computer Software

EasyBooks >>>>> Quickbooks

Teac 2340 series 4 track >>>>>>>>>> Studer 24 track recorders



Disruptive Innovation Characteristics

Product or Service:

- Cheaper
- Downmarket (oriented towards poorer consumers/new or underserved markets)
- Inferior product by technical measures
- Simpler to use/fewer features/does less
- Rarely created with intention to disrupt superior products
- Consumer doesn't care it's not as good a product
- It's more convenient.

Sustaining Innovations Characteristics

Product or Service:

- More expensive
- Upmarket, oriented towards consumers with more money
- Superior product by technical measures
- Many features/Does more
- Often becomes too complex
- May require consumer to learn new skills

Music business technology

What was disrupted?

Player Piano

Phonograph

Radio

Jukebox

Cassette Tapes/8 Track Tapes

(CDs ?)

MP3s

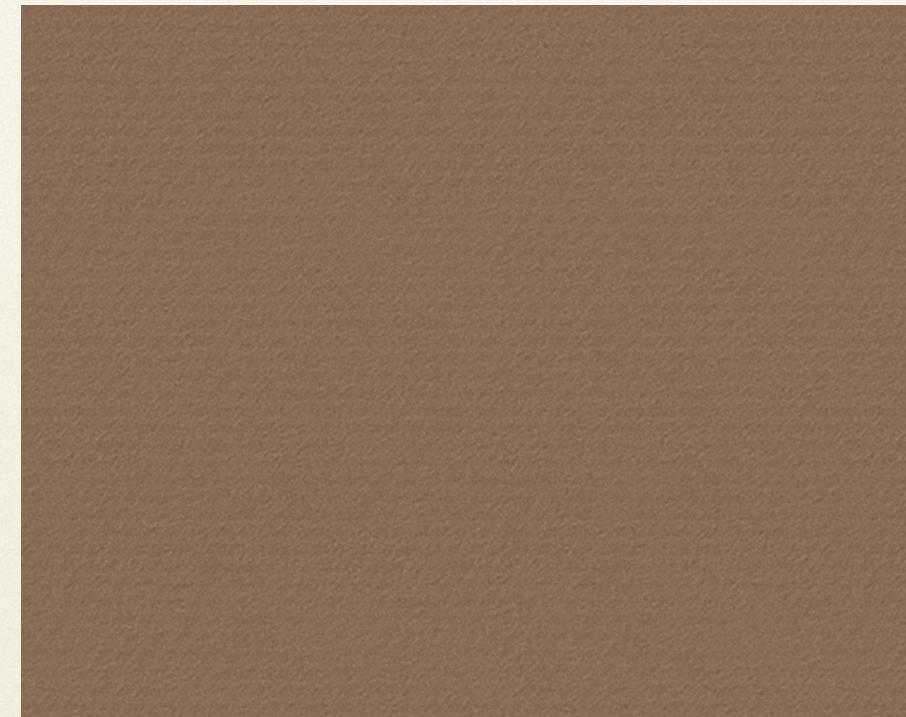
Filesharing

Streaming

Did markets expand?
Did more or less revenues result?
In what ways were these not inferior?
Convenience?

Player Piano
Phonograph
Radio
Jukebox
Cassette Tapes/8 Track Tapes
→ CDs
MP3s
Filesharing
Streaming

Disruptive Innovation/Innovators Dilemma as formally applied to large firms and organizations



4 steps described and a critique

<https://sloanreview.mit.edu/article/how-useful-is-the-theory-of-disruptive-innovation/>

1. Incumbents are improving along a trajectory of innovation.

In *The Innovator's Solution*, Christensen and Raynor argue that one of the key elements of disruptive innovation is that “in every market there is a distinctly different trajectory of improvement that innovating companies provide as they introduce new and improved products.”¹⁶ An incumbent business’s improvement trajectory results from what they call “sustaining innovation” — “the year-by-year improvements that all good companies grind out.”¹⁷ (See “Four Elements of the Theory of Disruptive Innovation.”) Usually, the sustaining innovations improve the products in a few established value areas. For example, auto companies might continue improving the horsepower or torque of their engines. As Christensen and Raynor explain, good managers strive “to make better products that they can sell for higher profit margins to not-yet-satisfied customers in more demanding tiers of the market.”¹⁸

2. The pace of sustaining innovation overshoots customer needs.

A second element of Christensen and Raynor's theory is that the pace of sustaining innovation along the trajectory of particular value propositions "almost always outstrips the ability of customers in any given tier of the market to use it. ... Thus, a company whose products are squarely positioned on mainstream customers' current needs will probably overshoot what those customers are able to utilize in the future."¹⁹ To illustrate their point, Christensen and Raynor use an example from the 1983 computer industry, "when people first started using personal computers for word processing. Typists often had to stop their fingers to let the Intel 286 chip inside catch up. ... But today's processors offer much more speed than mainstream customers can use."²⁰

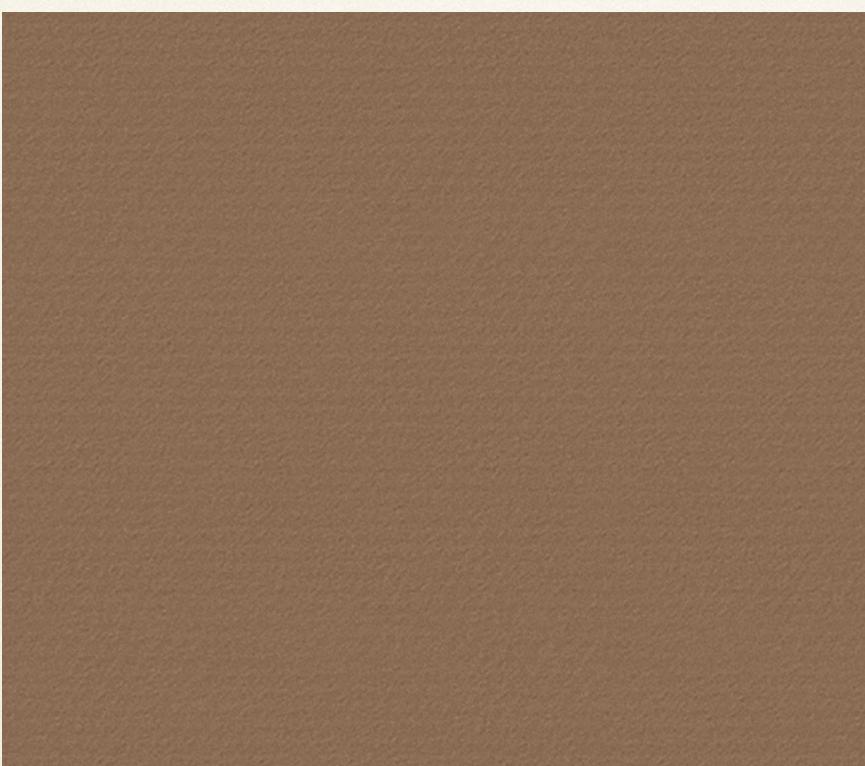
3. Incumbents have the capability to respond but fail to exploit it.

Christensen and Raynor claim that incumbent companies frequently possess the capabilities needed to succeed, but managers fail to employ them effectively to combat potential disruptors.²¹ “Disruption has a paralyzing effect on industry leaders,” they write. “With resource allocation processes designed and perfected to support sustaining innovations, they are constitutionally unable to respond.”²² Competitors with disruptive innovations lull incumbent companies into complacency by avoiding a head-to-head competition for the incumbents’ best customers. They target instead new and low-end customers, Christensen and Raynor note, with “products and services that are not as good as [those] currently available.”²³ Although inferior when measured against the value propositions on which sustaining innovation has been focused, these disruptive products have other attributes: They are simpler, more convenient, and less expensive. Because an incumbent company’s existing activities “determine its perceptions of the economic value of an innovation [and] shape the rewards and threats,” Christensen and Raynor argue, managers fail to appreciate and address the potential threat.²⁴ If

economic value of an innovation [and] shape the rewards and threats,” Christensen and Raynor argue, managers fail to appreciate and address the potential threat.²⁴ If the disruption appears in a new market, incumbent businesses “ignore the attackers”; if among low-end customers, they “flee the attack.”²⁵

4. Incumbents flounder as a result of the disruption.

Christensen writes that his original research goal was the development of a “failure framework” for “why and under what circumstances new technologies have caused great firms to fail.”²⁶ He does not specify the exact probability of failure, but he leaves little doubt it is very high. “Performance oversupply,” he writes in *The Innovator’s Dilemma*, “opens the door for simpler, less expensive, and more convenient — and almost always disruptive — technologies to enter.”²⁷ Companies with these disruptive technologies, he writes, “will always improve their products’ performance and in so doing eventually take over the older markets.”²⁸ “Once the disruptive product gains a foothold in new or low-end markets,” Christensen and Raynor write, “the disruptors are on a path that will ultimately crush the incumbents.”²⁹



R&B/Soul/Disco 1979

Sister Sledge- We are family



Nile Rodgers Bernie Edwards
with Sister Sledge

We Are Family:
Big production
Major label budget
Polished

Dense layered arrangements
Best session musicians
Latest recording technology

The Sugarhill Gang- Rapper's Delight.



Sylvia Robinson
Producer/Founder Sugarhill Records



Rapper's Delight:
Low budget
Independent label
Raw

Simplistic arrangements
“Samples” instead of session musicians
Mid-range or low budget recording technology

Hip Hop
“Does less”
Cheaper to produce albums

Consumer:
Doesn’t care it “does less”
Doesn’t care ensembles are smaller
Doesn’t care that arrangements are simpler
Doesn’t mind lower production values (to a point)
True for all disruptive styles

Massive Popularity of Hip Hop

Therefore:

Record labels embrace hip hop.

Greater profit potential with lower recording costs.

Re-use of songs as “samples” gave labels a new income source.



Yes 1978
Progressive Rock

photog.com

photog.com

© jamie r anderson

photog.com

photog.com

photog.com



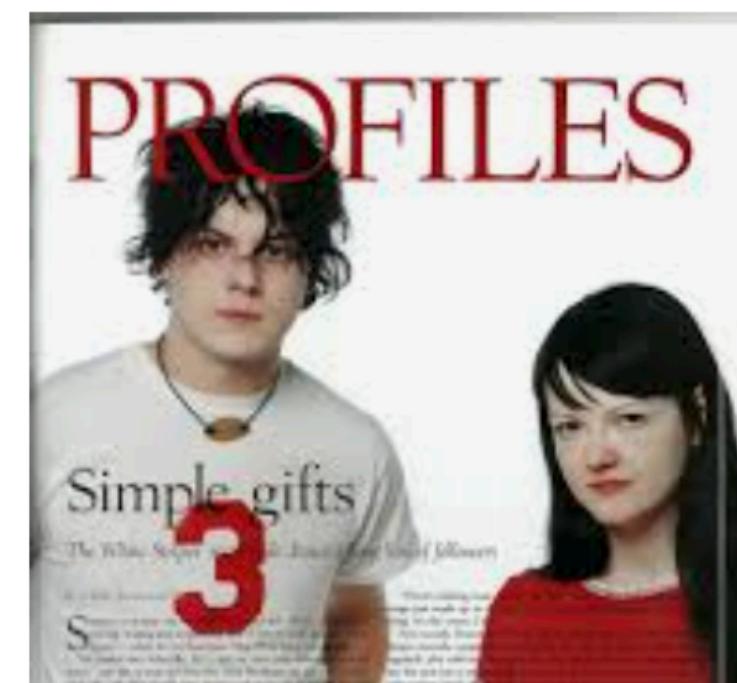
Buzzcocks 1978
Punk Rock



The White Stripes Discography ...
discogs.com



Jack White "highly doubts" Whit...
nme.com



White Stripes Without Losing My...
medium.com



Seven Nation Army | Song Mango
songmango.com



The White Stripes | Biography, A...
allmusic.com



White Stripes almost ruined Con...
hhhhappy.com



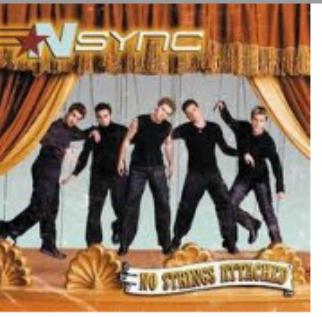
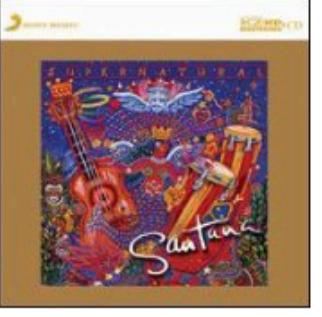
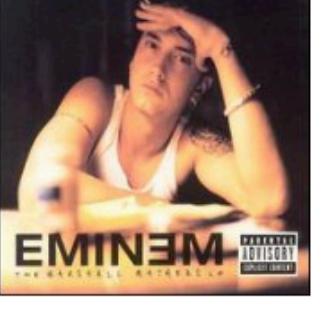
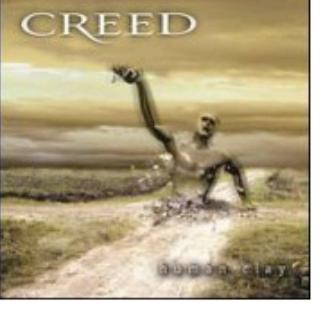
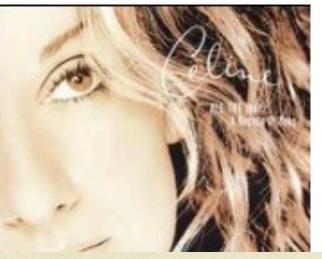
White Stripes Was Foretold ...
everyrecordtellsastory.com



The White Stripes continue to c...
nme.com



The White Stripes to Release 'Ic...
spin.com

1		No Strings Attached 'N Sync	
2		Supernatural Santana	
3		The Marshall Mathers LP Eminem	
4		Oops!...I Did It Again Britney Spears	
6		Human Clay Creed	
7		All The Way...A Decade Of Song Celine Dion	

Musical Innovations as “Disruptive Innovations.” This is the main reason that I like to examine disruptive technologies.

Blues displaces Jazz
Rock N Roll replaces Big Band.
Rap replaces RB/ Funk/ Disco
Punk displaces stadium rock, progressive rock.
Grunge/ Alternative replaces “hair” metal.
Outlaw country replaces Country.

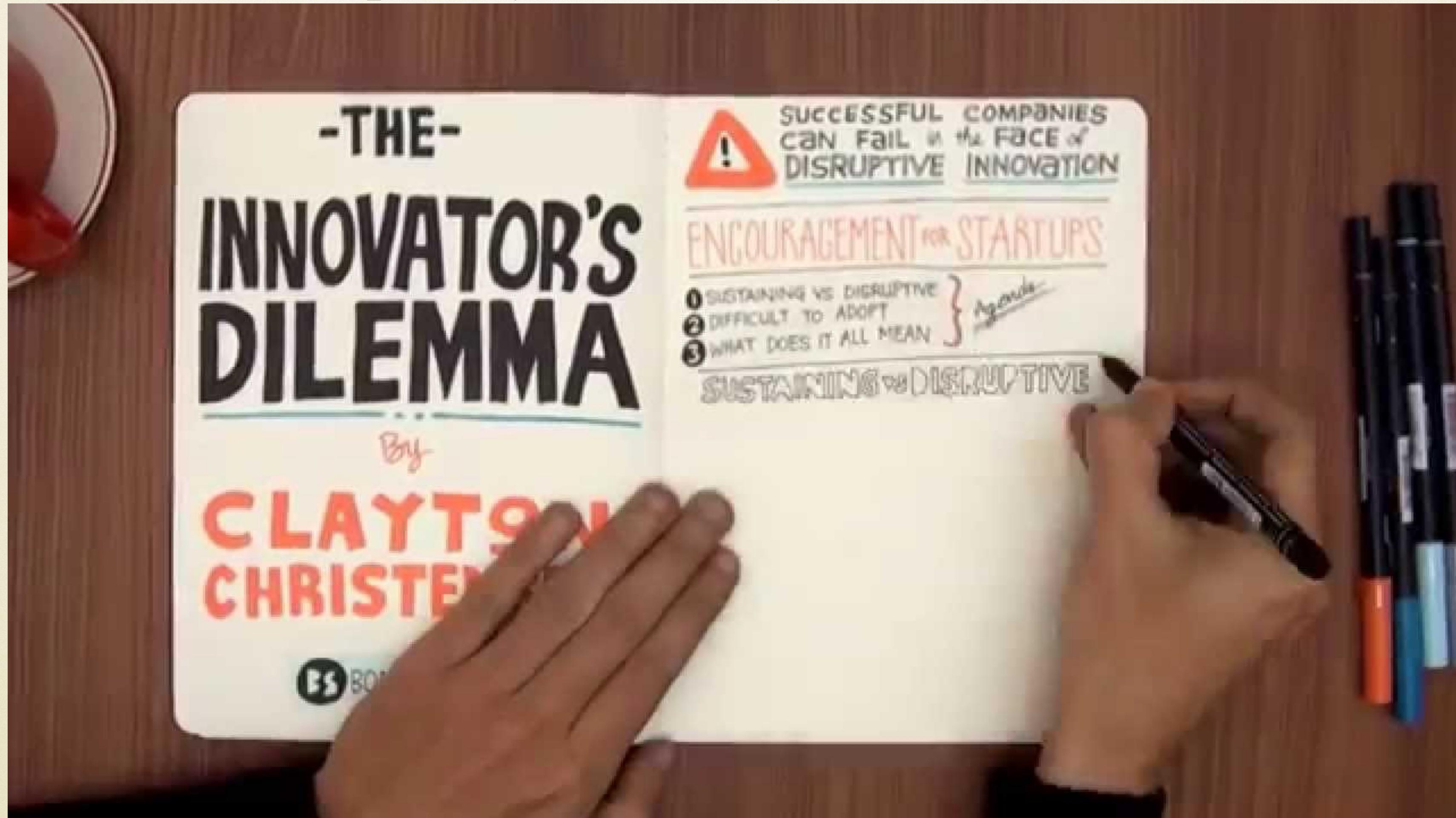
The upstart musical form is often simpler and cruder. Fewer instruments.
Lower production values in recording. Lower production value at
concerts. The upstart musical form relies less on musicianship and more
on emotion and energy.

The Innovators Dilemma

Clay Christensen

Harvard Business Review

<https://youtu.be/yUAtIQDllo8>



Note that in this 2015 video Christensen seems to have subtly changed his theory

Answer ELC Questions