



Higher growth through the Blue Ocean Strategy: Implications for economic policy

Jaka Lindič^a, Mojca Bavdaž^{a,*}, Helena Kovačič^b

^a University of Ljubljana, Faculty of Economics, Kardeljeva pl. 17, SI-1000 Ljubljana, Slovenia

^b University of Ljubljana, Faculty of Social Sciences, Kardeljeva pl. 5, SI-1000 Ljubljana, Slovenia

ARTICLE INFO

Article history:

Received 18 January 2011

Received in revised form 20 February 2012

Accepted 24 February 2012

Available online 20 March 2012

Keywords:

Blue Ocean Strategy

Growth

Innovation

Policy making

ABSTRACT

Higher growth is a key goal of companies, governments, and societies. Economic policies often attempt to attain this goal by targeting companies of certain sizes that operate in specific industries and focus on a specific business activity. This approach to policy making has considerable shortcomings and seems to be less than fully effective in increasing economic growth. We suggest a new approach to policy making that stems directly from the entrepreneurial perspective. This approach examines a successful business strategy framework – the Blue Ocean Strategy – to discover conditions for high growth. We test the propositions on empirical data for two cases of successful high-growth business, namely Slovenian gazelles and Amazon.com. The results reveal a gap between the macro level of economic policy making to achieve higher growth and the micro level of business growth. The findings call for a change in the focus of economic policies on specific size companies, industries, and business activities to intraindustry cooperation, collaboration between companies of different sizes, value innovation, and creation of uncontested markets.

© 2012 Elsevier B.V. All rights reserved.

1. Introduction

Today, most governments recognize that entrepreneurial activity and innovation are important elements of economic policy. The idea of a positive relationship between innovation and entrepreneurship on the one hand and economic growth on the other hand has endured in economic thought ever since Schumpeter (1942) popularized “creative destruction” as a result of entrepreneurial activity that creates new products and business models and generates long-term economic growth. The idea of stimulating economic growth by supporting entrepreneurial activity has established deep governmental commitment to provide a high level of support to small and medium-sized enterprises (SMEs) and new start-ups.

However, governments are generally ill equipped to provide detailed economic direction (Porter, 1990). A reason for this could be a lack of feedback on the results of policy interventions, as only a few studies have investigated whether the policy measures introduced indeed have the desired effect on entrepreneurial activity (Patzelt and Sheperd, 2009). Another reason is the structure of today’s business context, which is changing quickly and pushes companies of all sizes and in different industries to be innovative

and to constantly review their processes and practices to survive in the market.

Over the past few years, the financial crisis has forced policy makers to rethink the path to economic recovery. Job creation has remained a primary policy concern. This means that economic policies mostly target companies of a specific size, in particular SMEs and new companies. This policy direction seems somewhat reasonable because it provides a quick solution to increase employment, re-establishes active participation in the labor market, and reduces negative social effects of job loss. However, the creation of low-added-value jobs works only in the short run, as it more or less postpones any problems to a later time. A strong focus on employment growth seems to imply that existing government policies may be less than fully effective in increasing economic growth. Evidence for this also comes from an analysis of sources of economic growth in the European Union since the mid-1990s and a comparison to the United States (Timmer et al., 2011). To explore this room for improvement, our study compares existing policy-making initiatives with the characteristics of high business growth, and it introduces a new approach to policy making. We investigate the value of an entrepreneurial perspective on opportunities in the business environment for the foundation of economic policy.

The article begins with a brief overview of the sources of economic growth that have been targeted by instruments of economic policies. It continues with shortcomings of current policy-making approaches and proposes a new approach based on a business strategy called the “Blue Ocean Strategy” (BOS). The BOS is a successful example of executing change as a crucial source of high business

* Corresponding author. Tel.: +386 1 5892 630; fax: +386 1 5892 698.

E-mail addresses: jaka.lindic@ef.uni-lj.si (J. Lindič), mojca.bavdaz@ef.uni-lj.si (M. Bavdaž), helena.kovacic@fdv.uni-lj.si (H. Kovačič).

growth (Tushman and O'Reilly, 1997), in contrast to conventional strategy models that are explicitly or implicitly based on stability rather than change. The propositions derived from the BOS framework are then analyzed via two cases, Slovenian gazelles and Amazon.com. These successful cases of high business growth serve as benchmarks to determine how congruent their characteristics are with BOS characteristics. In the final section of the article, we discuss our findings to see how policy makers can learn from the BOS framework, we report the limitations of our study, and we present directions for future research. Our recommendations are primarily intended for policy makers. Companies can use the BOS directly, as it is a framework created for them, but they can also benefit from understanding the implications of its use for policy makers.

2. Theory of economic growth and shortcomings of current policy-making approaches

Economic growth is a priority of the most recent policy interventions. There have been numerous shifts in how economists perceive the main source of economic growth, evolving from manufacturing (Smith, 1937 [1776]) to entrepreneurship (Schumpeter, 1942) and productivity growth (Krugman, 1997). Although in principle economic growth can be achieved through growth of labor or labor productivity, most governments count on productivity increases. This is in line with Krugman's (1997, p. 11) famous statement: "Productivity isn't everything, but in the long run it is almost everything. A country's ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker." Indeed, labor productivity is the most widespread measure of productivity (OECD, 2001). Growth in labor productivity comes from three sources of growth: labor quality, which reflects the composition of the workforce; capital deepening, which manifests the amount and composition of capital goods (e.g., equipment, structures) available to the workforce; and total factor or multifactor productivity (Steindel and Stiroh, 2001). Multifactor productivity captures the residual output growth that cannot be explained by measured input growth and is typically attributed to technical progress and resultant efficiency gains. It is mainly driven by innovation (Jorgenson, 2009), another important impetus for growth. Innovation has also been emphasized as an important contributor to enabling companies to improve economic performance (Crespi and Zuñiga, 2010). To foster innovation, governments have established intellectual property rights systems and have directed their policies toward specific industries and companies of specific size.

Intellectual property rights systems provide economic incentives for innovation activities and stimulate competition and market development by protecting entrepreneurial talent, so governments have incentivized companies to increase research and development (R&D) expenditures and the number of patents. However, these systems have generated various performance results and growth potentials across businesses, sectors, and countries, which casts doubt on their effectiveness (e.g. Andersen and Konzelmann, 2008; Furukawa, 2007), especially in light of new phenomena such as deliberate intellectual property sharing (Pisano, 2006). Still, patents are typically used as indicators of innovation intensity (e.g. Guellec and Pilat, 2008). For example, the World Economic Forum's methodology includes innovation as one of the pillars of the Global Competitiveness Index, but six out of seven indicators in this pillar are closely related to technology, and patents still hold a prominent position. Of course, this index has been strongly criticized on the ground of weak definitions, a biased approach, and methodological issues, and it is rarely used in the academic literature (Lall, 2001). However, the concept of national competitiveness has become a dangerous obsession (Krugman, 1996) and is often used in policy making because it allows for the

benchmarking of countries. In Slovenia, the index is frequently cited by the Institute of Macroeconomic Analysis and Development, an independent government office that prepares analytical bases for strategic decision making and economic and development policy measures (see Brložnik, 2010; Kmet Zupančič, 2011).

Other data on innovation have only recently supplemented patent data and R&D expenditures (OECD, 2009), so as not to exclude service-sector companies and small companies. One type of innovation is a business-model innovation defined as the discovery of a fundamentally different business model in an existing business. The difference vis-à-vis other types of innovation (e.g. product or service innovations) is that business model innovators redefine an existing product or service and how it is provided to the customer. A business-model innovation can be patented at the U.S. Patent Office, but it cannot be protected in the European Union.

Another arena for policy action concerns specific industries like information technology (IT) that are believed to lie at the core of productivity growth. For the United States, Jorgenson et al. (2007) examined the role of IT in output and productivity growth. They concluded that the multifactor productivity upsurge of 1995–2000 was generated by IT-producing industries, whereas IT-using industries (many of them in the services sector) came to the fore in 2000–2005 after the dot-com crash of 2000. A positive impact of IT on productivity growth was also observed in other industrialized countries in the 1990s, even though their more restrictive regulatory environments compared to those of the United States seem to have attenuated it (Gust and Marquez, 2004). Lately, the focus has changed to incorporate, in addition to IT, other emerging high-tech fields, such as biotechnology and nanotechnology. Although governments typically emphasize the importance of high-tech industries, companies of various sizes and ages, and operating in various sectors, can achieve high growth (Smallbone et al., 1995). In addition, whenever policies address specific industries or technologies, thus departing from neutrality, it is necessary to exercise caution so as to not create market distortions and reduce competition (Aghion et al., 2009).

Policies are also sensitive to business size. The debate on the importance of small companies to the economy started in the United States after David Birch published a report in 1979 claiming that small companies accounted for the majority of job growth in the United States (Landström, 2005). Since the mid-1980s it is commonly held that small companies can compete against bigger ones because they are more flexible and thus better adapted for engendering and adopting innovations (Piore and Sabel, 1984; Rothwell, 1989; Sabel and Zeitlin, 1985). This idea has been even further developed by suggesting that the U.S. economy should be reoriented toward small, craft-based companies (Robertson and Langlois, 1995).

Only recently have politicians realized that sheer numbers do not make for a dynamic economy, as both job losses and gains are highly concentrated among small companies (Drnovšek, 2004). Many authors have shown the existence of a negative relationship between the growth of labor productivity and job growth in the United States (e.g. Freeman, 1988) and in the European Union, where flexibilization of labor markets may indeed create many jobs, albeit at the expense of labor productivity growth (Kleinknecht et al., 2006). Growth in the self-employment sector may also be problematic from a growth perspective, as increased self-employment rates are not necessarily positively related to the rate of economic growth (Blanchflower, 2000; Jiang et al., 2010). The emergence of fast-growing companies has largely added to public policy discussions on the importance of SMEs as the engine room of growth in the economy. Fast-growing companies demonstrate an ability to increase labor productivity while also increasing employment (Smallbone et al., 1995), thus effectively contributing to economic growth.

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات