

## INNOVATIONS, RESEARCH AND DEVELOPMENT

### *INNOVATIVE BUSINESS AND NEW INDUSTRIAL TECHNOLOGIES AS POSSIBLE DRIVERS OF THE SME'S COMPANIES GROWTH IN A CONDITION OF ECONOMIC RECESSION*

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#### **Abstract**

Numerous models and frameworks of strategic management show the variety of approaches and complexity of the process of the strategic analysis and strategy elaboration. However, according to recent strategic research, executives seek out, first of all, blue oceans strategy to introduce innovation change in the time of serious economic recession (Kim and Maubornge, 2005).

One of the aims of this research is confirm the hypothesis that value innovation can serve as a possible driver of company growth as well as innovative businesses and new industrial technologies can be a factor of regional economics stability in a recession time. The objects of this international research are three real business entities from three different countries operating in three different fields, those companies working in alternative sources of energy industry (Latvia); in security printing industry (Lithuania) and information technologies industry (Ukraine). The authors are basing this research not only on the widely used classical theories (Porter's Competitive Framework, Resource-Based view), but also critically assess the latest trends in strategic management theories (Blue Ocean Strategy and Delta Model) and practically apply its.

The outcome of analysis and its findings helped to summarize gained research results in Strategic Canvas of industries and to display it graphically, then to assess and to comment Value Innovation creation for three companies working in the field of alternative sources of energy industry (Latvia), in security printing industry (Lithuania) and in information technology industry (Ukraine). Finally, to define the option for the Blue Ocean Strategy future implementation direction, three strategic options of the Delta Model Triangle were analyzed. The most appropriate strategic option was defined as Total Customer Solution as it supports the ideas of the Blue Ocean strategy.

One of the actual outcomes of the research is a confirmation of hypothesis that innovation and new industrial technologies can serve as a drivers of the business entity growth in a recession time. The future research should be based on the current research findings and be mainly dedicated to the change management and strategic control.

**Keywords:** Economic Recession, Blue Ocean Strategy; Strategic Canvas, Value Innovation; Delta Model Triangle, Total Customer Solutions, Regional Economic.

#### **Introduction**

Numerous models and frameworks of strategic management show complexity of the process of the strategic analysis and strategy elaboration. However, according to recent strategic research, executives seek out, first of all, blue oceans strategy to introduce innovation changes in the time of serious economic recession (Kim and Maubornge, 2005).

**The aim** of this research is confirm the hypothesis that value innovation can serve as a possible driver of company growth as well as innovative businesses and new industrial technologies can be a factor of regional economics stability in a recession time.

**The objects** of this research are three real business entities from three different countries operating in three different fields, those companies working in security printing industry (Lithuania), information technologies industry (Ukraine) and in alternative sources of energy industry (Latvia). As concerns the **basic unit of analysis**, the current research mainly concentrates on **Strategic Move**. Strategic move is the set of managerial action and decision involved in making a major market-creating business offering (Kim, Maubornge, 2005). Research design can be classified as a combination of a descriptive ("identifying and obtaining information on characteristics of a particular problem") and an analytical research ("explaining why and how certain variables influence the dependent variable"). The type of the investigation is creational, identifying multiple factors that influence one problem with a minimum extent of the researcher interference. The data collection methods: interviews and questionnaire.

### Strategic management criticism

In recent decades two fundamental paradigms have been widely accepted in the file of strategic management: Competitive Positioning by Michael Porter and the Resource-Based view. (Hax, 2002) The Delta Model is believed to be providing an integrated view of the mentioned above models and therefore unified strategy framework.

Introduced in 1980's Porters framework being recognized as one of the most effective strategic management framework, However it is usually being criticized for having the following limitations: companies are differently influenced by the same forces (Mintzberg, 2008); de-emphasized role of innovation, neglected company specifics (Hill, 2007). The resource-based view is challenged for being too focused on the company itself while ignoring external factors and industry factors. (Hoopes et al., 2003). Developed by Hax and Wilde, the Delta model is claimed to represent an integrated view of the basic strategic management frameworks, measures linking strategy and its execution and consist of the following main elements the Triangle (Best product; Total Customer Solution; System lock-in), Mission, Competitive Positioning, Industry, Strategic Agenda and Adaptive Process. . (Hax and Wilde, 1999). The Delta Model is mainly criticized for not bringing anything brand new in the theory of strategic management, but joining widely used tools to one framework. (Mintzberg, 2008). Delta model concentrate strategic efforts on existing competitors and marketing efforts on existing clients. In fact, Delta Model is a model of Red Ocean Strategy (Kim, Mauborne 2005).

Introduced in 2005, the term "Blue Ocean strategy" represents a decade-long research of about 150 strategic moves in more than 30 industries with the aim of designing a framework making competition irrelevant via creating new market space within an industry. (Kim and Mauborgne, 2005). Blue Ocean strategy is not aimed at outperforming competition (e.g using Best Product or System Lock in proprietary standards), but on creating a new market space and initiates series of visual tools and methodologies designated to innovate in a given industry and include: four actions framework, strategy canvas, buyer utility map and experience cycle, blue ocean idea index and six paths. (Kim and Mauborgne, 2005).

While Kim and Mauborgne claim designing brand new approach to making competition irrelevant, there are several aspects to consider in terms of its inefficiency and invalidity. First, the Blue Ocean strategy is criticized for being rather *descriptive* rather *prescriptive* (Polard, 2005), and therefore interpreting success of several companies rather that proposing measure to its achievement. (Smock, 2008). Second, the Blue Ocean strategy concepts and tools are suspected of being not new and already described and by used by various theorists. According to Levitt (Levitt and Dubiner, 2007), Blue Ocean strategy intends to describe already existing concepts, such as the *competing factors*, *noncustomers* and *the consumer cycle* are widely used by Six Sigma (Pyzdek, 2003) practitioners. Kim and Mauborgne are also accused of borrowing the idea of *disruptive innovation* (Christ) from Christenson and paraphrasing it without giving a due reference. (Rao, 2008). In addition, the theory is rather frequently criticized for being too superficial. It does not take into account the complexity for modern business world, due credit to hard work and limitations of any frameworks (multiple), simplifying reinventing a business to drawing "strategic canvas". (Rao, 2008). Mentioned above Blue Ocean theory limitation is worth considering while elaborating the strategy. Comparison among different Strategy Frameworks is given below in Table 1.

On the basis of mentioned above, the following conclusions are derived: 1. The new models and frameworks appearance does not necessarily prove invalidity of the existing ones, but demonstrates limitations of its possible application. 2. Porters Five Forces, Resource based view; the Delta model and the Blue Ocean Strategy do not represent alternative views on strategy. The frameworks show the variety of approaches and multiplicity and complexity of the process of the strategy elaboration. 3. The Delta Model integrates and reflects the mentioned above multiplicity and complexity, however, face certain limitations in terms of

**Table 1: Comparison among Strategy Frameworks (adopted from Hax and Wilde (2002) and complemented)**

	<u>Porters Five Forces</u>	<u>Resource Based View</u>	<u>Delta Model</u>	<u>Blue Ocean Strategy</u>
<b>Focus of Strategic Attention</b>	Industry / Business	Corporation	Extended Enterprise(The Firm, The Customers, The Suppliers and The Complementors)	Critical Success Factors*
<b>Types of Competitive Advantage</b>	Low cost or Differentiation	Resources, Capability, Core Competences	Best product, Total Customers Solution, System Lock-in	Customer Value Innovation
<b>Basic Unit of Competitive Advantage</b>	Activities	Core products	Operational Effectiveness, Customer Targeting, Innovation	Buyer Value Elements and Created Demand
<b>Strategy As</b>	Rivalry	Creating Strategic Architecture	Bonding	Creating Uncontested Market Space

\* Critical success factors are those product features that are particularly valued by a group of customers and, therefore, where the organisation must excel to outperform competition (Johnson, Scholes, Whittington, 2008)

applying it into practice. 4. The Blue Ocean Strategy offers a practical integrated strategic solution and can be chosen as more suitable framework for current research.

### **Description of research**

The objects of this research were three real business entities from three different countries operating in three different fields, those companies working in security printing industry (Lithuania), information technologies industry (Ukraine) and in renewable sources of energy industry (Latvia). Above-mentioned countries have been chosen due to more deeper economic recessions in comparison with neighbour's countries like for example in Estonia (for Lithuania and Latvia) or in Russia (for Ukraine). The companies have been chosen also taking in consideration different industries development stages: Lithuanian company runs the business many years in mature industry security printing with fierce competition; Ukrainian company started up few years ago in developing industry of Information Technologies and Latvian company represents brand new start up business in emergent industry of renewable sources of energies.

*Three research questions* have been elaborated: 1) *Which critical success factors would create a buyer value in particular investigated industries that represent different industry life cycle?* 2) *Which strategic option of Delta Model – best product/total customer solution/system lock-in is the most appropriate for companies in terms of the Blue Ocean Strategy?* 3) *Can value innovation serve as a possible driver of companies' growth of company and even region in a condition of economic recession?*

Investigation stage was included: First, the *interviews and questionnaires* are used in order to obtain information from the companies' *management, companies' customers and non-customers*. Second, the direct observations of the work environment and industry specifics are made. Third, the secondary data, such as statistics, publications and internal company reports are examined. Finally, the data is analyzed and interpreted, on the basis of which the research questions are answered

For answering first and second research question the object of research has been taken Lithuanian “GP company” working in Security printing industry. The company profile is as follows:

<b>Company name:</b>	GP Company
<b>Status of the company:</b>	Limited Liability Company
<b>Target markets:</b>	Europe, Asia, Africa
<b>Target customers:</b>	state institutions, banks, insurance, mass media, production
<b>Annual turnover:</b>	16 800 000 € (2007)
<b>Authorised capital:</b>	3 000 000 € (2007)
<b>Net Profit:</b>	1 500 000 € (2007)
<b>Number of employees:</b>	308 (2007)
<b>Industry development stage:</b>	maturity
<b>Company products:</b>	security printing, packaging production, advertising press, reprographics

*There were 5 steps in research process. First step was the interview* with 10 members of the GP company management and 3 owner managers of the main industry players – Rako Etiketten (Germany), Centro Grafico (Italy) and DeLaRue (France). Interviews were designed and conducted with the aim of defining security printing industry Critical Success Factors. The management of GP Company and 3 owner managers of the main industry players – Rako Etiketten (Germany), Centro Grafico (Italy) and DeLaRue (France) are asked to list security printing industry CFS applying the **broad blasting** tool which is aimed at generating the large number of ideas. As a result, a list of CSF was generated. Subsequently the **voting technique** was used: each member of the team is to select 3 alternatives which he or she considers to be the most important ones. Alternatives that receive the biggest number of votes are chosen for the further consideration: *facilities location, product quality, price competition, product differentiation, market share, management, customers’ loyalty, customers’ service, flexibility in terms of market changes, technological advantages, advertising*. Then interviewees were asked to identify how these CSF can be placed on an importance weighting scale, from the least important to most important. With the help of **consensus decision-making** the team was to agree upon the priority, as in not only seeks the agreement, but also forces to take into consideration the objections of the minority. The most agreeable decision in terms of importance ranking was achieved and presented below, where factors are listed according to their significance, starting from the most important one As the result, the following list of CSF of Security Printing Industry was generated from most important to less important: *1. Customers’ service; 2. Flexibility in terms of market changes; 3. Customers loyalty; 4. Product quality; 5. Price competition; 6. Management; 7. Facilities location; 8. Technological advantages; 9. Product differentiation; 10. Advertising; 11. Market share.*

Assessing the current security printing industry performance and defining customers’ views on its CSF is to contribute to the Strategic Canvas Industry Value Curve building. For this purpose, as a *second step* a questionnaire revealing the value of security printing industry customers’ perceptions were designed, distributed among 10 company clients. In addition, the questionnaire was also distributed among and 10 company non-customers, following the idea of the Blue Ocean Creation. For answering that question 10 company customers and 10 non-customers were asked to rate from 1 to 7 current performance of earlier defined CSF of security printing industry. These non-customers were not complicated to identify, as the industry is rather small and the scope of product use is rather limited, besides, industry leaders regularly make market researches gaining info from various sources, including tenders, exhibitions, word-to-mouth etc, therefore, the respondents were mainly taken from the company “non-customers” data base and several recent refusal cases from according to other companies information.

The assessments of customers and non-customers are grouped and then summarized in the form of mathematical average of each factor. During the research process it was revealed that only *Product quality and Technological advantages* are assessed as factors of satisfactory performance, while the resting Industry Critical Success Factors are perceived as ones of below average level: *Customers' service; Flexibility in terms of market changes; Customers loyalty; Price competition; Management; Facilities location; Product differentiation; Advertising; Market share*. Here, two factors defined in first step of research were not delivered for customers assessments, the company *market share* and *company management* as they could not be adequately assessed by the customers, and, therefore, withdraw from strategy canvas building and left for company management further consideration only. For the current research stage, the first part of the Strategy Canvas was built, however restricted to CSF *defined by management* of the several main Security printing Industry players.

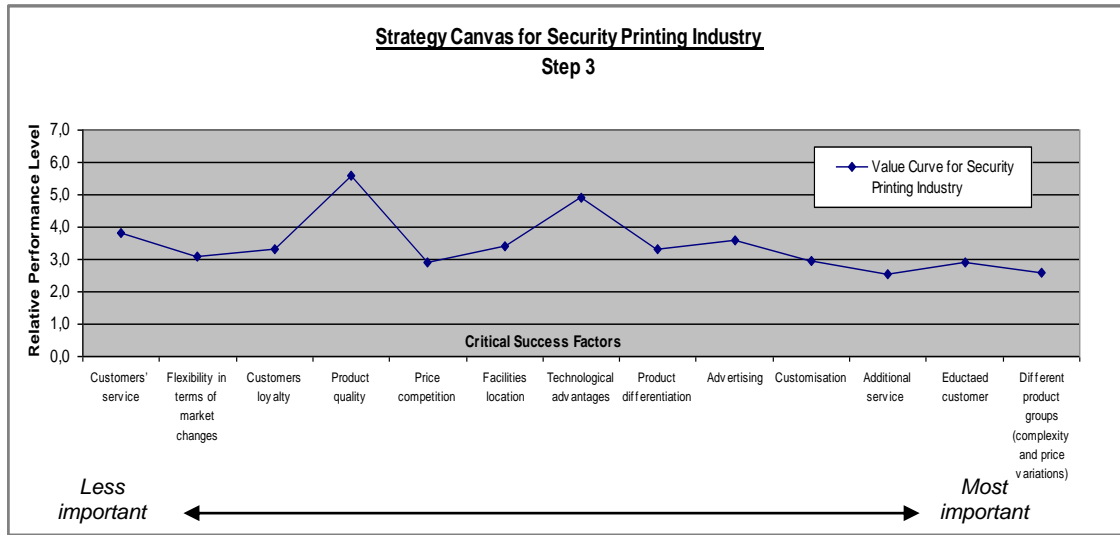
*Defining Critical Success Factors in Security Printing Industry from customers' point of view* complemented the earlier defined CSF in Security Printing Industry and revealed customers views on the industry current performance. For this purpose, a mentioned above questionnaire required respondents to name additional CSF in Security Printing Industry important from customers' point of view and then rate industry current performance in terms of these factors. Research findings reveal that company customers and non-customers tend to value the following factors as Critical for Success in Security Printing Industry: *Customization, Additional Services; Educated customer and Different product groups (price and complexity variations)*. The overall industry performance in terms of defined by customers Critical Success Factors is assessed to be below average level by nearly 100% of respondents (customers and non-customers), showing the overall dissatisfaction by the Security Printing Industry. As the result, during *third step* the Strategy Canvas started to be build in the process of answering the is now complemented by four CSF in Security Printing Industry from *customers point of view* and is represented by Figure 1 built on the basis of the Table 2.

**Table 2: Critical Success Factors in Security Printing Industry, summarized.**

<b>Critical Success Factors in Security Printing Industry</b>	<b>Score (average)</b>
Customers' service	<b>3,8</b>
Flexibility in terms of market changes	<b>3,1</b>
Customers loyalty	<b>3,3</b>
Product quality	<b>5,6</b>
Price competition	<b>2,9</b>
Facilities location	<b>3,4</b>
Technological advantages	<b>4,9</b>
Product differentiation	<b>3,3</b>
Advertising	<b>3,6</b>
Different product groups (complexity and price variations)	<b>2,6</b>
Additional service	<b>2,5</b>
Educated customer	<b>2,9</b>
Customisation	<b>3,0</b>

Strategy Canvas for Blue Ocean Strategy creation requires not only building the industry Value Curve, which was achieved by answering, but also building a *new Value Curve* for GP Company, following the aim – Value Innovation Creation for clients of GP Company. For this purpose, has been made fourth step of investigation: a mentioned above questionnaire

required respondents (customers and non-customers) to *rate the desired level* of the Security Printing Industry performance in terms of its Critical Success Factors, defined earlier.



**Figure 1: Strategy Canvas for Security Printing Industry**

The respondents were asked to rate from 1 to 7 the desired level of the Security Printing Industry performance in terms of its CSF, defined earlier. Table 3 represents the questionnaire analysis, where answers are summarised in the form of the mathematical average for each CSF.

**Table 3: Questionnaire Analysis**

On a scale of 1 to 7 how would you rate the following categories in terms of the desired performance level of the Security Printing Industry?	Score (average)							
	1	2	3	4	5	6	7	
Customers' service					1	3	16	<b>6,8</b>
Flexibility in terms of market changes					1	1	18	<b>6,9</b>
Customers loyalty			2	8	6	3	1	<b>4,7</b>
Product quality		1	2	3	6	5	3	<b>5,1</b>
Price competition					1	4	15	<b>6,7</b>
Facilities location					1	3	16	<b>6,8</b>
Technological advantages				4	10	5	1	<b>5,2</b>
Product differentiation				1	2	8	9	<b>6,3</b>
Advertising		1	5	4	6	3	1	<b>3,6</b>
Customisation					2	8	29	<b>6,7</b>
Additional service					1	2	16	<b>6,8</b>
Educated customer				1	1	2	14	<b>6,4</b>
Different product groups (complexity and price variations)					1	1	16	<b>6,8</b>

During final fourth stage of the research process the following finding were revealed. It appeared, the Security Printing Industry performance in terms of all defined earlier CSF with only one exception (Advertising) are required to the of above the average level Customers' service; Flexibility in terms of market changes; Customers loyalty; Product quality; Price competition; Facilities location; Technological advantages Product differentiation; Different product groups (complexity and price variations); Additional service; Educated customer and Customisation. As mentioned above, average level of Industry performance in terms of Advertising would be considered as a satisfactory one. On the basis of the result represented

by Table 2, the New Value Curve defining the value innovation creation and showing the direction of the Blue Ocean Strategy of GP Company is built and represented by Figure 2.

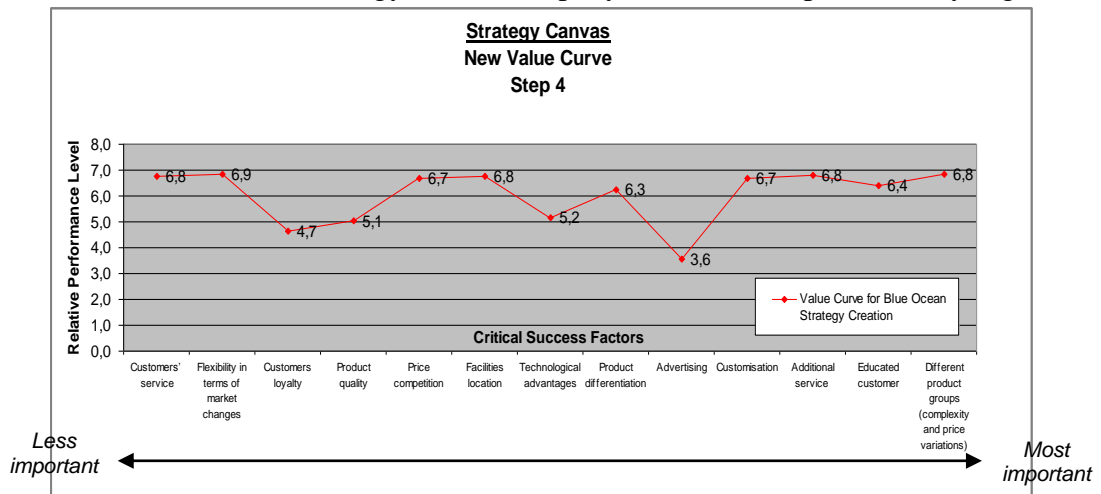


Figure 2: Questionnaire Analysis, Strategy Canvas

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Table 4: Critical Success Factors of Security Printing Industry current and desired performance assessment

Critical Success Factors of Security Printing Industry	Industry Performance Assessment	
	Current	Desired
Customers' service	3,8	6,8
Flexibility in terms of market changes	3,1	6,9
Customers loyalty	3,3	4,7
Product quality	5,6	5,1
Price competition	2,9	6,7
Facilities location	3,4	6,8
Technological advantages	4,9	5,2
Product differentiation	3,3	6,3
Advertising	3,6	3,6
Customisation	3,0	6,7
Additional service	2,5	6,8
Educated customer	2,9	6,4
Different product groups (complexity and price variations)	2,6	6,8

On the basis of the above table, s Strategy Canvas is build (see Figure 3) – a graph reflecting the Security Printing Industry Value Curve represented by the market current

performance, and a new Value Curve proposed for the GP Company as a Blue Ocean direction representing the desired level of market performance by its customers.

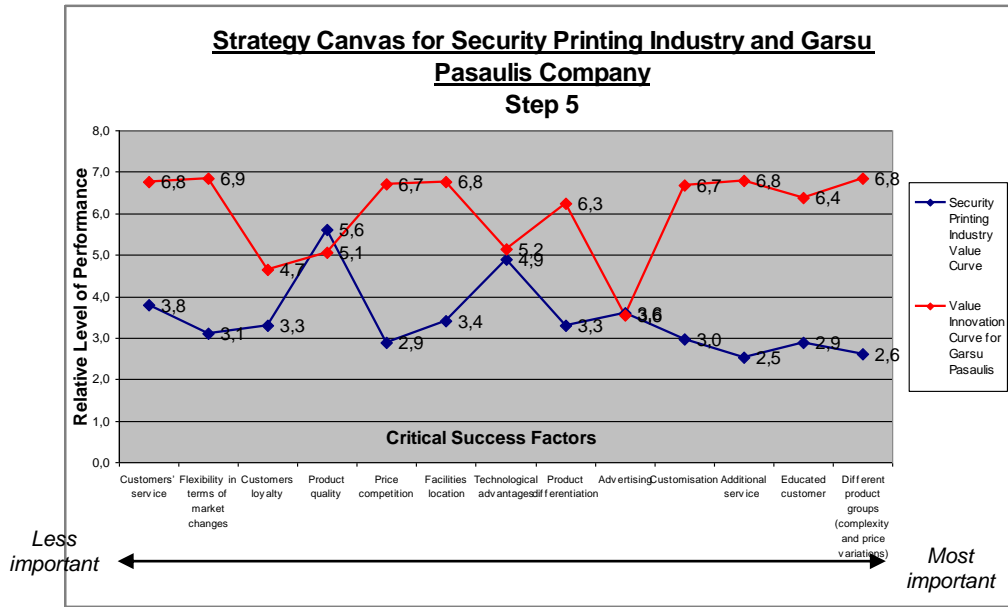
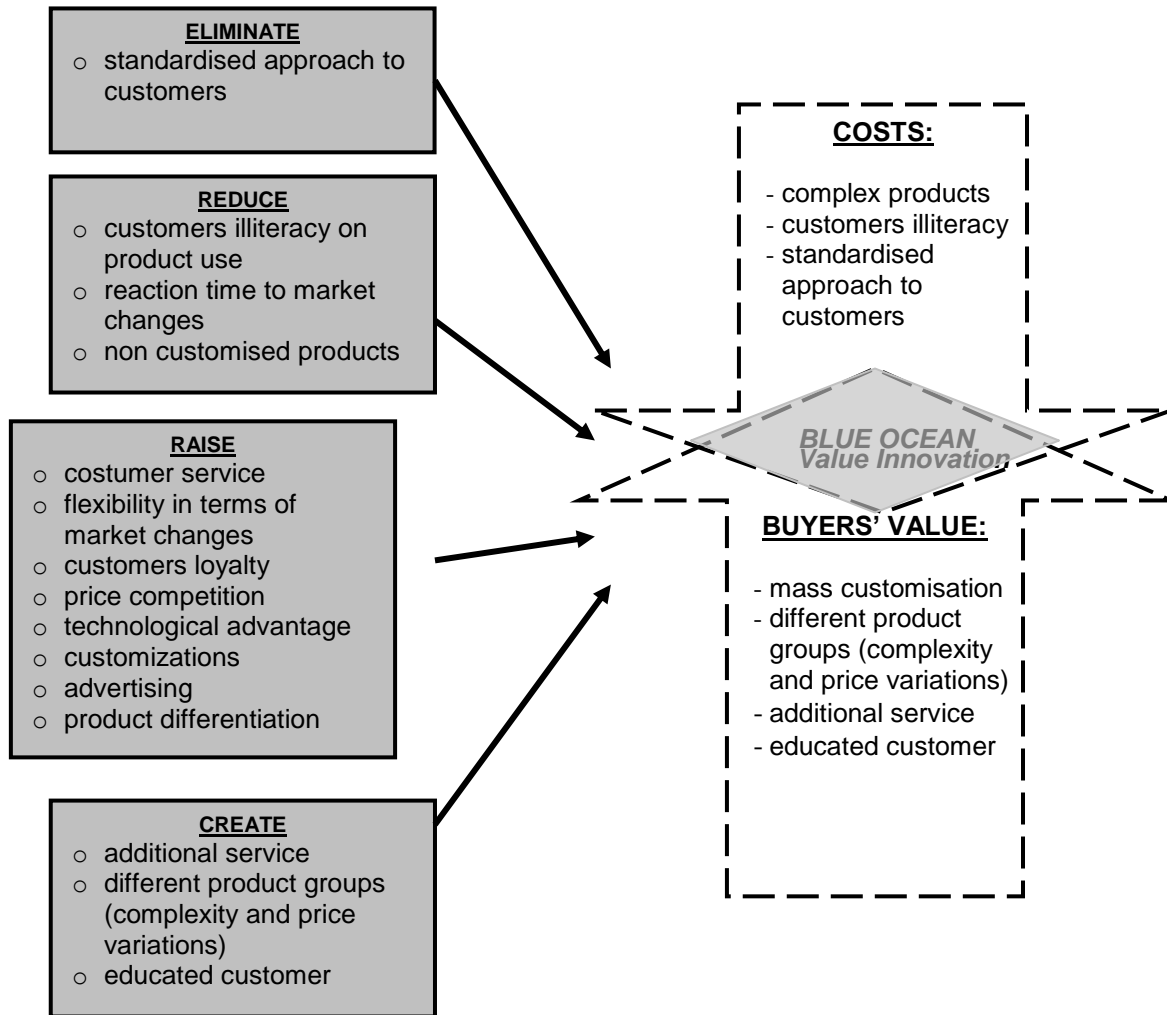


Figure 3: Strategy Canvas for Security Printing Industry and GP Company.

The difference between the current and the desired Security Printing Industry performance in terms of its Critical Success Factors is representing the direction of the Value Innovation creation in search of the Blue Ocean strategy of GP Company.

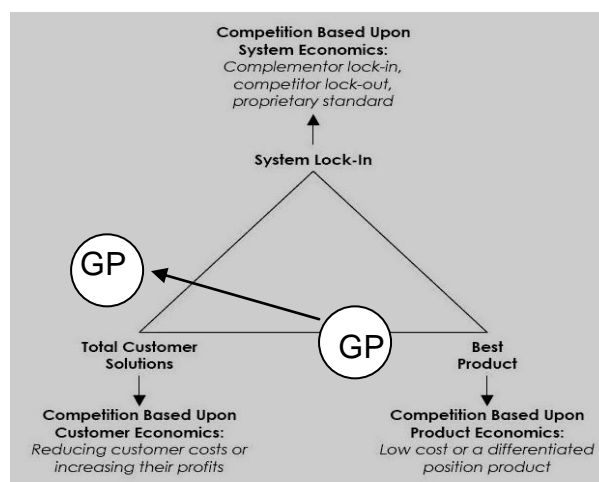
According to Kim and Mauborgne, the Four Actions Framework aimed at describing factors that should be reduced, eliminated, raised and created (Kim and Mauborgne, 2005), with the purpose of defining the direction of the Blue Ocean and describing the essence of the new Value Curve of Strategy Canvas. As the matter of fact, the Security Printing Industry tends to be inflexible in terms of market patterns changes and seems to be overloaded by the complex product for highly developed countries ready to use the latest technologies and pay significant amount for combating counterfeiting and privacy. It is becoming evident, that less developed countries could become a direction of a Blue Ocean strategy should the rigidity of proposals be reduced, potential customers are educated in terms of product possible use, different product groups with price and complicity variations are introduced, additional services apart from security printing production itself are introduced. Here, costs are reduced by eliminating and reducing unnecessary industry standards, while buyer value is increased by creating and rising new to the industry elements. (Created (Kim and Mauborgne, 2009). Figure 4 represents the Value Innovation for GP Company.

As seen from Figure 4 GP Company is recommended to optimize its costs by reducing the amount of *complex products* proposed to every customer, which should be replaced by raising buyer’s value by introducing *different product groups* with product complexity and its price variations for different target markets. As mentioned before not only the complex product for highly developed countries (EU) ready to use the latest technologies and pay significant amount for combating counterfeiting and privacy should be proposed to customers, but also less developed countries (Russia and CIS) could become a direction of a Blue Ocean strategy should the rigidity of proposals be reduced. Here, *mass customization* is playing a crucial role, raising buyers’ value. product use - clear product presentations, thoroughly designed and effectively delivered, which would ensure customer to be educated on product possible use,



**Figure 4: The Value Innovation for GP Company. Lithuanian case.**

its benefits, its direct and indirect costs, practical cases on product use etc, on which the decision on product purchase would be made. *Additional services* are of major importance for raising buyer’s value as well. Here GP Company is recommended to enhance of after sales support and introduce warranty practice, consider the option of establishing the delivery service, provide customers’ personnel training on product use etc.



**Figure 5: Total Customer Solution for GP Company. Lithuanian case.**

From Delta model point of view *Total Customer Solution* is a most appropriate strategic option for the GP Company (see fig.4). First, is completely opposite to the Best Product, as it is focused on *mass customization* by analyzing customer needs and offering attuned value that bonds each customer. Second, the innovation process is touching not the production process but joint development of products desired by key customers and desired customers.

Third, this option is aimed at reducing customer costs and increasing their profit which supports the idea of conclusion gained from current research - developing mass customization for less developed countries by reducing complexity and rigidity of products offered and creating less complex products for cheaper prices.

**Answer on research questions 1 and 2.** The difference between the current and the desired Industry performance level in terms of its Critical Success Factors is representing the direction of the Value Innovation creation in search of the Blue Ocean strategy. Blue Ocean Strategy will facilitate to move from *Best Product Strategy to Total Customer Solution Strategy*.

For further **confirmation of answer on first and second research questions** Ukrainian company “IT work” working in Information Technology industry as the object of research has been taken. The company profile is as follows:

<b>Company name:</b>	IT Work Company
<b>Status of the company:</b>	LLC
<b>Target markets:</b>	Ukraine
<b>Target customers:</b>	private SMEs
<b>Number of employees:</b>	3
<b>Annual turnover:</b>	80 000 EUR (2007)
<b>Authorised capital:</b>	2 750 EUR (2007)
<b>Net Profit:</b>	6 300 EUR (2007)
<b>Industry development stage:</b>	Growth
<b>Company products:</b>	services on the base of Microsoft Windows 2003 Server, Microsoft Active Directory, Microsoft Exchange Server, Microsoft Windows Terminal Server, antivirus this high protection level TrendMicro.

To perform strategic analysis of the company “LLC “IT Works” W. Chan Kim and Renee Mauborgne’s Blue Ocean” strategy framework with all models and techniques has been again reviewed thoroughly. Main result of the research was the choice of the company development strategy followed by suggestions about the implementation of the strategy in form of Strategy Canvas. New core competencies were to be identified to realize Blue Ocean Strategy (see fig.6).

Having defined strategic choice using Porter’s generic strategies (differentiation or cost leadership) the researcher has chosen Hybrid Strategy (Johnson, 2008) as the Roots of Competitive Advantage of IT Work. Following distinctive competencies should be developed: *superior customer responsiveness and the speed of render service*. Hybrid strategy is considered to be the most appropriate strategic option which supports the framework of

Blue Ocean Strategy. Distinctive (core) competencies like *efficiency, quality, innovation and customer responsiveness* (Hill, June 2008) should be obtained and developed for that.

**Answers on the first and second research questions were confirmed** as well. Analyzing all three strategic options proposed by the Delta Model Triangle, *the Total Customer Solution is considered to be the most appropriate strategic option for companies as it supports the idea of the Value Innovation in search of the Blue Ocean strategy* and developing mass customization for less developed countries like Ukraine by reducing complexity and rigidity of products offered and creating less complex products for cheaper prices in the time of economic recession.

Finally to answer on **third research question: can value innovation serve as a possible**

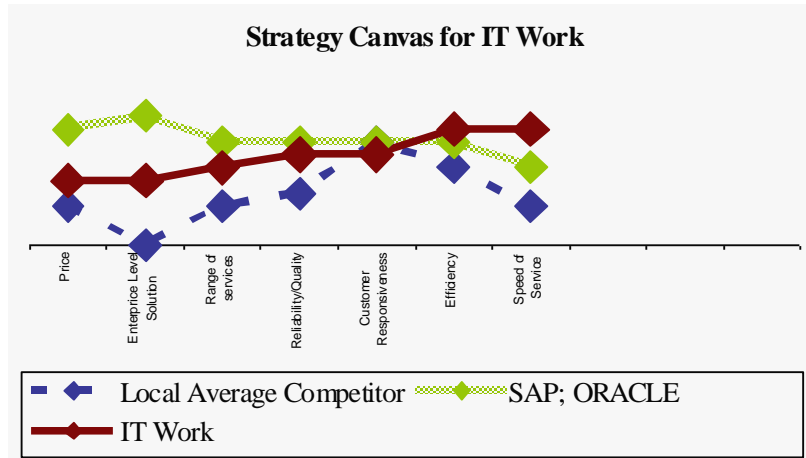


Figure 6: Strategy Canvas for IT Work Company. Ukrainian case.

driver of companies' growth in a condition of economic recession, as the object of research has been taken Latvian company "AV Technologies" working in renewable energy industry. The company profile is as follows:

- Company name:** "AV Technology Group"
- Status of the company:** LLC
- Date of registration:** 2008
- Target markets:** Latvia
- Target customers:** All companies
- Industry development stage:** emergent
- Number of employees:** 5
- Company profile:** sun collectors, sun batteries, wind generators

For the time conducting research there is a difficult economic situation in Latvia. The solvency of population falls, competition in energy industry is intensified; competitors are fighting for target audience. SIA "AV Technology Group" enterprise is involved in offering products and services connected with renewable energy sources, mainly *energy of the sun and wind*. Company management came to the conclusion, that existing business plan do not correspond to the real situation of economic recession.

Hypothesis proposed by researchers for AV Technologies Group company management was the following: strategy of Blue Ocean would allow company to get its strong positions on the market, to increase the value of goods and services in current industry for the customer and to create its own unique position of a «green» company. Main result of research was

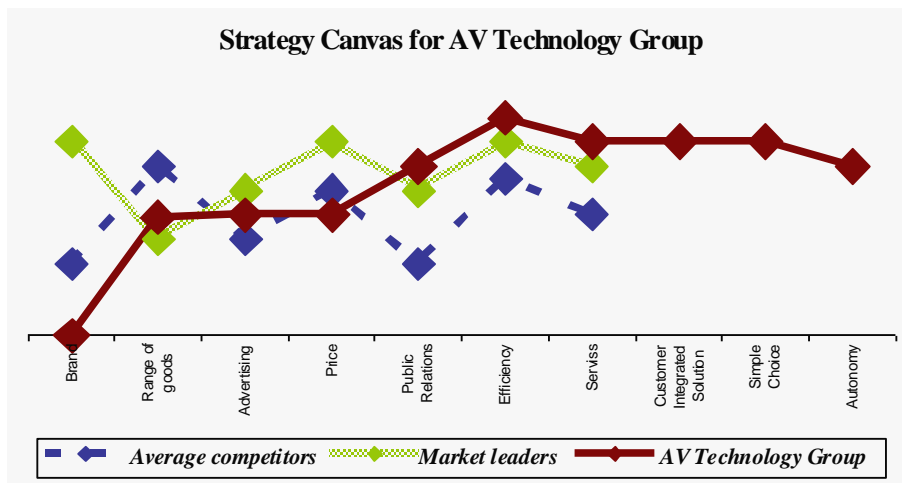


Figure 7: Strategy Canvas for AV Technology group. Latvian Case.

developing advanced strategy of the enterprise and methods of its realization. Strategy canvas for Energy Industry in Latvia and particularly new Strategy Canvas for AV Technology Group have been built as presented in figure 7.

Almost all models of Blue Ocean Strategy have been used testing suitability, feasibility and acceptability of new strategy including defining price corridor for mass (mid-level pricing was chosen), drawing buyer utility map (23 components filled), defining the profit model of blue ocean strategy (pricing innovation) and checking Blue Ocean Idea Index on utility, price, cost and adoption (four pluses were received). All models and techniques of Blue Ocean Strategy gave evidences about suitability, feasibility and acceptability (Johnson, Scholes, Whittington, 2008) of Blue Ocean Strategy for AB Tehnologies Group. At present Wind energy in Latvia gives 26,9 mega vats - 1,5% of state consumption. Till 2010 wind energy would give 7% or 150 – 160 mega vats. Sun Energy collector with m<sup>2</sup> gives: May – September 700-740 kWst/m<sup>2</sup>, October – April 200-240 kWst/m<sup>2</sup> and November - February 40-50 kWst/m<sup>2</sup>. Researches have carried out literature review and identified the windiest and sunny region in Latvia and the result is on figures 8 and 9. Current research provoked new hypothesis that the Latvian western region – Kurland and especially its Baltic Sea beach region has excellent opportunities *to develop of renewable energy cluster in Latvia exploiting sun and wind energies*. Further literature review identifies that EU wants only green buildings in 2019.

In 2019 will be applied a new “green law” which stipulates that all buildings in the European Union that consume a quantity of energy, must produce an equally amount of energy.

Researchers of EU argue that any building could produce a large amount of sun and wind energy and green buildings promoting process is a *very good strategy for Europe, especially in this economical crisis*



Figure 8: Sun map of Latvia (Journal Energy and Automation 07.2003)

Answer on third research question was given in confirmation manner. Strategy of Blue Ocean would allow companies to get its strong positions on the market, and to increase the value of goods and services in current industry for the customer, and to create its own unique position of a «green» company. As well as innovative businesses and new industrial technologies like renewable energy could be a factor of regional economics stability in a recession time, for example, for sunny and windy Kurland of Latvia. Subsequently, new hypothesis was recommended to check in future researches: strategy of Blue Ocean would allow Kurland region create “green” energy cluster.

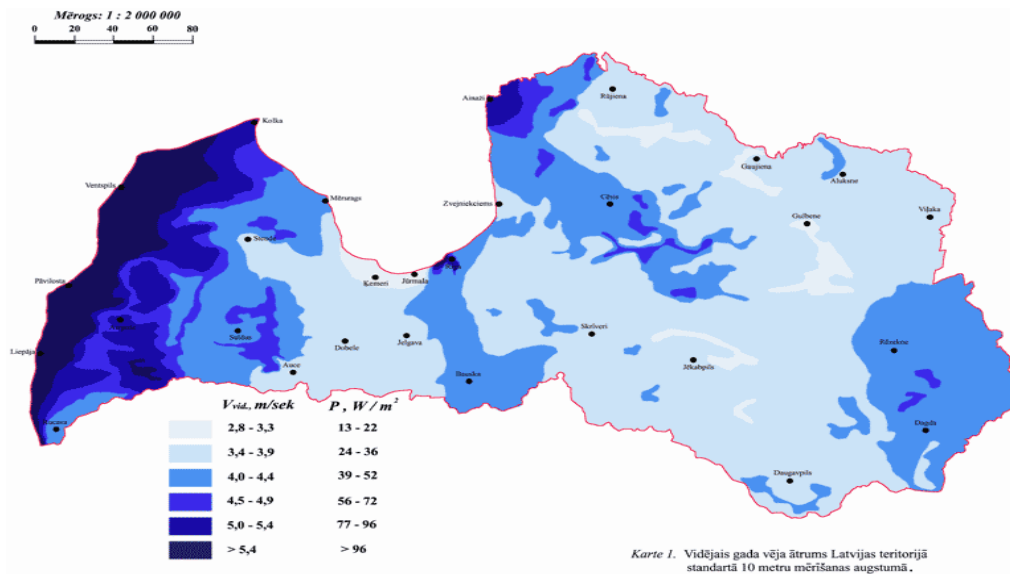


Figure 9: Average speed of Wind in Latvia on the altitude 10m ([www.windenergy.lv](http://www.windenergy.lv))

### Summary and Conclusion

The purpose of this research paper was to reveal the practical aspects of the research, aimed at serving its overall aim – to confirm the hypothesis that value innovation can serve as a possible driver of company growth as well as innovative businesses and new industrial technologies can be a factor of regional economics stability in a recession time. For this purpose, quantitative and qualitative data gained from the interview and questionnaires are described and presented in tabular and graphical form. On the basis of mentioned above, the results are summarized and the answers are interpreted and analysed. As a result, Critical Success Factors of each industry was defined and assessed in terms of the level of its current and desired performance, the Strategy Canvas representing the existing Industries Value Curves and a New Value Curves designated for particular companies were designed. In addition, the necessary factors alteration was defined with the aim of pushing simulations pursuit of optimizing cost structure and enhancing the value proposition. In other words, the direction of the Blue Ocean Strategy for explored companies was elaborated and graphically represented.

In addition, after analyzing all three strategic options proposed by the Delta Model Triangle, the Total Customer Solution is considered to be the most appropriate strategic option for all explored companies as it supports the idea of the Value Innovation in search of the Blue Ocean strategy and conclusions gained from three research cases - developing customization by reducing complexity and rigidity of products offered and creating less complex and more useful products for cheaper prices. It means that Strategy of Blue Ocean would allow companies to get its strong positions on the market, and to increase the value of goods and services in current industry for the customer, and to create its own unique position on uncontested market space.

When it comes to limitation of this research taking into consideration research time restrictions, no detailed strategic agenda (Hax and Wilde, 2002) were duly elaborated which is vital important. As well as we well know that beautiful the strategy we should occasionally look at the results. Regarding future research on this matter it should be mentioned the following. Significance of distinctive (core) competencies of corporation in creation of sustained competitive advantages using Resource-based strategy framework realizing Hybrid strategies, Delta model framework or Blue Ocean Strategy Framework should be analyzed and certainly be considered as a subject (basic unit) for the future researches. Finally, new

conceptual model would be elaborated to make a choice of appropriate of strategic management frameworks for SME's and for particular industries in economic recession time.

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