Chapter 9

CASE STUDIES OF SUCCESSFUL COMPANIES AND LESSONS FOR PUBLIC POLICY

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Abstract. The success of individual firms can illustrate lessons learned from economy-wide research on how public policy and private company policy affect the development of the services sector. This review of some 14 case studies of large international services firms shows that three factors are common to their success: *(1)* Many successful services companies examined owe their existence and success to the opening up of markets; *(2)* The opening up of markets enabled new entrants to take another step towards success, namely innovation. Such innovation — either in terms of processes or products — helps firms to differentiate themselves from other, often more traditional, firms. The strong focus on innovation is often associated with an important role of venture or risk capital. In many cases, successful services firms were also pioneers in introducing information and communication technology (ICT) and developing other key technology applications; and *(3)* A motivating work organisation. Firm case studies also highlight the importance of factors internal to a firm, notably the organisation of work, entrepreneurial management, the motivation of workers, and the company culture. These factors differ considerably across firms, but may include the decentralisation of responsibilities and flat hierarchies, compensation according to performance or compensation aimed at achieving worker loyalty (*e.g.* through profit sharing or stock options). Public policies related to innovation, ICT or work organisation, are important for company success in many cases, but almost always in a context of open and contestable markets.

Introduction

The primary aim of this chapter is to provide illustrations of good or successful performance in the service sector at the company level. It consists of case studies of 14 companies[1] which have been

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The views presented in this paper are those of the author and do not necessarily reflect those of the OECD or of the governments of its member countries. The full version of this paper, including individual company case studies, will be published separately as a DSTI Working Paper.

1. Descriptions of the individual company cases are included in the above-mentioned DSTI Working Paper, which will be published separately.

particularly successful, and a discussion of the policy context in which their success has emerged. Definition of success and the selection of the cases are discussed in the second section. As such, this chapter aims firstly to weave a story line around the insights and findings gained from the analytically more rigorous research at the sector and economy level, which is summarised in the Ministerial Synthesis Paper. It tries to articulate "real world" examples of how policy initiatives and framework conditions are related to company-level outcomes in the services sector. In the second place, this chapter seeks to identify gaps in the knowledge regarding how economy-wide policy and other variables interact with those company-level decisions and outcomes.

However, this chapter does not attempt to illustrate all possible types of company case experience. Not only is there usually no more than one example per each major service sub-sector under consideration, but all of the case examples are large companies (with more than 1 000 employees), if not global giants (see Table 9.1). While it may be desirable to complement this paper with a separate study of lessons from the experience of small or medium-sized enterprises, this would certainly require a different methodology and a large sample of companies under each sub-sector.

Table 9.1. **Coverage of service sub-sectors and size classes by the case studies**

ISIC Rev3	Sub-sector	SME E<1K(1)	Large 1K≤E<10K	Very Large 10K≤E
52	Retail trade		√	√
55	Hotels and restaurants		√	√
62	Air transport		√	√
64	Post and telecommunications			√
65-67	Financial intermediation			√
72	Computer-related activities		√	
92	Recreational and cultural services		√	

Note: 1. E = Employment. K: thousand.

The second section explains the definitions of success taken into account and the selection of company cases. The third section identifies the range of drivers contributing to success at the company level, among selected service industry sectors. The penultimate section distils a number of common characteristics of all services firms studied. Finally, the last section identifies some gaps in the knowledge and suggests possible directions for further work.[2]

Methodology

A key characteristic of the company studies reported in this paper is that they are entirely based on public information published either in written form or on the Internet. Essentially there has been no contact with the companies in preparing this report.[3] The sources of information are detailed in Annex 9.A1. They include information published by the company being reviewed, such as annual financial reports and other company profile type material that can be found on company Web sites.

2. A separate paper reports on findings from some 15 company case studies from Japan (OECD, 2004a). The Japanese cases differ from the ones reviewed here in two major respects. First, they are mostly smaller in size. Second, they are, almost without exception, companies that are oriented towards the domestic market.

3. The only exception to this was a communication with SAP to ascertain whether the company had benefited from any venture capital funding at its inception. The reply was negative.

They also include business-school-type case study material published by third-party analysts as well as information that has appeared in the press.

Companies included in the sample are characterised by one or more of the following:

- *Relevance of their experience for public policy.* The availability of identifiable external and internal drivers of success – especially the former which enable inferences on the impact of public policy. Nearly all companies selected have been strongly affected by a public policy shift in a major way at some point. There are however some exceptions. The case of JetBlue has been added as it illustrates how a new growth industry (low-cost airlines) continues to evolve after the impacts of initial policy interventions that have paved the way for it have worked their way through the sector.
- *Rapid growth in revenues.*[4] All but one in the sample have revenue growth rate above 10% per year over periods ranging from a few years to a decade or two. Two-thirds have growth rates above 20% per year. The retail sector is an exception characterised by lower growth in general (see Table 9.2).
- *Being one of the global market leaders or contenders by size.*
- *Significant international presence* (except in the case of air transportation, where global markets are not there yet).

Table 9.2. **Growth of revenue**

	Period of rapid growth	Number of years	Growth rate (% per year)	In this period revenues were multiplied by:
Airlines				
Southwest Airlines	1990-2003	13	12.8	5
easyJet	1997-2003	6	65.1	20
JetBlue	2000-2003	3	109.7	9
Retail				
Tesco	1993-2004	11	13.6	4
Carrefour	1994-2003	9	14.5	3
Others				
Accor	1995-2001	6	7.3	2
Amex				
AXA	1990-2002	12	21.9	11
eBay	1998-2004	6	83.0	38
Endemol	1995-2004	8	23.2	5
FedEx	1983-2004	21	16.5	25
SAP	1990-2001	11	35.7	29
Starbucks	1994-2004	10	33.3	18
Vodafone	1989-2003	15	43.3	221

Source: Company reports.

4. Profitability would also have been useful as a criterion. However, economic profitability is not easy to ascertain from a reading of balance sheets only and requires more in-depth analysis. This has not been attempted, although most of the companies under review, if not all, have above sector-average profitability. Some are famous for their continuous profitability (*e.g.* Southwest Airlines). None is known as a heavy loss maker.

Table 9.3 summarises which criteria are applicable to which company. Success is always associated with a given time period, which is indicated – no company can be successful forever.

Table 9.3. **The success**

	Founded; Quoted in stock market	Period of success	Reasons behind selection			
			Revenues heavily international?	Global market-leader or contender?	Sustained rapid growth?	Public policy key factor in success?[1]
Airlines						
Southwest Airlines	1967; Yes	1973-2004			Yes	Yes
easyJet	1995; 1998	1997-2004			Yes	Yes
JetBlue	1998; 2002	2000-2003			Yes	
Retail						
Tesco	1924; 1947	1993-2004		Yes	Yes	Yes
Carrefour	1960; 1970	1994-2003	Yes	Yes	Yes	Yes
Others						
Accor	1967; 1983	1970s, 1995-2001	Yes	Yes		
Amex	1850; Yes	1890s, 1920s-1930s, 1945-1960, 1990s	Yes	Yes	In periods	Yes (1990s)
AXA	1982; Yes	1990-2000	Yes	Yes	Yes	Yes
eBay	1995; 1998	1998-2004	Yes	Yes	Yes	Yes
Endemol	1994; 1996	1995-2004	Yes		Yes	Yes
FedEx	1973; 1978	Late 1970-2004		Yes	Yes	Yes
SAP	1972; 1988	1980s-2003	Yes	Yes	Yes	Yes
Starbucks	1979; 1992	1987-2004			Yes	
Vodafone	1982; 1988	1983-2003	Yes	Yes	Yes	Yes

Note: 1. See factors listed in the next section of this chapter.

Source: Company reports.

Although this chapter is essentially of an anecdotal nature, given the large size of some of the companies studied, or their unquestionably interesting experiences, it is argued that the case studies represent a sample which, if not statistically representative, nevertheless provides significant illustrations of the experience of successful service enterprises. For instance the three airlines studied are today, by and large, among the handful of private air transportation companies that are growing and making a profit without benefiting from significant government subsidies or protection. SAP is by and large the only company of European origins and shareholding amongst the top ten largest software companies in the world. Among the large global issuers of credit cards, American Express is the only one that is a true for-profit company on its own, Visa and MasterCard being “membership corporations” jointly held by a number of other financial services enterprises which are otherwise in competition with one another. Besides, Amex is a rare example of a venerable financial services company that has managed to remain up to date and profitable. The sample also includes two of the world’s top three largest retailers.[5] Vodafone is the largest company in its sector, and eBay by and large invented its sector.

5. The largest one, Wal-Mart, has not been included, as the experiences of Carrefour and Tesco are found to be more relevant to a consideration of policy factors.

In general this chapter represents a study of policy and company-level determinants that played a key role in the making of companies that have achieved global success through rapid growth and/or maintaining a global leadership position. Table 9.4 summarises the general characteristics of the companies, including their position in various rankings published by the business media.

Table 9.4. **General characteristics of the companies studied**

		Size				**Geography**	**Rankings**			
							Fortune (Revenues)		*FT* (Market capitalisation)	
	HQ in	Revenues 2003 (EUR billions)	% from abroad	Employees 2003 (thousands)	% abroad	(G)lobal[1] (R)egional (N)ational	Global 500 2003	US 1000 2003	Global 500 2002	Europe 500 2002
Airlines										
Southwest Airlines	United States	5.2	0	32.8	0	N		310	300	
easyJet	United Kingdom	1.3		3.4		R				444
JetBlue	United States	0.9	0	5.6	0	N				
Retail										
Tesco	United Kingdom	44.5	20	223.3	32	G	59		182	62
Carrefour	France	70.5	**50**	419.0	**66**	G	22		128	47
Others										
Accor	France	6.8	**66**	158.0	**82**	G				182
Amex	United States	22.9		78.2	47	G	183	69	67	
AXA	France	71.6	**79**	117.1	**73** [3]	G	31		101	38
eBay	United States	1.9	**54**	5.7		G		673	281	
Endemol	Netherlands	1.1	**>50**	3.3		G				
FedEx	United States	19.9	23	245.0		G	221	82	252	
SAP	Germany	7.0	**76**	29.6	**56**	G			73	26
Starbucks	United States	3.6	15	74.0	27	G		425		
Vodafone	United Kingdom	48.5	**89**[2]	66.7	**85**	G	49		17	4
Totals		320.8		1 461.8						

Notes: 1. “Global” denotes more than 5% of revenues from at least two of the following: Asia-Pacific, Europe, Western Hemisphere, “Regional” in only one.

2. Share of registered customers outside the United Kingdom.

3. Share in insurance business only (59 431 employees in 2003). Excludes international insurance, asset management, services group, etc.

FT: *Financial Times*

Source: Company reports. *Fortune Magazine*, www.fortune.com; *Financial Times*, www.ft.com.

In terms of geographical origin of the company or the present location of its headquarters, the case studies covered in this chapter are associated with a small number of countries (France, Germany, Netherlands, United Kingdom and United States).[6] However, all but two case studies have significant commercial presence outside their home country, and about half of them derive the majority of their revenues and/or have the majority of their workforce outside that country (see Table 9.4.) Some of these companies clearly have a global reach, which means that they are strongly affected by public policy making in a large number of countries and their company-level decisions can in turn have a strong local impact in a wide range of countries. Thus the sample of companies reviewed, however small, bears lessons that are of interest to the majority of, if not all countries in the OECD area.

Overview of factors most closely associated with success at company level

This section summarises the findings of the case studies regarding the factors of success found in each company. It is based on a combination of objective information and normative judgements on the factors driving success, as reported by the company in question and/or commentators in published work. Most of the information is obtained from other case studies written on the companies included in this study (see Annex 9.A1 for references). The range of determinants variously attributed to the success of the companies in our sample include the following:

- **Factors strongly shaped by policy**
  - Openness to foreign direct investment (FDI) and foreign competition.
  - Regulatory quality and reform, including, *e.g.*:
    - Reducing barriers to entry.
    - Regulation establishing social, environmental or security standards.
  - Significant investment in research and development (R&D) and/or reliance on intellectual property right (IPR) enforcement.
  - Access to risk capital (venture capital or private capital).
  - Participation in industry clusters/networks.
- **Factors mostly shaped by company management, and frequently mentioned in the case studies**
  - Corporate culture; work organisation; entrepreneurial management.
  - Emphasis on innovation.
  - Successful application of information and communication technology (ICT).
  - Acquisition-driven expansion.

6. The nationality of modern multinationals is an attribute which cannot always be determined except in a purely legal sense. For instance, Accor as a parent company is headquartered in France and may indeed be considered as a "French company" by many. However, not only that the company derives the majority of its revenues from outside of France, but also the majority of its shareholders are reported to be non-French. One could maintain that its management board includes a majority of French-sounding names. However, no attempt has been made to check the nationalities held by the board members.

Policy factors are singled out for the purposes of this study, as it is primarily addressed to public policy makers. But it should be borne in mind that in reality many of the individual parameters require a combination of public policy making and private action. For example, public policy can establish a framework which encourages the growth of venture capital industry. But it is the private sector which mostly develops the venture capital industry.

There are other determinants of business success which can be strongly affected by policy, and frequently highlighted in OECD analyses, but peripherally mentioned in business analyses, often without objectively verifiable data. These are not discussed in detail in this chapter:

- Availability of educated labour.
- Training.
- Flexible labour markets.

Table 9.5 displays, in a comparative mode, the key common elements by policy area or company practice type. The following initial findings emerge.

Table 9.5. **Drivers of success in individual companies**

		Southwest Airlines	easyJet	JetBlue
Factors strongly shaped by public policy:	**Openness to FDI**			
	Regulatory quality and reform	Major - Airline Deregulation Act (1978); Trust in e-commerce	Major - Deregulation of passenger air transportation in Europe (1992, 1997)	Trust in ecommerce; *(De-regulation does not explain JetBlue's relative success)*
	R&D and/or IPR enforcement significant			
	Access to risk capital	Major - Significant financing from private investors	Major - Significant financing from private investors	Major - Venture capital
	Industry clusters / networks			
Factors mostly shaped by company management:	**Corporate culture; work organisation**	Significant use of profit-sharing and stock options. “Friendly” image.	Emphasis on flat hierarchy. “Friendly” image attracts customers	Large use of stock options. “Cool” image attracts worker loyalty
	Emphasis on innovation	Major	Major	Major – Improving the no-frills model towards “low cost + high quality + flight with entertainment”
	Successful application of ICT	Major- Enabling innovations in online booking, ticket-less travel, etc.	Major – reservations by ICT only (including telephone)	Major - Reservation and ticketing system considered to be “the most simple”
	Acquisition-driven expansion		Some	
	Other		All activity other than management outsourced/contracted out	Emphasis on client feedback

Table 9.5. **Drivers of success in individual companies** (continued)

		Tesco	**Carrefour**	**Accor**
Factors strongly shaped by public policy:	**Openness to FDI**	Major - FDI driven foreign competition in the UK market. Major FDI abroad	Major - Openness to FDI-driven competition and/or takeover acted as stimulus (1990s). Major FDI abroad	Major - FDI-driven international competition provides stimulus at home. Major FDI abroad
	Regulatory quality and reform	Major - De-regulation of pricing (1960s) and sector boundaries (1990s), flexible employment	Relative liberalisation of pricing and discounting (1986); Protection of small-scale retail	
	R&D and/or IPR enforcement significant			
	Access to risk capital			
	Industry clusters / networks			
Factors mostly shaped by company management:	**Corporate culture; work organisation**	*Profit sharing with employees*	Decentralised management and large autonomy of national units	
	Emphasis on innovation	Major - Customer fidelity cards; pioneering expansion to non-food; new store formats		Major - Pioneer in mid-market hotel sector in Europe
	Successful application of ICT	Increasing reliance on ICT-based efficiency improvements (after 1990s)		Major - Benefited from centralised reservations (1980s); online services (1990s)
	Acquisition-driven expansion	Some	Major - Doubling of sales from 1999 to 2000 with the acquisition of Promodes	Major
	Other			

		American Express	**AXA**	**eBay**
Factors strongly shaped by public policy:	**Openness to FDI**	Major	Major - Affected by openness to FDI abroad - hurt by FDI limits in China, etc.	
	Regulatory quality and reform	Major – De-regulation of financial services in the developed economies	Major - Privatisation and liberalisation of pension funds	Major - Dependent on privacy, security and consumer protection on the Internet
	R&D and/or IPR enforcement significant			Patenting of business methods is a relevant issue for the company
	Access to risk capital			Major -Venture capital
	Industry clusters / networks			Major - Silicon Valley (but not a direct result of a single government programme)
Factors mostly shaped by company management:	**Corporate culture; work organisation**		Regionalised management (key for acquisitions)	Significant use of stock options; Decentralised management of international sites
	Emphasis on innovation	Major – Travellers cheques; first to widely commercialise a general purpose credit card		Pioneer in moving auctioning into the electronic environment
	Successful application of ICT	Major		Major - Simple, easy to use ICT applications
	Acquisition-driven expansion	In some periods of its long history; Divestments significant in other periods	Major	
	Other	Pioneer in offshore outsourcing transaction processing etc.; Open to creative destruction of core business to innovate	Back-office outsourced to India; High norms of corporate governance have to be maintained	Importance of scale economies; thus first-mover advantage.

Table 9.5. **Drivers of success in individual companies** (continued)

		Endemol	Federal Express	SAP
Factors strongly shaped by public policy:	Openness to FDI	Major - Dependent on openness to FDI abroad		Major - Founders are all former IBM employees in Germany. Current expansion with FDI
	Regulatory quality and reform	Major - Relaxation of European rules regulating sales of foreign programming (late 1980s)	Major - Deregulation of air cargo (US, 1977) and trucking (1980)	
	R&D and/or IPR enforcement significant	Major - Heavily dependent on effective IPR protection of its innovative programme concepts		Major reliance on R&D
	Access to risk capital		Major - Access to venture capital was crucial in early, loss-making years	
	Industry clusters / networks	Major (Hilversum, Holland)		Initial growth took place within the Walldorf industrial park
Factors mostly shaped by company management:	Corporate culture; work organisation	Emphasis on "flat" hierarchy and entrepreneurial company "culture"		Idea labs where employees experiment with software development
	Emphasis on innovation	Interactive TV	Major - Developed the hub-and-spoke model for the air cargo industry	Major – Pioneer of integrated enterprise software; software handling a variety of languages, currencies, etc.; development of client software concept, running on a variety of computers from different vendors
	Successful application of ICT	Internet used heavily in media marketing.	Major - Pioneer in developing digital tracking, or Internet sales	
	Acquisition-driven expansion	Major		Major - In ensuring presence in emerging technologies
	Other	Non-core activities heavily outsourced. Widespread use of English in home base – Holland		The company remains majority privately-owned - thought to facilitate long-term strategies

		Starbucks	Vodafone
Factors strongly shaped by public policy:	Openness to FDI	Major - Affected by openness to FDI abroad	Major - Significant FDI abroad
	Regulatory quality and reform		Major - Privatisation and de-regulation of telecommunications; competition policy
	R&D and/or IPR enforcement significant		
	Access to risk capital	Major	
	Industry clusters / networks		
Factors mostly shaped by company management:	Corporate culture; work organisation	Efficiency wages, stock options	
	Emphasis on innovation	Major	Major
	Successful application of ICT		Major
	Acquisition-driven expansion		Major
	Other		

Factors strongly shaped by public policy

Openness to foreign direct investment and foreign competition

Of all the case studies reviewed, foreign competition in the home market, even as a potential threat, is one of the most widely cited factors that has determined company strategy in the case of Carrefour. Carrefour is considered to have embarked on a massive expansion (with the acquisition of Promodes in 1999) to gain critical size and improve its productivity in order to avoid a hostile takeover by the Wal-Mart, the world's largest retailer, following the latter's initial moves to expand in the European market (*e.g.* in Germany and the United Kingdom).

Other companies that have clearly been challenged by international competition in their home base include Tesco in the same retail sector, and Accor in hotels.

The case of SAP, the founders of which have all worked in IBM Germany, offers an indirect, but perhaps no less consequential example on the spill over effects of international investment and international competition on the host country's entrepreneurial and technological climate.

While the impact of international competition in the home market may be a key factor for a small sample of cases, the openness of other markets to FDI has played a key role in the making off at least half of the success cases surveyed. For some, its importance cannot be exaggerated. Vodafone, AXA and Accor would have been a shadow of what they are now without being able to operate in a large number of countries. The high degree of globalisation is also reflected in the shareholding structure of many of the companies studied, for example in Accor where international institutional investors dominate. Many other success cases also earn the majority of their revenues, or have the majority of their workers, outside the country of their headquarters. These include Carrefour and SAP (and most likely Endemol, for which precise data have not been found). EBay, a start up of the late 1990s, has recently joined their ranks.

De-regulation, regulation, regulatory quality and reform

De-regulation

Very few of the successful service sector companies reviewed in this study seem not to owe a large part of their success to some seminal de-regulation act. Indeed, for some, such as the airline case studies, but also FedEx in air courier services, the removal of formal entry barriers was the sine qua non of the existence of the company in question. De-regulation also made possible the entry of firms in a range of very different sectors, from AXA (privatisation and liberalisation of pension funds) to Endemol (relaxation of European rules regarding sale of foreign TV programming) to Vodafone (privatisation and de-regulation of telecommunications). All large-scale retail enterprises, including the Carrefour and Tesco cases here, have benefited from the partial or complete liberalisation of pricing, or sector boundaries or relaxation of constraints on urban and sub-urban spatial use, which took place in the United Kingdom from the 1960s on, and on Continental Europe from the 1980s on. De-regulation of financial services has provided a major impetus to American Express from 1980s onward.

Regulation, re-regulation, self-regulation

Establishing a helpful regulatory framework, including new regulations or self-regulation, can also be a key component driving the success of new or fast growing enterprises. To the extent that the success of low-cost airlines was dependent on the uptake and growth of online reservations, e-ticketing or other ICT-based innovations, this required the rapid growth of the Internet underpinned by liberalisation and competition in network communications, as well as growing trust and confidence on e-commerce. A host of legal and institutional reforms and update of regulation, including self-regulation, were also crucial in reinforcing the security, fraud prevention and privacy protection on the Internet. EBay's success too is closely linked to this phenomenon. Financial services is one of the most heavily regulated industries, in the sense of frequency and detail of surveillance maintained on the companies by regulatory authorities. Though this does not explain Amex's success in comparison to other financial services companies, the predominance of companies from English-speaking countries in the international financial services may in some measure reflect the early lead of these countries in establishing adequate prudential regulations.

Investment in R&D and IPR protection

Only one of the companies in the sample selected for this study is known as a heavy investor in R&D, namely SAP, for which R&D expenditure was 9.5% of revenues in 2002 (OECD, 2004b). But no references have been found suggesting that IPR enforcement has been a major problem or opportunity for SAP. It is likely that much of SAP's intellectual property (IP) is kept undisclosed and the issue is highly linked to the ongoing controversy concerning the patenting of software and business methods.

The only company in the sample that publicly places a heavy emphasis on IPR enforcement is Endemol, whose global locations are correlated with countries with strong copyright protection.

The other ICT-related company in the sample, eBay, seems not to have patented its principal technologies (Fromartz, 2002). There are some IPR issues signalled concerning the products sold on eBay, but this is not a factor that is likely to affect eBay's performance as such in a major way. However, the controversy surrounding the patenting of business methods is clearly a relevant issue for eBay.

The relative absence of significant reference to R&D and IPR issues in the context of the companies studied may in part reflect the difficulty of defining and measuring R&D in services, which is often concentrated in organisational capabilities, management and the application of technology. Combined with the absence of patent protection for the types of innovation most relevant in services, such as business methods or software, this results in a relative non-emphasis on R&D in services.

Access to risk capital

Risk capital is a crucial ingredient in investments that are highly dependent on new technology development and thus subject to high risk and/or require large upfront investments. Few of the companies studied here engaged in the development of new technologies in the narrow sense. One of the few that actually is a technology firm, namely SAP, has had no use of venture capital at its inception.[7] On the other hand, and not surprisingly, venture capital investment was a key ingredient in transforming eBay from an idea into a major business.

The other major type of activity that was clearly and heavily assisted by venture funding in our sample of companies concerns air transportation – both passenger and parcel – which requires large upfront investments. All of the three low-cost passenger airlines studied have had recourse to one type or another of risk financing from private capital (Southwest and easyJet), or venture capital funds (JetBlue). The same is true for the other company which is in the business of flying aircraft, for package delivery (FedEx).

Including Starbucks, which was able to tap into the local venture capital market of Seattle in northwest United States, six of our case studies owe part of their emergence to venture capital.

Just as access to capital at birth is crucial, the availability of exits is often cited as a key element in fostering entrepreneurship. The entrepreneurs who founded the US-based low-cost airlines have been able to build and sell some of their early innovative ventures to larger airlines, some through IPOs, such as in the case of Southwest Airlines. Endemol, the Netherlands-based TV programme producer has also been subject to a friendly takeover, by Telefonica in 2001. The company's success clearly continued after the takeover.

Promotion of industry clusters/networks

Only three of the case studies under consideration were associated with what can be described as an industry cluster. EBay clearly emerged in the middle of the world's most significant ICT cluster, the Silicon Valley, whereas SAP in its formative years was based at the Walldorf industrial park in the vicinity of Heidelberg and its academic institutions. This lends some illustration to the argument that physical or virtual networks fostering close university-research-industry cooperation help breed innovative companies, and extends it to the services sector.

However, if clusters are understood as geographical concentrations of production which are also in the vicinity of centres of academic and research excellence, most companies reviewed in this study are unconcerned with them. Indeed, network industries such as transportation, or telecommunications, or proximity services such as retailing, hotels or restaurants by definition have to spread their production (of service) geographically. There are exceptions. The headquarters of Endemol, which could also be considered as a network industry, is physically located in Hilversum, which is where public TV and radio broadcasting has begun in the Netherlands and is now home to a significant concentration of film industries.

Factors mostly shaped by company management

The factors discussed above are largely shaped by public policy, though the private sector is expected to play a key role in the development of some, such as access to venture capital, within the right sort of framework established by public policy. There is however another set of factors that are most commonly cited as determinants of success at the enterprise level. These factors are largely

7. Confirmation of SAP via e-mail communication from SAP's own venture capital department that finances technology ventures elsewhere.

shaped by the decisions of company managers. For the purposes of this analysis the most frequently cited internal factors are grouped under four major headings, including:

- The internal organisation of work and motivation of workers.
- Emphasis on innovation creating value for the customer of the service.
- Successful application of ICTs.
- Heavy use of acquisitions.

Work organisation, motivation and company "culture"

Nearly every case study written on a successful company, including the ones reviewed here in the services, places a strong accent on a host of highly interrelated characteristics which are variously described as "firm organisation", "work organisation", "entrepreneurial management", "employee motivation", "company values", etc. These, together with more tangible parameters such as the structure of employee compensation, or more intangible expressions such as "entrepreneurship", "creativity", or simply "company culture", mark much of the literature that companies make available about themselves or business school analysts prepare on them.[8] Despite the great difficulty of measuring most of these concepts, a number of implications do emerge from the case studies reviewed that there is indeed some sort of an "x-efficiency" factor which links how a company conceives and views itself and how it makes that view permeate its entire structure on the one hand, and how it succeeds in its competition and cooperation with the rest of the business world on the other. The main illustrations of this "x-factor" are as follows.

Company architecture

All other things being equal, *decentralisation* would reduce economies of scale. Nevertheless, a number of companies do seem to have made decentralised management a key element of their strategy to penetrate local markets. These range from the "brick and mortar" Carrefour, which relies significantly on local staff in middle and high management, tailoring a bewildering variety of goods to the needs of the local consumer tastes, to the cyber retailer eBay which has to build its local sites under highly different legal and institutional frameworks. Also, much of AXA's management power seems to have been concentrated on a regional level around the world.

A number of companies maintain that their inception or continuing success is closely associated with a *"flat" company hierarchy* where responsibilities and decision making are broadly distributed and employees share in a sense of "ownership" of company values. Indeed, this aspect may well be a necessary condition for obtaining the kind of highly versatile and flexible worker commitment in a company like easyJet that set out to beat large full service carriers with their more bureaucratic management and highly stratified internal division of labour. Endemol emphasises flat management as a *sine quo non* of being able to concentrate on core business, *i.e.* creating interesting content. SAP claims that their "idea labs" assist the creativity of their software writers.

8. Sometimes this set of issues is captured under the term "organisational change", which may be misleading to some. After all, it is not the "change" part which is important, but getting the outcome right. For a discussion at the economy-wide level, see Murphy (2002).

Elements of employee compensation

Some companies do provide tangible evidence that they are indeed prepared to pay better to attract “better workers”. Both JetBlue and Starbucks maintain that they pay *efficiency wages*. In addition, Starbucks strengthens its “cool” and advanced image by providing, in the United States, full health insurance to any employee working more than twenty hours a week – which is not a statutory requirement in a US context.

A number of companies practice more ambitious elements of a compensation strategy aimed at greater worker loyalty/motivation, including *profit sharing* (Southwest, Tesco) and *stock options* (eBay, JetBlue, Southwest, Starbucks). While there has been much public policy discussion regarding the merits of stock options, it remains to be seen whether this is a company practice that delivers results in “good times” only, and how it will be affected by changes in its tax treatment.

“Company culture”

The self-image of a company and how successfully it is broadcast to the rest of the world can affect company performance. JetBlue seems to have placed a strong emphasis on its “cool” image, which was supported by a quality of service superior to other low-cost carriers. This is thought to have provided an attraction both to workers and customers. Whereas, easyJet strives to obtain a similar effect with a more relaxed, “friendly”, image. Tesco proclaims a self-image that is friendly to older and more experienced workers, which are considered to be more amenable to a customer-centred service. It reaps benefits in the forme of a below sector-average worker turnover rate.

An “entrepreneurial culture” is harder to define, but perhaps not as difficult to measure in comparison to established players, or “losers” in the same markets. Evidence for some form of it can be found in close to half of the cases reviewed, including all three airlines, eBay, Endemol, FedEx – at least originally, and Starbucks. None of these companies would have succeeded without the daring entrepreneurship with which they launched into uncharted business territories and built profitable ventures in new types of activities where there was no market leader to copy. But the entrepreneurial success characterisation is much less applicable for some of the larger case studies, such as Carrefour and AXA with their de-centralised word-wide management, or for that matter, American Express.

While each specific determinant reviewed in this section may be emphasised in some companies and not others, overall, the majority of companies reviewed place a high emphasis on this constellation of factors. Notwithstanding, the traditional internal determinants of business success such as the importance of building an effective management team remain absolutely valid. But there is some evidence that successful companies also tended to be the ones that have generated, one way or another, a level of employee motivation that is superior to their competitors’.

Innovation

A clear and large majority of company cases reviewed have built their relative success on the basis of either new or significantly altered services or new ways of producing them.[9] It should be noted that the assessment made here in terms of *(a)* whether innovation was significant in a given

9. See the final section below regarding ongoing methodological work to improve the measurement of both R&D and innovation in services.

company, and *(b)* if so, what types of innovation it has consisted of, essentially reflects an interpretation. A few general trends are highlighted here.

Concerning air transportation, there is no doubt that Southwest is considered to be a success case built on innovation, within the context of the US market which itself was the pioneer country of low-cost air transportation. The case of easyJet represents by and large a repetition/emulation of the Southwest experience in the European context, with a stronger cross-border dimension. Whereas the case of JetBlue illustrates how an additional success story was built on complementary innovations (such as combining entertainment with flight, or inventing the "low-cost business class" variety). Only these additional innovations are credited to JetBlue as the others were already "innovated" and do not explain JetBlue's success relative to Southwest.

Whereas much of the traditional measurement and policy formulation on innovation focuses on technological innovation, in the services sector managerial (or process) innovations played a key role. They were often accompanied with technological innovations. But the former did not always depend on the latter.

The key innovations of the airline industry illustrate this:

- "No-frills" low-cost in-flight services.
- Avoidance of connecting flights, reduced ground staff and less time lost on the tarmac.
- Fleet maintenance efficiencies from the use of a single type of aircraft.
- Use of secondary airports.

None of these required a new technology. At the same time low-cost airlines also pioneered some of the technological innovations in air transportation (see below for ICTs). But the two sets of innovations were partly independent from one another.

Non-technological innovations played a key role in the retail sector as well:

- Experimentation with different store formats and size (*e.g.* Tesco's move away from traditional supermarkets in two directions – very large hypermarkets, and smaller discount stores).
- Expansion of supermarket activities to areas outside traditional grocery, including financial services, pharmaceuticals, travel services, etc.
- New logistics and warehousing concepts.

The link between technological and managerial innovations may be clearer in the case of the retail industry, with larger store formats or new logistics systems requiring a higher reliance on ICT-based systems for understanding consumer tastes and behaviour or tracking goods.

The available sector case study material on the retail sector suggests that one of the companies reviewed, namely the UK-based Tesco pursued a particularly ambitious strategy in terms of pioneering some of these innovations. There is no doubt that today any large retailer, including the other case study Carrefour, implements any or all of these innovations. But these seem more closely associated with Tesco's success, while Carrefour success was more clearly related to acquisitions.

Some of the other case study examples, such as eBay and FedEx, are innovative in the sense of having virtually invented the type of business they practice. Innovative practices also helped the development of new markets for Endemol (interactive TV) and Starbucks (manufacturing-service combination, coffee retail-café combination).

Successful application of ICTs

Successful development and application of ICT-based technologies are frequently associated with our success stories.

From inception, our *airline* cases pioneered some of the technical innovations that now characterise the industry:

- Avoidance of physical sales points and complete reliance on non-physical reservations (even before making e-commerce fully functioning, easyJet relied largely on reservations by telephone).
- Later, rapid move to e-reservations, e-ticketing, ticket-less travel.

Both the technological and the other innovations have strongly contributed to a lower cost structure and prices in low-cost airlines, their primary determinant of success.

In the *retail* sector innovations with a higher technological content included:

- Customer fidelity card systems, which help build:
  - Databases on customer demand.
  - Electronic tracking of inventories.

Accor was a pioneer in France in developing a centralised reservations system. It relies increasingly on on-line reservations. The early success of *eBay*, whose entire business is ICT, is associated with "easy to use" ICT. The development of interactive TV (associated for instance with TV game shows) is thought to be a key element of *Endemol's* success. Endemol makes heavy use of the Internet for marketing. Federal Express is known as an industry leader in developing digital tracking of cargo and now relies heavily on Internet sales.

Finally, there is the special case of SAP, whose product itself consists of information technology. SAP has been at the forefront of technological innovation, however, combining and strengthening it with other, non-technology-based advantages, such as providing financial management software capable of handling a variety of languages or currencies.

Acquisition-driven expansion

In addition to the usual suspects in the fields of public policy or company strategy, there is an additional factor which emerges as a frequent characteristic of successful service sector companies, namely recourse to a heavily acquisition-driven growth in some stage of their development. For some, the emergence of the company as a well-known brand and a worldwide giant is essentially the result of acquisitions. This is the case for Carrefour (which doubled in size from 1999 to 2000), Accor, AXA, and Vodafone.

Acquisitions in and of themselves do not necessarily represent an efficiency factor and can create complications in the management of the integrated companies. However, acquisitions can also be seen simply as a phenomenon whereby a successful management team expands the amount of resources to which it can apply its superior business model or superior management. While every acquisition may not be successful and some may destroy value, policy frameworks which limit the ability of successful managements to expand their "sway" constrain the re-allocation of resources which is supposed to be vehicle for enhanced productivity at the economy-wide level. Acquisitions also help a company achieve "size" which, with or without scale economies, can be a key element in a direct competition between giant companies vying for market dominance.

There is also some evidence that the explicit or implicit threat of being acquired acts as an incentive to improve. This factor – often vehicled by FDI – has been a strong incentive for Carrefour. It has also affected the strategic behaviour of other companies such as Tesco or Accor.

Finally, we may note the importance of being able to *divest*. For example, Accor had to undergo a period of severe divestment in the late 1990s, following a period of fast growth and diversification into restaurants and packaged vacations, before it could embark on further successful expansion in its core business of hotels.[10] Likewise, being able to exit some segments of its business (such as brokerage, investment banking, life insurance) was a crucial condition for Amex's successful effort to refocus itself on core competencies (credit cards and travel services).

To be sure, acquisitions are not the only important factor in expansion. Very often firms are seen to engage in forceful acquisitions periods in parallel with strong organic growth in production from their existing assets. (This is true for all of the airlines reviewed, as well as Tesco, Accor, AXA, Endemol, SAP and Vodafone during the time periods under consideration.)

Other policy factors not discussed in detail

Availability of educated labour / training

Nearly every company annual report, company profile material, website or case study places a considerable emphasis on the importance of training and human capital in the firm, but mostly in vague terms as a general objective. There was nowhere any information that allowed a comparative assessment of the amount or quality of training.

Flexible labour markets

There is no doubt that labour market flexibility plays a key role in the commercial success of many companies. Most likely, this is especially important in the low-cost airlines, parcel delivery, retail, hotels and restaurants. However, the business analysis surveyed contained no clear assessment of how flexibility, or lack thereof may have affected company performance. The company materials, and the available case studies, most of which are written from a business school perspective, do not make a big issue out of this. Not surprisingly, no company wishes to be known as benefiting from "flexible labour practices".

The case studies do include an interesting contrast concerning the process of wage formation. Southwest Airlines is different from most of the other low-cost carriers in that its workforce has a high level of unionisation (85% in 2004[11]) and is characterised by a lower-than sector average worker

10. For a thorough analysis of the Accor case, see Gomez, Betsy, *et al.*, undated (2003 or 2004), "Accor SA", Cornell University School of Hotel Administration, Center for Hospitality Research: Case Studies, www.hotelschool.cornell.edu/chr/research/casestudies/.

11. See www.southwest.com.

turnover.[12] Southwest also had the lowest rate of layoffs during the recent downturn.[13] Analysts consider that high unionisation has been an important element in Southwest's corporate culture centred on strong worker responsibility, at times delivering considerable flexibility in wages and other work conditions. JetBlue, on the other hand has achieved a similarly flexible and peer-group style work organisation with a very low unionisation rate. Meanwhile, both in Europe and the United States many legacy airlines continue to be characterised by high unionisation and low flexibility in work organisation. All this points towards a conclusion that there is no single blueprint concerning the institutional aspects of work organisation. Companies which have achieved high levels of worker motivation, responsibility and loyalty have succeeded, with or without high unionisation.

Outsourcing

Outsourcing – not necessarily cross-border – of non-core competencies is cited as a key part of company strategy by easyJet, which contracts out everything, including pilots. To a lesser extent, Endemol practices outsourcing as a key element of its strategy to focus as many staff as possible on its core business of creating content.

It is very likely that the giant multinationals in our sample have outsourced/off-shored some or a large part of their call centres, ICT or other business services. Amex and AXA confirm that they have done so in a major way.

Conclusion: The common elements of excellent service firms

Table 9.6 summarises the findings already detailed in Table 9.5. If there is to be a blueprint for success in the modern services segment of the economy, a small number of factors seem to be located at the core of it:

- Open markets and regulatory quality.
- Innovation and a successful application of ICTs.
- Entrepreneurship and company organisation geared towards high worker motivation.

All three emerge as the most frequently encountered factors among the population of firms studied. The three are also correlated. Modern day innovation to some extent relies on enabling ICTs. Also, it is probably pointless to try to innovate in a market where regulatory barriers to entry are significant. There are also significant interactions between different factors.

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12. Beyster Institute, "Southwest Airlines", undated, Rady School, University of California at San Diego, www.beysterinstitute.org/other_resources/InfoLibrary/200403261219PM.html. For a more general overview of Southwest's firm organisation and labour-management relations, see Bunz, Ulla K. and Jeanne D. Maes (1998), "Learning excellence: Southwest Airlines' approach", *Managing Service Quality*, Vol. 8, No. 3, MCB University Press, pp. 163-169.

13. Lowest contraction of workforce between 2003 and 2004 (3%) among the top 10 US airlines. Source: *2004 Fortune 500* online database.

Table 9.6. **Drivers of success (summary of Table 9.5)**

	Factors strongly shaped by public policy					Factors mostly shaped by company management			
	Openness to FDI	Regulatory quality and reform	R&D and/or IPR enforce-ment	Access to risk capital	Industry clusters /networks	Corporate culture; work organisation	Emphasis on innovation	Successful application of ICT	Acquisition-driven expansion
Airlines									
Southwest		√		√		√	√	√	
easyJet		√		√		√	√	√	*Minor*
JetBlue		√		√		√	√	√	
Retail									
Carrefour	√	√				√			√
Tesco	√	√				√	√	√	*Minor*
Others									
Accor	√						√	√	√
Amex	√	√					√	√	*Minor*
AXA	√	√				√			√
eBay		√	√	√	√	√	√	√	
Endemol	√	√	√		√	√	√	√	√
FedEx		√		√			√	√	
SAP	√		√		√	√	√	√	√
Starbucks	√			√		√	√		
Vodafone	√	√					√	√	√

The importance of doing something completely different

Change is not necessarily a good thing in and of itself. At the same time, for a company to either gain market share from an existing dominant player, or to create and supply a market for a new service, it has to do something differently from existing players. Without either a process innovation which helps a company to produce the same service more efficiently, or a product innovation which introduces a differentiated or a completely new service, there is no way a company can improve its performance in a market – provided that market is contested and revenue is not largely derived from protected rents.

This brings forth the importance of innovation in terms of doing something different – something that demarcates a company from others in the market. The point can be illustrated with the following example. FedEx's initial success in the package delivery market is closely associated with the move towards a hub-and-spoke model in the organisation of its air transportation system, at a time much air cargo was carried in the belly of passenger aircraft, which in turn relied heavily on direct flights between urban centres. By developing the hub-and-spoke model, FedEx both obtained efficiency gains and highlighted its difference viz. the other players. In the period following FedEx's achievement, the hub-and-spoke model was largely adapted for passenger air travel as well in the US context. In Europe, with its many national capitals and national "flag careers", international air passenger travel was by default organised around a variety of the hub-and-spoke model.

A decade later Southwest Airlines developed an innovative business model for, this time, passenger air transportation at low cost. One of the key determinants of low-cost in this case is the move away from the hub-and-spoke model, which is associated with large fixed costs and constrained timetables resulting from the need to ensure connecting flights and dealing with passengers with missed connections. Relying exclusively on direct flights saves considerably on the amount of ground staff that need to be maintained, and allows greater flexibility in the time windows that can be used by aircraft for takeoff, thus reducing the amount of time aircraft spend – unused – on the ground. This time the innovation consisted, at least in part, of doing the exact opposite of the innovation previously mentioned.

The implication here is that the impact of innovation on productivity has two components. One component arises from the inherent content of the innovative process or product itself in terms of its technical efficiency with respect to the process or product it is meant to replace. But there is another, perhaps equally important component, namely, doing something new or in a new manner, which enables the entrepreneur to reorganise production in a way that takes account of lessons learned from the prevailing ways of doing business.

Competition-enhancing regulation and innovation

The innovations introduced by low-cost airlines such as Southwest or easyJet, such as electronic ticketing or heavy reliance on electronic reservations were by no means beyond the financial or technical means of large full service carriers. Indeed, the latter could follow suit very quickly when they began to feel the competition of the former. What made the full service carriers followers, rather than leaders in these innovations was a lack of incentive to move to something new, which, however, was very strong among the new competitors.

Similarly, there is no structural reason that prevents full service carriers from introducing – at least on some routes where demand is highly price-elastic (*e.g.* routes to low-cost holiday destinations) competing "no-frills" services of their own. It is worth reflecting why their response in this area has been slow in coming.[14] We may speculate that part of the reason has to do with the fact that low-frills, low-cost air service is associated with a highly entrepreneurial, cavalier management style which would have some difficulty co-existing, even as a unit, within the more bureaucratic management structure of a full service carrier with a business model heavily relying on protected rents. They may have even greater difficulty in obtaining the type of versatile work that the staff in low-cost airlines typically provide, from only one segment of their workforce, while the rest continues with highly specialised tasks. When no-frills flights were launched, first in the United States and later in Europe, most of the established full service carriers belittled them as being against the quality standards of their business. But the low-cost carriers quickly demonstrated that this is what (at least some) customers want.

Thus, de-regulation was a major impetus which made subsequent innovations relevant and useful. As discussed above, the success of individual airlines surveyed was heavily dependent on a host of factors other than de-regulation, in particular internal drivers including an innovative business model and improved staff motivation. However, it is fair to surmise that neither those internal factors, nor the external policy factor of deregulation could alone deliver the success outcome that is observed *ex post*. It is the *juxtaposition* of de-regulation leading to increased competition with innovation that explains most of the success stories reviewed here.

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14. A recent article by Caroline Daniel in the *Financial Times* ("Delta Flies in the Face of Tradition", Business Life section, page 8, 2 February 2005) discusses the difficult transformations underway in one of the "legacy" carriers aimed to emulate some elements of the low-cost business model. Qantas in Australia is a counterexample of "legacy" carrier that has been fighting back the challenge of low-cost carriers with some success. See "Shares in Australian Carrier Virgin Blue Slump After Profit Warning", *The News/wire Stories*, www.afp.fr, 19 January 2005.

The experiences of the 14 companies in diverse service sectors reviewed here suggest that non-technological innovations were key to business success. They were not always necessarily related to technological innovations.

At the same time, the innovative firms almost in all cases also tended to be the ones who applied ICTs successfully. This does not lend support to the argument that ICTs were a key determinant of success in the service sector. But it does lend support to the argument that ICTs become relevant and can be successfully deployed when there is an innovative business model.

Addressing the knowledge gaps and directions for future research

What can public policy makers do with the information presented in this report up to now? One alternative is to dismiss it as a statistically insignificant collection of anecdotes. A second alternative would be to expand upon this type of analysis by conducting case studies with a significantly larger sample size, and from a much wider selection of geographies. If there is a desire to learn from the experience of small and medium-sized enterprises as well, the sample size may need to be very large indeed. On the other hand, in some activities (sectors) a survey of several major firms may give a pretty good idea of the experience of large companies. For example, although the worldwide retail industry consists of millions of enterprises, there exists a separate arena where a much smaller number of multinational firms are in strategic competition with one-another, across-borders, for dominance in the global large-scale retail business. That arena comprises perhaps 25 or 50 companies. A survey of no more than five to ten of them can provide policy makers with robust insights on how policies and other factors relate to success or failure of companies that are engaged in that type of competition.

A third alternative is to use this type of case analysis to inform and guide further work in traditional industry policy analysis. This type of work would essentially consist of trying to interconnect case studies or other types of anecdotal work with the more robust but also more abstract statistical data collection. In the light of this study, several directions are summarised for this type of work:

Measuring innovation

Measuring formal R&D better in the services is a priority. This may include, for example, measuring the importance of market research and other consultancy services purchased by enterprises prior to the launching of new services. The OECD *Frascati Manual* on measuring innovation, which was revised in 2002, provides guidelines on how to measure R&D better in service activities (OECD, 2002).

There is also a need to develop better ways to distinguish technological innovation that can be related to formal R&D from managerial or entrepreneurial innovation. This should provide ways to distinguish the different types of innovation not only in terms of their numbers, but also in terms of their impact on the company performance. In particular, there is a need to articulate the link between managerial or entrepreneurial innovation and the characteristics of the markets in which these take place, especially regarding regulation of entry or other competitive conditions. The OECD *Oslo Manual* on measuring innovation discusses some of the issues involved, but recognises that its recommendations on the measurement of innovation in services "are based on less firm ground than for manufacturing" (OECD, European Commission and Eurostat, 1997).

Risk capital

While there has been a considerable literature emerging on the importance of institutionalised venture capital – with venture capital funds or companies solely dedicated to that purpose – some of the case studies considered suggest that other types of risk capital – supplied by entrepreneurial private capitalists ("business angels") – can play a similar role in the making new and innovative ventures. More work could be conducted to understand cross-country differentials on all forms of funding for start-ups.

Stock options, profit sharing

More case study-level research may be needed to understand how these types of employee motivation tools work in circumstances where stock markets are not subject to continual overall growth, *i.e.* since 2001.

Innovation in industry policy analysis

It would be beneficial to relate firm-level assessments to economy-wide statistical data: for example by establishing the link between the success of large, global companies and the fortunes of smaller enterprises (*e.g.* in the retail sector).

Adapting the culture of industry policy

Traditional industry policy conducted by governments often emphasised the concept of national champions. Even if this approach may appear to be discredited or kept discrete at the official level today, public policy to foster economic performance is still characterised by a bias in favour of technologically sophisticated activities. If there is a wish to device new types of public policy to assist further development of the services sector, there is a need to understand how public policy can be seen to assist or facilitate the development of humble activities such as hotellerie, retail, auctions, TV shows, parcel delivery, café chains, etc.

The uses and limits of advocacy and lobbying

Many companies studied have invested considerable resources in advocacy for de-regulation and other reforms which actually helped *their* success in the markets. The legal battles fought by FedEx or Southwest Airlines and their lobbying efforts to bring about the liberalisation of entry into parcel delivery or air transport businesses are well known.[15] AXA has been a key force building up pressure on China to reduce regulatory obstacles to services trade prior to its WTO accession. At the same time, it is well known that many incumbent businesses too invest considerable resources to defend any product market or other regulations which protect *their* rents derived from monopolistic competition. There is a need to understand whether public policy should *only* seek a neutral understanding of what is "good for the society at large", or whether and how policy can also rely on a type of "competitive advocacy" mechanism to provide checks on monopoly rents. Perhaps public policy does rely on this to

15. For the Fedex case, see SRI International, undated, Global Impacts of Fedex in the New Economy, Chapter 5, www.sri.com/policy/csted/reports/economics/fedex/chapter5.pdf.

a considerable extent already in the current environment where it is fashionable to consult or "involve" the "stakeholders". The question is then to understand the extent to which the policy makers are making use of this in a conscious and systematic way and what they need to do in order to make it function as a factor improving the overall economic performance.

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OECD (2004a), "The Principles of Creation of 'High-Quality Service Companies: Management Reform That Centres on IT", forthcoming.

OECD (2004b), *OECD Information Technology Outlook*, OECD, Paris, Table A.8., p. 313.

OECD, European Commission and Eurostat (1997), *Oslo Manual, The Measurement of Scientific and Technological Activities, Proposed Guidelines for Collecting and Interpreting Technological Innovation Data*, Chapter 1, www.oecd.org/dataoecd/35/61/2367580.pdf, Section 3.1.

ANNEX 9.A1. SOURCES OF INFORMATION

This is not an exhaustive bibliography, but a list of readings selected for executive attention.
Internet links provided below are valid as of 15 February 2005.

GENERAL SOURCES OF INFORMATION ON COMPANIES /SERVICES

Cornell University, School of Hotel Administration, The Center for Hospitality Research
www.hotelschool.cornell.edu/chr/
Case studies on hotel and restaurant business. Free access, requiring pre-registration:
www.hotelschool.cornell.edu/chr/research/casestudies/

CorporateInformation
www.Corporateinformation.com

eCustomer Service World
www.ecsw.com
www.ecustomerserviceworld.com/aboutus.asp

Financial Times Business Reports
http://news.ft.com/reports/special

Global Hospitality Resources Inc.
www.globalhotelnetwork.com

LexisNexis
Database of annual reports and other financial reports on listed companies (paid access)
www.lexisnexis.com

COMPANY-SPECIFIC SOURCES

AIRLINES

Barnum, John W. 1998, “What Prompted Airline Deregulation 20 Years Ago? What Were the Objectives of That Deregulation and How Were They Achieved?”, Presentation to the Aeronautical Law Committee of the Business Law Section of the International Bar Association at its Annual Meeting in Vancouver, B.C. on 15 September 1998, http://articles.corporate.findlaw.com/articles/file/00037/004355

Southwest Airlines
Annual reports and other company information sources:
www.southwest.com/about_swa/
www.southwest.com/about_swa/financials/investor_relations_index.html

Beyster Institute, “The Culture of Employee Ownership at Southwest Airlines”, undated, Rady School, University of California at San Diego, http://beyster.ucsd.edu/other_resources/InfoLibrary/200408301004AM.html.

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Bunz, Ulla K. and Jeanne D. Maes, “Learning excellence: Southwest Airlines’ approach”, *Managing Service Quality*, Volume 8, Number 3, 1998, pp. 163-169, MCB University Press, www.scils.rutgers.edu/~bunz/southwest.pdf

Flynn, Keli, “Southwest Airlines”, in *The Handbook of Texas Online*, the Texas State Historical Association, www.tsha.utexas.edu/handbook/online/articles/view/SS/eps1.html

Jagersma P.K. and Van Gorp D.M. (2004) “Competition in the Airline Industry”, mimeo Nyenrode University, Breukelen, Netherlands, www.nyenrode.nl/download/nic/competitionairlineindustry.pdf

News

Steve, Lott, “Can Airlines Pin Their Woes on Labor Costs Alone?”, *Aviation Daily*, 19 May 2004.

easyJet

Annual reports and other company information sources:
www.easyjet.com
www.easyjet.com/EN/Investor/investorrelations_introduction.html

Biz/ed information site on easyJet, The Joint Information Systems Committee (JISC), UK, www.bized.ac.uk/compfact/easyjet/easyindex.htm

Mayer, Florian, 2003, January, “A Case Study of easyJet and the Airline Industry”, Trinity & All Saints College, University of Leeds.

iTCaseStudies.com, “ntl Helps easyJet Call Centre Success”, www.itcasestudies.com/case/tran10.html.

JetBlue

Annual reports and other company information sources:
www.jetblue.com/learnmore/index.html
www.jetblue.com/ar2003/

Boyens, C., J.-Y. Cha, R. Livneh, F. Pan-Fea, V. Singh and P. E. Vintru, under the direction of J. S. Harrison, “Jet Blue: Flying for Success”, The Centre for Hospitality Research, Cornell University, (Free access, requiring pre-registration) www.hotelschool.cornell.edu/chr/research/casestudies/

MBA Jungle, “JetBlue Case Study: Blue Skies”, www.mbajungle.com/main.cfm?chID=0&schid=0&inc=INC_article.cfm&artid=2014&template=1

Tilson, Whitney, "The Amazing JetBlue", *The Motley Fool*, www.fool.com/news/commentary/2003/commentary030620wt.htm.

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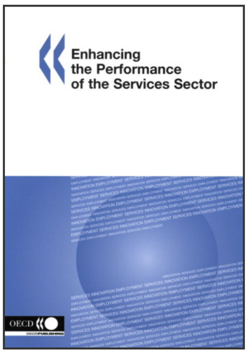

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