

Lock in or locked out?
Public sector contracts and small
to medium sized enterprises
SMEs - pilot study

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Background and rationale

2012 London Olympics: “legacy” promise

1. Increased opportunities for Londoners to become involved in sport
2. Ensure Londoners benefit from **new jobs, business** and volunteering opportunities
3. Transform the heart of East London
4. Deliver a sustainable Games and developing sustainable communities
5. Showcase London as a diverse, creative and welcoming city

(Five-legacy-commitments MOL 2007)



Research focus - **new jobs and business**

Theoretical framework literature summary


Path Dependence and Lock In

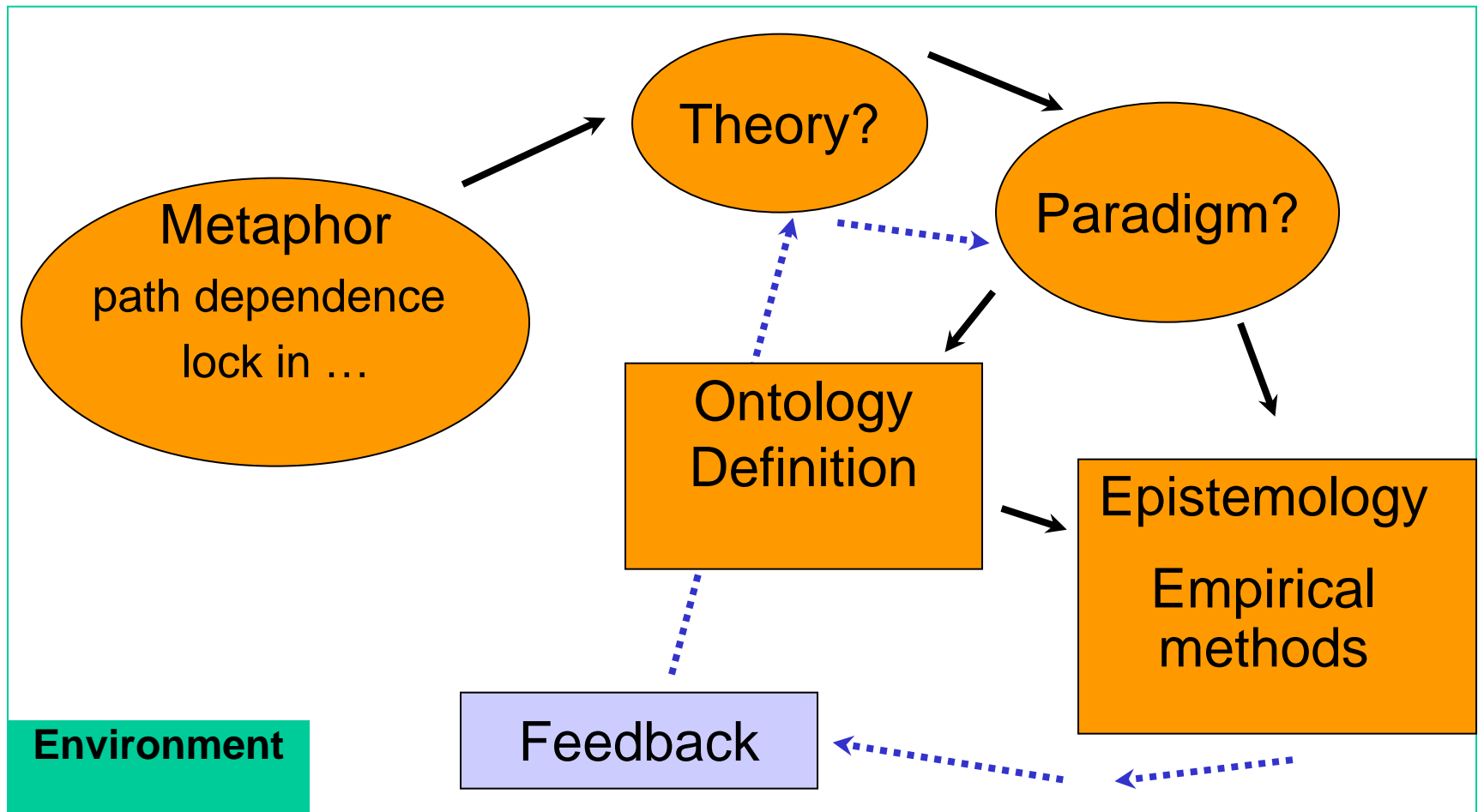
Conditions and sequence						
Authors (year)	Increasing positive returns	Path dependence	Competing technologies Initial conditions Installed base	History matters	Lock in	First movers
Veblen (1915)	Y					
David (1985) _(a)		2nd		1st	3rd	
Arthur (1989)	1st	2nd	3rd			
North (1990)				Y		
Levi (1997)			Y			
Mueller (1997)						Y
Arrow (2000)					Y	
Pierson (2000)	Y					
Mahoney (2000/1)					Y	
Klein (2001)			Y			
Schilling (2002)			Y			
Greener (2003)			Y			
Critiques						
Lebowitz & Margolis (1995)	Three degrees; sensitivity to starting points, no implied inefficiency					
Pierson (2000)	Increasing returns vs high costs of reversal; how did it get there; also suggests may cause a reaction in another direction					
Martin and Sunley (2006)	Definitions unclear, ignores evolutionary geography					
Notes _(a)	Includes economies of scale, high switching costs and sunk costs					

Path Dependence & Lock In

- Veblen (1915), counters classical economics - positive returns
- The knowledge economy - exemplar of increasing returns (Arthur 1996)
- Path dependence; sub optimal decisions and Lock in to poor technology
- David 1985 History matters - Qwerty keyboard
- Critique, definition - can mean whatever the authors say it means (Martin & Sunley 2006, Pierson 2000)
- This author: knowledge economy increasing returns now...but, the future may revert to a normal business cycle, and diminishing returns?



After Ron Martin (30.04.08) “an evolutionary” approach to theory building,
this author; feedback 



Case study - security firm

- **Security Industry** turnover £2,722m 1995 to over £4,861m 2003 (DTI 2005)
- Physical access control market £311m end-user prices 2007, 7.2% increase on 2006, Keynote (2008)
- Unique mix of services and manufacturing
- **Methods and methodology**
- Databases ABI, NOMIS,
- Pilot study -SME security firm
- 10-month longitudinal study, 07/08 interviews, observation on site, during meetings, at training and procurement and tender events, also literature, documents, website...



Findings

- Abundant networks; access to specialist industry knowledge, forthcoming tenders, industry regulation and legislation, policy direction, policy and decision makers
- Towards an Ontology: evidence of shared
 - Language, jargon and communication, group think? (Janis & Mann 1977)
 - IT systems
 - Paradigm?
- Is this evidence of Lock in
- Are there opportunity costs associated with Lock in?

Opportunity costs

Summary % time spent	Hrs	%	Opp cost £
Average working day 2 directors x 12h	24.00	100%	
External meetings	4.45	18.54%	£33,375
Training	7.50	31.25%	£56,250
Winning new business	1.25	5.21%	£9,375
Admin, staff meetings, biz development	10.00	41.67%	£75,000
Miscellaneous	0.80	3.33%	£6,000

The firm spend over 30% of time on training to become compliant, a prerequisite to win new contacts; however the contracts may not be won. Meanwhile only 5% of time is spent on winning new business.

Sources

<http://sol.sci.uop.edu/~jfalward/physics17/chapter3/chapter3.html>

<http://www.leevalleypark.org.uk/>

<http://www.googlemap.co.uk>

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Questions

Momentum = mass x velocity

MV + Acceleration

Does Lock in
produce unstoppable consequences ..?

