

Blue Ocean Strategy

Author : W. Chan Kim and Renee Mauborgne

Publisher : Harvard Business School Press

Year : 2005

Pages : 256

Price : Rs. 800

Introduction

In today's world of cut throat competition, bloodletting to get a share of the market space has become the order of the day. The book, Blue ocean strategy by authors W. Chan Kim and Renee Mauborgne, motivates the reader for out of the box thinking and search for innovative strategy in the untreaded waters, i.e. blue oceans. The authors have suggested ways and means to reduce the vagaries of competition and reduce blood letting, by creating new uncontested market space thereby making competition irrelevant. They liken overcrowded market space to red oceans where competitors fight to grab a greater share of existing demand which turns the red ocean bloody. Blue oceans on the other hand represent untapped market space, demand creation and the opportunity for highly profitable growth.

If we look at the current business scenario, it is characterized by a shift from a world of predictable, incremental, and linear change to that of radical and discontinuous change which seems to have global implications. Unfortunately, most organizations, and their management, control and strategic planning systems seem relevant to the passing era which rewarded efficiency-driven optimization and prediction of future based on the past trends. As per the book, increasingly, the important question will not be about 'doing things right', but about 'doing the right things' and innovation and creativity will be at a premium.

The book is engrossing. It offers solutions, which have elucidations. The book has a simple and unfussy style. It does not impose but finely puts across points of view. Several strategies have been discussed in the book, with reference to different products, industries and markets. The readers will get ample broad ideas and framework from the book. However, they will have to settle on the ones that are apt for their specific work places and types of businesses.

The authors have upheld value innovation as the cornerstone of blue ocean strategy. Value innovation accords equal importance to value and innovation. Innovation without value tends to be technology-driven and futuristic, often leading to over engineered products which are not



Srusti Management Review

Vol.- IV, Issue-I, Jan-2011
pp. 95 - 98

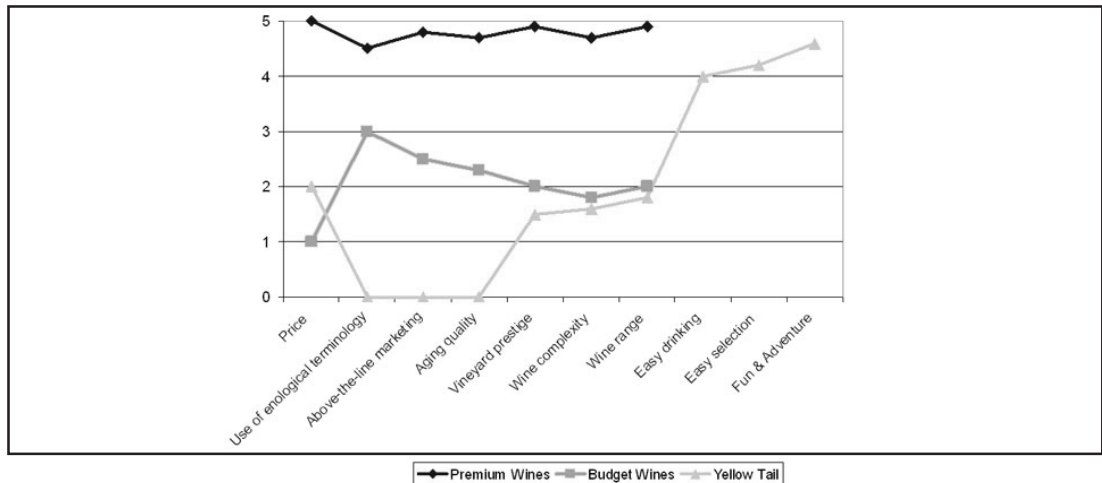
ISSN 0974 - 4274

easily adopted. Value without innovation often leads to value creation on an incremental basis which does not make the organization stand out. A blue ocean strategy focuses on reducing costs and increasing buyer value (differentiation) at the same time. This concept has been beautifully explained with reference to Cirque du Soleil of Canada, which has retained the fun and thrill of a circus while imbibing the artistic richness of the theater.

The first part of the book introduces the primary analytical tools - the Strategy Canvas, the Four Actions Framework, the Eliminate-Reduce-Raise-Create Grid, and the Three Characteristics of a Good Strategy-focus, divergence and compelling tagline.

Strategy Canvas

The horizontal axis captures the range of factors the industry competes on and invests in and the vertical axis reflects the offering level that buyers receive across these factors. Identical or similar strategy curves are a clear indication that everyone is trying to outdo the other on the same factors and no organization stands out from the crowd, leading to profit squeezing.



Strategy canvas of the successful, Yellow Tail wine, as part of which, range of wines offered was reduced, technical jargon and enological terminology (related to history and legacy) were done away with, striking, simple and non-traditional label featured a kangaroo in bright colors of orange and yellow in black background and even the wine boxes came in vibrant colors.

Four Actions Framework

The four actions framework given by the authors and its supplementary analytic, the eliminate, reduce, raise and create grid make a lot of sense and ultimately lead to cost reduction and value generation.

The Cirque du Soleil example

Eliminate	Raise
Star performers, animal shows, aisle concession sales, multiple show arenas	Unique venue
Reduce	Create
Fun and humour, thrill and danger	Theme, refined environment, multiple productions, artistic music and dance

In the second part of the book, the formulation of blue ocean strategy has been presented. The principles discussed here are reconstructing market boundaries by analyzing six paths: alternative industries, strategic groups within industries, the chain of buyers, complementary product and service offerings, functional and emotional appeal to buyers and time (trends); focusing on the big picture, not on the numbers; reaching beyond existing demand by tapping all the three tiers of customers and getting the strategic sequence right.

The authors want sellers to think consciously about how their customers make trade-offs across alternate industries and in this connection, they have cited the successful NetJets, which has created the blue ocean of fractional jet ownership. NovoPen is another product through which focus has been shifted to the end users resulting in a user friendly insulin delivery system. Callaway golf launched Big Bertha, the golf club with a large head which was lapped up by even the golf nonenthusiasts. Under the right strategic sequence, authors also suggest companies to go for partnering, apart from streamlining operations and introducing cost innovations, and give examples of IKEA and SAP in this regard. The book also stresses the need for taking the employees into confidence before embarking on a new strategy.

In the final part of the book, tipping point leadership in action has been highlighted in being instrumental in overcoming the four organizational hurdles viz. cognitive, resource, motivational and political hurdles, with reference to New York City Police Department. The authors are of the opinion that resources should be diverted from cold spots to hot spots (areas that require low resource input but have the highest potential for performance). The need to build execution into strategy has also been emphasized. Employees champion new strategy if the organization does everything they can to ensure a fair process. A fair process can be established by following the three E's - engagement, explanation, and clarity of expectation.

It is a well known fact that anyone who invests in a new strategy always worries about imitation. The authors have given reasons as to why a blue ocean strategy is immune to copying for a significant period of time and have also given inputs on how to judge the opportune time to rework a strategy.

The authors have tried to tie all the loose ends in strategy planning and execution and have succeeded in doing so without using jargons and complicated data. The book will atleast provide some clues on ways to escape from the trap of overcrowded market spaces of me-too products and services. However, it is difficult to fathom why they have used the blue ocean metaphor, which conjures up an image of a far off uninhabited and isolated place, whereas, all that is being

done is, something new is being offered to the same society and populace. Several times, while reading the book, confusion also arises as to, does blue ocean strategy mean doing the same things in a different way or does it mean looking for uncontested markets.

Overall the book is commendable and a must read for all people associated with learning about and doing business.

Some of the other books which can be read to get innovative ideas on excelling in business are The Goal by Dr. Eliyahu M. Goldratt, The Innovator's Dilemma by Clayton M. Christensen, The Wisdom of Teams: Creating the High-Performance Organization by Jon R. Katzenbach and Douglas K. Smith and A Whole New Mind: Why Right-brainers Will Rule the Future by Daniel H. Pink.

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