## Book Review

# Blue Ocean Strategy

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Blue Ocean strategy authored by W. Chan Kim and Renee Mauborgne, a unique book in the strategy literature, provides a systematic framework to create an uncontested market space and to make competition irrelevant. In these days of severe competition, firms are trying to beat their rivals with all their efforts to achieve profitability and growth. Companies are bent upon creating differentiation, struggling to gain competitive advantage and fighting for market share.

The first chapter, 'Creating Blue Oceans' introduces in an intuitive and imaginative style, how a red ocean and a blue ocean look. Blue Ocean Strategy is against the process of a conventional strategy development. The authors open the scene of a competition arena- a red ocean, which is a known market space where all industries are in existence and where the rules of competition are known. They contend that companies within such red oceans are unlikely to create profitable growth for the future. They are forceful in saying that in a blue ocean all industries are not in existence and hence would be an unknown and unserved market. Competition becomes irrelevant, more so because the rules of the game are waiting to be set. As a blue ocean is defined by an untapped market space there would be a greater opportunity for demand creation and high profitable growth.

### Cirque du Soleil's Value Innovation

The authors quote a classic example of a circus company Cirque du Soleil, which neither offers a better circus nor improves on the existing knowledge or technologies about acts and performances. But, it reconstructs existing buyer value elements to create a new form of entertainment that offers the fun and thrill of the circus with the intellectual sophistication of the theater.

The first chapter also introduces the concept of 'Value Innovation' which is the cornerstone of a blue ocean strategy. Value innovation is created in the region where a company's actions favorably affect both its cost structure and its value proposition to buyers. Value innovation here is not mere marketing positioning, but it more to do with the creation of a strategy which calls for the simultaneous pursuit of low cost and differentiation. Value innovation is achieved only when the whole system of the company's utility, price and cost activities is properly aligned.

### The Value Curve

Chapter two introduces a wide set of analytical tools and techniques which puts the readers into a systematic frame of thinking. The tools and frameworks include a diagnostic and an action framework for building a blue ocean strategy called the **'Strategy Canvas'**. The strategy canvas captures the current state of play in the known market space in a graphic form. The main component of the strategy canvas is the **'Value Curve'**, which depicts the company's relative performance across its industry's factors of competition. The strategy canvas is logically presented, illustrating the US wine industry. Further, the book turns to the second framework for redrawing the value curve called the four actions framework and a grid called the eliminate-reduce-raise-create framework which enables the evaluation of the present strategy. The strategic knowledge is embedded in the value curve. The value curve answers questions whether a firm is in a red ocean or whether is on the track of blue ocean strategy. Essential tips to comprehend the value curve are also sequentially presented.

Part two, from chapter 3 to 6, portrays the four guiding principles for the successful formulation of the Blue Ocean strategy. The first principle 'Reconstruct Market Boundaries' addresses the search risk many companies struggle with. In chapter 3, while presenting assumptions which trap the companies in red oceans, the authors substantiate the first principle and the means to achieve this through looking systematically across the boundaries. Six paths have been identified as basic approaches to remake the market boundaries namely, looking across alternative industries, buyer groups, strategic groups, complementary products and service offerings, across functional or emotional appeal to buyers and also across time.

**The Big Picture vs The Numbers**

In chapter four, the book brings the second principle, 'focus on the big picture and not the numbers'- as against the typical strategic plan of analyzing industry conditions and competitive situations which may result in a strategy or most times in tactics that individually make sense but collectively don't add up to a clear unified direction for the company. This principle mitigates the planning risk. An alternate approach to existing planning processes is developed by drawing the strategy canvas. The authors share their experience of asking executives to draw the value curve of their company's strategy, which has served as a forceful wake-up call for them to challenge their existing strategies. The principle 'focus on the big picture' calls for a four step approach of Visual awakening-comparing your business with your competitors, Visual exploration-go into the field to explore factors to see which one you need to eliminate, create or change, Visual strategy fair-draw your 'to be' strategy canvas, and Visual communication-compare your before-and-after strategic profiles.

Chapter 5 provides tips to maximize the size of the blue ocean, i.e., to reach beyond the existing demand. This principle counters the scale risk associated with the creation of a new market. The principle not only suggests concentrating on existing customers, but emphasizes a need to look at the *non-customers.* Instead of focusing on customer differences, companies need to build on powerful commonalities in what buyers value. This allows them to unlock a new mass of customers. In the non-customer category, the authors have identified three tiers of non-customers. The First Tier-"soon to be"- non-customers who are on the edge of your market waiting to jump ship, Second Tier-"Refusing"- non-customers who consciously choose against your market, Third Tier-"Unexplored"-non-customers who are in markets distant from yours. The final rule is to go for the largest catchment.

The nest challenge is posed in chapter 6, of building a robust business model to ensure a healthy profit on the blue ocean idea. This brings the principle 'get the strategic sequence right'. With an understanding of the right strategic sequence, there would be a dramatic reduction in the business model risk.

The authors suggest a sequence to build the blue ocean strategy of buyer utility, Price, Cost and Adoption. The first point in the process is the buyer utility, which calls for rethinking on whether your offering has an exceptional utility and a compelling reason for the people to buy it? At the second phase, it is not mere price leading to demand, the question raised here is- whether your offering is priced to attract the mass of target buyers so that they have a compelling ability to pay for your offering? The third element is the cost. The question here is - can you profit at the strategic price i.e., the price accessible to the mass of target buyers. The last step 'adoption' makes you think of the hurdles in actualizing your business idea. Finally, the authors present an acid test of this sequence view called the 'Blue Ocean Idea Index'

**Tipping Point Leadership**

Part three, consisting of chapters 7 and 8, centers around the execution of Blue Ocean Strategy. Chapter 7 calls companies to abandon conventional wisdom and use what is now called 'tipping point leadership'. Tipping point leadership enables companies to overcome four major hurdles- cognitive hurdle-where an organization is wedded to status quo, resource hurdle-where organizations limit themselves due to limited resources, motivational hurdle-where organizations suffer from unmotivated employees and the political hurdle- where the best and brightest are regularly eaten alive by politics, intrigue and plotting. Dramatic tips are provided to overcome each of these hurdles.

The last principle of creating a Blue Ocean is brought in the eighth chapter which allows companies to minimize the management risk of distrust. The chapter argues for the integration of execution into strategy. A fair process is identified as a key variable as against a poor process which can ruin a strategy. A fair process, the authors claim, leads to trust and commitment, which in turn leads to voluntary co-operation and finally enables exceeding expectations.

Chapter nine of the book concludes with the sustainability and renewal of the Blue Ocean Strategy. The authors call the blue ocean strategy a dynamic process which has built- in barriers for imitation. However, one day or the other, blue ocean strategy will be imitated. This needs monitoring of the value curves on the strategy canvas.

The book is based on a study of 150 strategic moves spanning more than a hundred years and thirty industries. The authors have showcased as many as 50 cases of companies which have used the Blue Ocean Strategy. Looking back, one may find as many examples of companies adopting the Blue Ocean strategy, but looking ahead we need to wait and watch if companies can adopt this strategy in a systematic manner. The greatest virtue of the book is that it is easy to understand, and kindles intuitive thinking.

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