

Blue Ocean Strategy

By W. Chan Kim and Renee Mauborgne

Book Summary

This is a book about possibility and reframing opportunity. It presents concepts that shift thinking to “Blue Ocean”, one which assumes the implementation of a Value Innovation, from “Red Ocean”, one which assumes a bloody competitive frenzy. The authors present a different view of strategy and planning that is not oriented to taking away business from competition but instead encourages value innovation.

Value Innovation

Value Innovation is a framework for thinking about, and executing, a strategy to create a break from competition. The Red Ocean strategy follows the conventional approach of building a defensible position within the existing industry order. Blue Ocean strategists do not use their competition as the basis for their strategy; instead, they develop and focus on Value Innovations.

Value without Innovation creates improvement on an incremental scale but is insufficient to differentiate from the marketplace. Innovation without Value tends to drive beyond what the market is ready to accept and pay.

Value

Competes in
Competition is
Fuels demand by
Value-Cost trade off

Red Ocean

Existing market
Something to beat
Tap existing demand
Makes it

Blue Ocean

Uncontested markets
Something to make irrelevant
Create new demand
Breaks it

Six Principles of Blue Ocean Strategy

Formulation Principles

1. Reconstruct the market boundaries
2. Focus on Big Picture
3. Reach beyond existing demand
4. Get the Strategic sequence right

Execution Principles

5. Overcome key organization hurdles
6. Build execution into the strategy

Strategy Canvas

The strategy canvas is the framework to diagnose and identify action around building a compelling strategy. It captures the current state as well as creates an opening for new openings.

The Four Action Framework

Which factors should be...

- Eliminated?
- Reduced?
- Raised?
- Created?

Three characteristics of a good strategy

1. Focus
2. Divergence
3. Compelling Tagline

Questions to ask when evaluating the value curve

- Are you caught in the Red Ocean?
- Do you over deliver without payback?
- Is the strategy incoherent?
- Are there strategic contradictions?
- Are the competing factors stated in terms that customers can readily understand?

Tipping Point Leadership

Looks at change management in a bell-curve notion, wherein there is a large central mass of people in the middle, with smaller groups at each extreme. The conventional view is that change management must change the entire mass of the bell curve to effect change, requiring broad resources and long time-frames. Tipping Point leadership assumes that changing the extremes will open the new future. In other words, it emphasizes changing the people, acts, and activities that will exercise a disproportionate influence on performance to move toward a strategy.