Blue Ocean Strategy:

How to Create Uncontested Market Space and Make the Competition Irrelevant

by W. Chan Kim and Renee Mauborgne (Harvard Business Press, 2005)

Reviewed By: James R. Brady, PhD, MPA, MEd.
International Development Consultant (Org. Systems)

Audience and Purpose: This 2005 book is aimed at anyone interested in pursuing the authors' "Blue Ocean" strategy for achieving business success. Dr. Kim was formerly with the University of Michigan School of Business Administration. Dr. Mauborgne was one of his students. The authors are now professors and co-directors of the "Blue Ocean Strategy Institute" at the INSEAD business school in France.

A quick review of various "Blue Ocean Strategy" websites suggests that the authors are now using the book as the basis for creating or sponsoring several high-end training, publishing, and consulting enterprises. Their main website is: www.blueoceanstrategy.com This site includes a "press section" with an extensive array of color photos of the authors---which visitors may download. The biographical data suggest that neither author has previously worked outside of academia. After looking at their extensive PR material, I wondered if they are using a "Blue Ocean" or a "Red Ocean" strategy for their own business.

***Personal Context*:** A recent *asapm Newsletter* recommended that members read the book and see if it contained ideas for strategic planning which might be relevant to *asapm*. As indicated below, I was disappointed at the level of evidence presented by the authors to persuade readers that their approach is either innovative or practical.

Overview of the Book

1. Self-entanglement in semantic games

The authors open their exposition by trying to discredit such previous studies of corporate success as: *In Search of Excellence* (Tom Peters and Bob Waterman, 1982) and *Built to Last: Successful Habits of Visionary Companies* (James Collins and Jerry Porras, 1994). Kim and Mauborgne thus complain that the earlier studies were defective because some of the companies classified as "successful" later encountered problems and declined. The authors then announce that they have come up with a new and better business innovation strategy and supporting "analytics". These include rejecting the "traditional" idea of focusing on individual "companies" or "industries" as the "units of analysis". Instead, they advocate the use of "strategic moves." A "strategic move" is defined as: "...the set of managerial actions and decisions involved in making a major market-creating business offering." They then report: "...our study shows that the strategic move, and not the company or the industry, is the right unit of analysis for explaining the creation of blue oceans and sustained high performance." (page10). **However, when they later cite specific examples of "strategic moves", they are forced to revert back to using the commonly accepted terms of "company" and "industry" to explain what they are talking about.**

While touting the innovativeness of their approach to innovation strategy, Kim and Mauborgne appear to be unaware of some basic and relevant areas of the current management literature. In one section, the authors thus make the hardly ground-breaking pronouncement that the key to management success in executing their "Blue Ocean Strategy" is to take a "general systems" approach to aligning such company elements as prices, costs, and utility. (page 17). They also expound on the theme of "company alignment" in a later chapter when they talk about the "tipping point leadership" needed to overcome organizational resistance to executing a "Blue Ocean" strategic plan (Chapter 7). If they had been more attuned to the long-established "open systems" approach to organizational management, they would have known that you should check out the probable sources of internal and external resistance or support when you are preparing your innovation action plan. You don't wait until your plan is otherwise ready to be executed. I was also surprised that they quickly and curtly rejected such books as *Built to Last* by Collins and Porras.

In contrast to the methodological vagueness of the "Blue Oceans" authors, Collins and Porras are clear about how they collected their data and who they worked with on their research. They also acknowledge the difficulties they encountered in evaluating the research results and in changing their earlier assumptions when these were not supported by the findings. Collins and Porras also have an impressive combination of academic and corporate executive experience and I think this gives more realism to their approach. After hurriedly casting aside the other studies, Kim and Mauborgne proclaim that their book provides a new and "proven" innovation strategy which is based on their studies of "companies around the world". Their "Blue Ocean" model thus shows a superior way to do business now and in the future: "This book contains practical frameworks and analytics for the systematic pursuit and capture of blue oceans." (page 5)

2. Searching for the empirical ancestry of the "Blue Ocean" strategy

The authors report that their new strategy is "...based on the study of 150 strategic moves spanning more than a hundred years and thirty industries." However, they never provide a systematic summary of: (1) their specific research methodologies, (2) the specific research population or subjects (companies, geography, or topics covered), and (3) the specific empirical findings which were used to formulate their new "Blue Ocean Strategy". The actual relationship of the authors to the company case examples in the book is also unclear. Sometimes the chapters appear to be adaptations of previous papers (by the authors and their associates.), so they vary in quality and relevance. The chapter on the wine industry contains excessively detailed and often irrelevant information. I also find it strange that they use a chapter on the New York Police Department to describe how to provide "tipping point leadership" for overcoming obstacles to the implementation of a "Blue Ocean" strategy plan for business innovation. **In short, the authors are rather vague about the "research project" which was the basis of the "new" management innovation strategies they are marketing in this book. The same is true of the corporate work they reportedly undertook to "field-test" their new strategy tools before presenting them in the book.**

provide "tipping point leadership" for overcoming obstacles to the implementation of a "Blue Ocean" strategy plan for business innovation. **In short, the authors are rather vague about the "research project" which was the basis of the "new" management innovation strategies they are marketing in this book. The same is true of the corporate work they reportedly undertook to "field-test" their new strategy tools before presenting them in the book.**

3. Overview of the Red and Blue Ocean Strategies
The authors use the terms "Red Oceans" and "Blue Oceans" to describe the "market universe". **Red Oceans are all the industries in existence today—the known market space.** In the Red Oceans, existing industry boundaries are already defined and accepted, and the competitive rules of the game are known. Companies try to outperform their rivals by using tradeoffs between costs and client value to grab a greater share of the existing demand for their products. As the market space gets crowded and there is an oversupply of goods, the prospects for profits and growth are reduced. Cutthroat competition then becomes "bloody"---hence, the author's use of “Red Ocean" as a label for this situation. They also predict that a Red Ocean strategy is unlikely to create profitable growth in the future.

The authors use the term "Blue Ocean Strategy" to refer to the "new" management approach they are selling in their book. The "Blue Ocean Strategy" is presumably based on the use of "Value Innovations". These are actions "... which drive costs down while simultaneously driving value up for buyers. This is how a leap in value for both the company and its buyers is achieved." (page 17). As the scale of a business increases, the company can reduce costs. Other features of the "Blue Ocean Strategy" are:

(1) creating uncontested market space,
(2) making the competition irrelevant,
(3) creating and capturing new demand, and
(4) breaking the value-cost tradeoff.

The authors acknowledge that most companies---including "Blue Ocean" companies---operate within a "Red Ocean" industry. In other words, there is no Blue Ocean "industry". Nonetheless, the authors stress that their book "...provides practical frameworks and analytics for the systematic pursuit and capture of blue oceans." (page 5). It is not clear whether their strategy will ever lead to creation of a "Blue Ocean Industry". They also seem to be unable to give "Blue Ocean" managers clear advice on what to do when other companies start "imitating" their approach. Consequently, their "Conclusions" chapter on the sustainability of a "Blue Ocean" company is a rambling discourse on avoiding the urge to "compete" (a bad thing!). The reader is counseled to skillfully use the book's "analytics" to assess the situation [i.e., analyze the competition---which is supposed be "irrelevant"?] and then decide whether to look for another "Blue Ocean".

4. Do Blue Oceans Ever Turn Red?
The authors apparently want to avoid discussion of the possibility that some of their successful "Blue Ocean" companies may encounter problems and backslide. However, their comments on "The Body Shop" hint that that "Blue Ocean Companies" can also be guilty of backsliding. First, the authors offer some rather gross generalizations on the competitive impact of Anita Roddick's cosmetic company ("The Body Shop") on the global cosmetic industry: "The blue ocean strategy of The Body Shop, for example---which shunned beautiful models, promises of eternal beauty and youth, and expensive packaging---left major cosmetic houses the world over actionless for years because imitation would signal an invalidation of their current business models." (page 186).

Then, the authors offer a barrage of esoteric gibberish on what a Blue Ocean company should do when "Red Ocean" organizations attempt to imitate it or otherwise move into the Blue Ocean territory: "...As competitors' value curves converge toward yours, you should begin reaching out for another value innovation to create another blue ocean. Hence, by charting your value curve on the strategy canvas and intermittently replotting your competitors' value curves versus your own, you will be able to visually see the degree of imitation, and hence of value curve convergence and the extent to which your blue ocean is turning red.

The Body Shop, for example, dominated the blue ocean it had created for more than a decade. The company, however, is now in the middle of a bloody red ocean, with declining performance." (page 189.) [Bolding added] Is it time to man the life boats? Has a Blue Ocean Strategy ship sprung a leak? In this case, perhaps not. Kim and Mauborgne's book was published in 2005. In 2006, the Roddicks sold "The Body Shop" to The L'Oreal Group of Paris for 650 million Pounds and netted 130 million Pounds! L'Oreal is the world's largest cosmetic enterprise (see www.wikipedia.com for more information on The Body Shop).

5. Closing Comment
After all the confident expositions on why their book is superior to previous publications on business innovation, I find it amazing that the authors include the following statement about the lack of data to support their arguments for pursuing a "Blue Ocean" strategy: **"Although we don't have data on the hit rate of success of red and blue ocean initiatives, the global performance differences between them are marked."** (page 8).

Editor's Note: Thanks Dr. Brady! Readers, if you would like to make a comment about this review, please contact us!

Overall Rating: 2 (out of 5): ✔✔ James R. Brady, PhD, MPA, MEd.