Blue ocean strategy

[Science](), [Geology]()

In the past ten weeks, this class has tested me by having to read challenging articles that presented several different strategic theories to us. While all of the theories brought us interesting and valuable information, the one that resonated most with me and stuck out the most was the Blue Ocean Strategy. I have always been someone who enjoys a challenge and I feel that while this theory is a challenge, it has the most potential to bring organizations the greatest amount of success.

To fully understand why I selected this theory opposed to one of the other ones, I feel that first I need to explain exactly what Blue Ocean Strategy is and who has used it and gained enormous amounts of success. While there are many people who believe taking down the competition is the best plan for their company and will result in huge success, Blue Ocean Strategy does not even factor it into their decision making process as a way to reach success. To discuss Blue Ocean Strategy, we also have to understand Red Ocean Strategy.

Red oceans are all other strategies that are currently trying to out-compete one another in hopes of being the one on top. The first thing that comes to mind when I think off taxation such as this is the results of Apple first launching the pod. All a sudden a portablemusicplayer like this was what everyone wanted, so other companies started doing the same thing and came out with comparable products such as the Zone. Sadly, no one has been able to reach the success that Apple has when it comes to portable music devices.

As you can see from the chart, Microsoft, the creator of Zone, tried to reach success by hitting all five points that were mentioned on the left side of the chart. However, they were unable to do so because they underestimated the demand that the pod was producing. Microsoft as well as other companies tried to compete, but could not maintain as high of a demand as the pod and eventually the market became too crowded and the products eventually became undervalued and over produced.

When the creators came out with Zone it sounds like a Hyperventilation strategy was being used. Hyperventilation is defined as rapid and dynamic completion that is escalated on price-quality positioning (Divine, 1998). While a Zone is very similar to an pod, what the creators thought would make them out-sell the pod was that the Zone cost half of what the pod was. While often times cost is a huge consideration when buying a product or service in this case people were willing to pay the extramoneyand choose the company that used the Blue Ocean Strategy.

Potential Risk: Now take a complete 180-degree turn and you have Blue Ocean Strategy. With this strategy, demand is created rather than fought over. By doing this, there is more room for growth that can be quickly profitable. At first when I read the article, I thought to myself that this seemed too risky and why would a company bother using this strategy; after doing a lot of different research on the topic, I have come to the inclusion that there is a minimal amount of risk.

I think it is important to realize that with any strategy there is a certain amount of risk, no matter what choice you decided to make. For Blue Ocean

Strategy, there are currently six key risks that a company could face (Kim & Maneuvering, 2004). Of these six risks, the first four revolve around the creation of the strategy itself and the final two relate to the actual execution of the strategy.

Search risk Planning risk Scope risk Business model risk Organizational risk Management risk However, there are six principals represented in Blue Ocean Strategy that are signaled to protect an organization from that risk (Kim & Maneuvering, 2004): Reconstruct market boundaries Focus on the big picture, not the numbers Reach beyond existing demands Get the strategic sequence right Overcome key organizational hurtles Build execution into strategy The first principal identifies the direction by which managers can methodically create conclusive market space across diverse industry domains and crippling search risk. It teaches companies how to make the competition irrelevant by looking across the six conventional boundaries of competition to open up commercially important blue oceans" (Blue Ocean Strategy, 2014). The second principal has to do with looking at the big picture and not focusing on Just what the numbers would be, it deals with planning risk. By looking at the big picture first and foremostI believethis is why, when using this strategy, there is such long-term success that comes with it. Using a visualizing approach that drives managers to focus on the big picture, this principle proposes a four-step planning process for strategies that create and capture blue ocean opportunities" (Blue Ocean Strategy, 2014). To reach beyond existing demands hose using the Blue Ocean Strategy must challenge the traditional process of aiming for finer segmentation in order to meet existing customer preferences. Instead, this principle, which addresses scale risk, states the importance of aggregating demand, not by focusing on the differences that separate customer but rather by building on the powerful commonalities across uncustomary" (Blue Ocean Strategy, 2014). In order to accomplish correct strategic sequence companies must ensure that their business model will be able to produce and maintain profitable growth. This sequence consists of the following: (1) utility, (2) price, (3) cost, and (4) adoption requirements (Blue Ocean Strategy, 2014).

When a company follows this sequence, it addresses the business model risk. The fifth principal is all about overcoming the hurdles that come your way. This is the first principal in the execution portion of the strategy and therefore in this principal the organizational risk is heavily considered. " This principle mitigates organizational risk, outlining how leaders and manager can surmount the cognitive, resource, motivational, and political hurdles in spite of emitted time and resources" (Blue Ocean Strategy, 2014).

Last, but certainly not least, is building execution into the strategy and this is defined as having the ability to encourage others to execute the strategy in the best way they know how. This principle addresses the management risk associated with people's attitudes and behaviors. " By integrating execution into strategy formula, people are motivated to act" (Blue Ocean Strategy, 2014). While there is still a certain amount of potential risk involved in this strategy, you can see that there are several different principals that were created to eliminate said risk.

Cost and Value: A lot of traditional strategies state that you much choose if you want to be known for cost or for value. However, when deciding to use Blue Ocean Strategy, it is possible to have both differentiation and low cost. If you look to the chart to the right you can see that Blue Ocean Strategy has figured out that the key to value innovation is equal parts cost and buyer value. While the chart makes it look simple, in order for this to happen, utility, price, and cost all need to be aligned.

By driving both the cost down and the value, the product has the potential to meet so many more people. A really good example of this balance is the Ford Model T. In 1908, Henry Ford was a person with vision who created a company and a product that was not in the market. He made it price friendly so that people could actually afford it and it would fall under the category of value pioneering. When the Model T first came out in 1908, it cost $ 850. 00, which was half the price of anything else out there at the time (Kim & Maneuvering, 2004).

The key to success in this example was not using the competition as a benchmark. While Henry Ford could have followed everyone else and created a actionable and customizable car, he knew that it was not what the market needed; they needed affordability and reliability. Long Term Viability: When a company or organization is in the process of selecting a strategy to use, they want something that will not only last a long time, but also help them build a brand. There have been several companies that have used Blue Ocean Strategy and have had decades of brand equity (Kim & Maneuvering, 2004).

Companies will be happy with the results that many have and are expected to continue to use Blue Ocean Strategy multiple times. Blue Ocean vs.. Strategic Supremacy through Disruption and Dominance: Almost the opposite of Blue Oceans is the theory of strategic supremacy, which has been influenced by hyperventilation and understanding the relationships in this theory. By understanding the interaction between strategy andenvironment, managers can better tailor their strategies to the environment or change the environment to their advantage.

This begins with analyzing the current competitive environment (opposite of Blue Oceans) then understanding the rules of the game in that industry. Simply put, the leaders in the industry control the " rules of the game", if they do something, he smaller brands will follow to compete. Having the ability to control the rules of the game and controlling the evolution of the market and its competition is part of strategic supremacy. Sometimes old leaders in an industry do not want to change and this gives new entrants an opportunity to sneak in and disrupt the rules of the game and use it to their advantage.

Overall, this strategy is all about controlling your market at large and if you do not have the caliber to do this, then you find a niche market to focus on. When competitors disrupt the " rules of the game" then it comes a competitive battle. When this happens, it eventually turns into a Red Ocean. Leaders often are in their position because they have battled with lowering prices and are able to compete with lower margins. If a leading competitor was disrupted by a new entrant with lower prices it would change the game and they would be forced to lower their prices or create a new strategic approach to beating the new threat.

In this business strategy, I think it leads to saturation in the market where there really isn't a new value for the customer; they Just battle over perceived values, marketing and price wars. If you are someone who is going to enter into a particular market strong, would you rather go into a bloody war with dominant leaders and try to find a way to sneak past them and out into the market with the threat of them copying you and crushing you because they have deeper pockets and more control or avoid this fight and go where nobody else has gone?

I think that many existing firms find themselves battling for strategic supremacy and if you are a new business, you should let them fight and enter the market through a Blue Ocean Strategy instead, but you are also never too old to use your brand equity and create a ewe space. Blue Ocean Strategies vs.. Coping with Hyperventilation: Companies regularly struggle to sustain their competitive advantages and the reality is that no advantage is sustainable. Technological wonders can happen overnight, aggressive competitors enter the market, organizations are restricted, new laws change the field, markets and trends appear and fade away.

In a hypersensitive environment companies must disrupt the advantages of their competitors. To fight back with this, managers must apply the g's according to this theory to analyze industries and competitions strengths and weaknesses. Huge companies that were once thought to be untouchable have been brought to their knees, such as IBM & GM. Having economies of scale, large advertising power, deep pockets and all the other things that give them buyer and supplier power is no longer enough. " Leadershipin price and quality is also not enough to assure success. Being first is not always the same as being best.

Entry barriers are trampled down or circumvented. Goliath are brought down by clever Davis with slingshots. Welcome to the world of hyperventilation" (Divine, 1995). According to Divine, companies cake progress in hyperventilation by actively disrupting advantages to others in order to adapt the market to themselves; this is done by applying the g's framework. The new g's framework is: Superior stakeholder satisfaction, strategic soothsaying, positioning for speed, positioning for surprise, shifting the rules of the game, signaling strategic intent and simultaneous and sequential strategic thrusts.

Before going further in depth with applying these g's, this would seem like a very bloodthirsty strategy to destroy your opponents. When you strike first, you better be ready to take a hit or keep swinging. I am not saying that this is not the way to compete, but I am saying that it is not the best way to be in business or enter. Hyperventilation is a Red Ocean Strategy and all of these battle tactics do not have to be your fundamental strategy in a Blue Ocean. Moving on, these g's are only based on a strategy of finding and building temporary advantages in the market.

These advantages are from market disruption and not sustaining advantages because of the reasons mentioned in the beginning of this paragraph. Looking at the chart below, you can see the qualities of competition in different levels of competition. The g's are about paying in the 4th category whereas Blue Ocean Strategy is about figuring out a way to compete in the first or second category. Even if you are a company who is part of hyperventilation it does not mean you have to play a part of the price war, you can use your branding and find a way into an area of more moderate competition.

Blue Ocean vs.. The Core Competence of the Corporation Another theory of competitive advantage is in the knowledge and diversity of core competencies. Focusing on your core competencies creates unique, integrated systems that reinforce your business model. Once you clarify your competencies, then you will know how to support them, increasing your competitive advantage and reducing the ability of a competitor copying you. The theory states that once you establish your competencies you must enhance them by investing in needed technologies and creating strategic alliances.

This theory seems to be not as brutally competitive as some of the other theories. It is difficult to argue because identifying your company's core competencies is indeed very important for strategic decisions and success. The reason I believe Blue Ocean Strategy is still a stronger strategy is imply because I do not believe that understanding your core competencies alone will be a sustainable enough advantage. There will still be competitors who change the game, new technologies and entrants that will emerge and I do not think that focus on your competencies are enough in a highly competitive market.

In a Blue Ocean Strategy you do not need to worry about the competition as much. This theory points out that your competition may not be able to copy you as easily but that does not mean that they wont be able to take more of the marketplace. For these reasons, I think blue ocean is still the smartest strategy. Blue Ocean vs.. Resource Based View of the Firm The resource based view of the firm (RUB) is a basis for the competitive advantage of a firm that is based on application of their tangible and intangible resources.

By doing this a business can transform their short-run competitive advantage into a more sustained competitive advantage. The basic idea is that you first identify potential key resources within your organization. Next, evaluate if the resources are valuable, rare, in-imitable, non-substitutable and other criteria. By protecting and sustaining these resources you can achieve greater organizational success. Similarly to understanding the core competencies of your business, this business strategy is also difficult to argue.

A business should evaluate their resources and these resources may very well be their core competencies especially if they are rare, inimitable and non-substitutable. I believe that simply having a resource based view does not protect you from changes in the market, always or guarantee long-term sustainability or competitive advantage. As mentioned before, technologyadvances happen overnight and these types of changes can make resources obsolete. Example of Successful Blue Ocean Strategy - Apple: Sometimes the only way to fully understand something is by looking at examples to get a better idea.

In my opinion, the most successful company using a Blue Ocean Strategy has been Apple. A game changer for Apple was when they launched what we know of today as tunes. In 2003, they launched tunes, which to this day has changed the way people buy and enjoy music (Blue Ocean strategy, 2014). They saw a need in the market for digital music that was not illegally downloaded and were able to fill the need by providing clear music that was priced reasonably. One of the biggest perks of this is because there are a lot of people that only want one or two songs and no longer need to purchase the entire CD.

They have been able to maintain their success by launching a program that was easy for users to use and provide great customer service; it was very difficult for others to even try to replicate. Apple did not want to stop there and saw another chance to move a new idea into the market when they came out with the pad. Apple was getting people to move away from laptops and cheap notebooks and offered customers an entirely new experience. With billions of dollars of success, we have to wonder what they know that others cannot seem to figure out.

I feel the biggest reason why this is happening is because they are focusing on the end user. Apple continues to create projects that are solely customer driven. Also, they do an excellent Job highlighting their assets. For example, do you ever wonder why people get so excited when a new model of their device comes out? It is because Apple markets the parts that others want. I once watched a documentary that claimed when the pad 2 came out, it was almost exactly he same with the exception of the size and weight.

This attracted business because the pad is portable and can travel anywhere. A theory that shares similar characteristics to Blue Ocean Strategy is Core Competency by C. K. Parallax and Gary Hammer; the products and services that are produced with this theory is hard to replicate (Hammer & Parallax, 1990). However, Blue Ocean Strategy stands out since they created a market of their own and they have a much greater chance of focusing on things like pricing. It is something that no one has ever seen before so it gets a lot of attention right off the back.

Example of Successful Blue Ocean Strategy - WI: Another company who has displayed success as a result of Blue Ocean Strategy is Microsoft when they created the WI. Video games are a billion dollar industry and companies continue to try and top their competitors with what they can provide consumers. Instead of fighting this trend, Microsoft decided to ignore the standard features that most video game consoles offer, such as built in DVD players and low processor speed; and in its place offer us something that no one had ever imagined: a censored video game that requires the movement of the player (Stewarded, 2007).

In the article, Nineteen's Blue Ocean Strategy: WI, the author writes, " In Kim & Embrasure's terms, this means that while Microsoft's Oxbow and Sonny's ASS are fighting each other fiercely in a red ocean (I. E. The existing market), Nineteen's WI is calmly sailing in the blue ocean it created for itself (I. E. A new market)" (Stewarded, 2007). This was an extremely successful strategy, to put WI into the market because not only did it attract video game users but also brought in a whole other market. When it first came out, I was surprised and shocked to see the gaming system in my grandfather'snursinghome.

I soon learned that not only were the gaming systems being placed in nursing homes all over the country, but they were also being placed in physical therapy and rehab centers. I believe this example especially proves that Blue Ocean Strategy is superior to Michael Porter's Theory. If Microsoft were to follow Porter's theory instead, they would have looked at the OXBOW or ASS gaming system and did something comparable because he believes that you should try to top the competition (Porter, 1996). This leaves very little room for creativity and the chance to create something as innovated as an interactive video games.

Conclusion: " The only way to beat the competition is to stop trying to beat the competition". As you can see, Blue Ocean Strategy has a lot to offer companies and organizations that wish to succeed. Out of the eight strategies that we learned about, I feel that not only is Blue Ocean Strategy most different from all the others, but also offers people the most potential. Instead of going off what is already out there or creating something that resembles something else, Blue Ocean Strategy decides to do the exact opposite and create something that is not already out there.