



MOVING BEYOND
COMPETING

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In the poem “O Me! O Life!”

Walt Whitman, the American poet and essayist, reflects on the trials and tribulations that define the human experience. “**What good amid these, O me! O life?**” he asks. His answer—that all of us, individually and collectively, may contribute a verse to the powerful play that is life—has never left us.

Life has its challenges and tribulations, no doubt. But it is not beyond our ability to shape. By our very existence, we all are able to contribute a verse and, in doing so, influence life’s course, and maybe even its beauty, if only by an inch.

What will your verse be? What will ours? We have never stopped asking ourselves this question. What do we want to stand for? What narrative arc do we want to focus our efforts on in the hopes of adding a small verse to the powerful play that is life that can help our world to advance?

For us, as business scholars, the world we aspired to help advance wasn’t one defined by competing and dividing up markets or the globe, where one’s gain comes at the expense of others. Competition exists, and win-lose scenarios abound, but they weren’t what captured our imaginations, nor what we believed our world needed more of. What we admired, what inspired us, were the organizations and individuals that went beyond competing to create new frontiers of opportunity, growth, and jobs, where success was not about dividing up an existing, often shrinking pie, but about creating a larger economic pie for all—what we refer to as blue oceans. Blue oceans are less about disruption and more about nondisruptive creation, where one’s gain doesn’t have to come at the expense of others.

But how do you translate aspiration into action, intention into reality?



We need a road map that can shift our perspective and free our imaginations, allowing us to suspend belief in the limits of today so we can see and create the possibilities of tomorrow. And for that we need to inspire confidence in ourselves and in our people because, although we all are replete with creative energy and resilience, at our core, most of us are also incredibly tender and vulnerable. Without the confidence to act, few will venture down a new path, no matter how clear the road map. We aspire to make a difference, yet at the same time fear we cannot. Confidence allows us to transcend the quiet self-doubts that tug at us. It shows us the emotional way forward by allowing us to believe in ourselves and trust the process.

The Blue Ocean Shift

Our understanding of blue ocean shift and the process to achieve it did not come overnight. It is the result of a nearly 30-year research journey that we ventured together, often against all odds. Three decades ago we witnessed a disconcerting phenomenon that captured our minds and hearts and set us on this path. Back in the mid-1980s, global competition was heating up as never before, and, for the first time in history, American companies were fast losing ground in industry after industry. From motorcycles to cars, from earthmoving equipment to consumer electronics, they were being overtaken by a new set of competitors—Japanese corporations.

As researchers based in Ann Arbor, Michigan, at the time, we not only read about this, we witnessed it firsthand. The auto capital of America, just next door in Detroit, was devastated. The Big Three—General Motors, Ford, and Chrysler—were hemorrhaging jobs. Businesses were shutting down. People were scared. In Michigan, some had even taken to vandalizing Japanese cars on the street out of fear and anxiety over the onslaught of the new, strong competitors. Never was this more apparent to us than when we drove into Detroit. Street after street felt like a ghost town, slowly falling to ruin. We were both broke at the time, driving beat-up old cars. The city felt beat up, too—both its spirit and its economy.

Essentially, the economy of the developed world was easing into a new phase that posed a new challenge. It was shifting from a situation of demand outstripping supply following World War II to a tougher game of supply outstripping demand, which meant ever-greater competition. American companies may have been the first to feel the brunt of this emerging challenge, but we were convinced it was only a matter of time before companies throughout the developed world would face it too—including the Japanese. Unless prepared, they would fall like once-powerful Detroit.

With this perspective, and disheartened by what we saw, we set out to understand not how to cope with or slow this emerging reality, but what it would take to thrive, not merely survive, as competition heated up across the globe. With growing clarity and focus, our research questions emerged. Specifically, how can a company break out of this red ocean of bloody competition and generate strong, profitable growth? What does it take to reach beyond the best, to create new market space and make the competition irrelevant?

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The initial results of our research were a series of articles on strategy and management published in *Harvard Business Review* as well as academic journals. They culminated in our first book, *Blue Ocean Strategy*. Originally published in 2005, and updated and expanded in 2015, *Blue Ocean Strategy* was translated into 44 languages and became a bestseller across five continents. Long years of dogged focus, struggle, and persistence are the true story behind this “overnight” global bestseller.

In a nutshell, *Blue Ocean Strategy* articulated a view of the market universe as composed of two types of oceans—red oceans and blue oceans. Red oceans are all the industries in existence today that most organizations fight over. Blue oceans are all the industries yet to be created, where profit and growth increasingly come from. Based on our study of 150 strategic moves, spanning more than 100 years and 30 industries, the book laid out the conceptual differences and underlying patterns that separate market-competing moves—what we call red ocean strategy—from market-creating moves—what we call blue ocean strategy. It provided analytic tools to create blue oceans and highlighted why red ocean strategy is a theory of market competition and blue ocean strategy is a theory of market creation that makes competition irrelevant. The terms red oceans, blue oceans, and blue ocean strategy soon entered the business vernacular.

With a speed we hadn’t expected, a tidal wave of interest grew as individuals, governments, companies, and nonprofits around the globe started to look at their world through the lens of red and blue oceans. Established organizations saw themselves as in a red ocean, with a call to action to get out and create blue oceans. Entrepreneurs argued for the need to seek blue ocean opportunities and avoid red oceans altogether. The focus of interest and discussion moved to a whole new level: from “What is blue ocean strategy?” to “How do we actually apply its theory and tools to shift from red to blue oceans?”

Entrepreneurs and start-ups were looking for concrete steps and a systematic process they could follow to create and capture blue oceans at minimal risk. Established companies stuck in the red ocean sought to understand how to move to open water. Their reasoning went like this: Our culture is bureaucratic and resistant to change. Where do we start this process? And how do we get people to buy into the idea and bring them along, when all they know and are comfortable with is how to compete within established industry rules? Past experience had taught them that however creative their ideas and change efforts, no shift would happen unless the human element was addressed. To ensure a successful shift, they wanted to know how to win their people's confidence and cooperation, despite facing organizational hurdles.

To meet this new research challenge, we set out to study those who had applied our theory and methodology to their organizations to create and capture blue oceans. They included individuals and organizations like Paul MacAlindin and the National Youth Orchestra of Iraq, Christian Grob and his team at Groupe SEB, and the Malaysian government's NBOS Summit, which has created and implemented more than 100 blue ocean national projects since its commencement in 2009. We analyzed the patterns of their successes and failures and drew lessons from their experiences to understand what worked, what didn't work, and how to avoid potential pitfalls.

Many of these individuals and organizations came to us or to members of our blue ocean global network for guidance. They wanted to know how and where to start the journey, how to apply the tools to new opportunities, how to scope a meaningful blue ocean initiative, and how to put the right team together to make it happen. They also wanted to know how to build people's trust and confidence in the process, because only with these could they create the will and commitment to make the needed shift. One of them is Kimberly-Clark Brazil, a consumer-goods company that swam out of the bloody red ocean of the hypercompetitive US\$1.5 billion-plus Brazilian toilet tissue industry and set the new industry standard with its blue ocean "Compacto" format.

Others applied our blue ocean theory and methodology on their own. We came to know them through word of mouth, correspondence, or reading about their experiences in the press, and reached out to them. citizenM Hotels, the affordable luxury chain, is one of these. It is currently expanding globally from its home base in Amsterdam and enjoys among the highest guest satisfaction ratings in the field of hospitality while having the lowest costs. HealthMedia, is another—a struggling company in 2006, with a mere US\$6 million in sales—which, under Ted Dacko's leadership, created the new market space of digital health coaching and in two short years was sold to Johnson & Johnson for US\$185 million. And then there's Wawa, the American convenience/food/gas chain, the 36th largest private company in America, which achieved explosive growth under its former CEO and current vice chairman Howard Stoeckel using the tools and ideas of a blue ocean approach. With its blue ocean offering, Wawa continues to grow under the leadership of its current CEO Chris Gheysens.

Overall, our analysis encompassed cases from Business to Customer (B2C) and Business to Business (B2B) as well as the public and nonprofit sectors. Through these field applications and our follow-up studies, we learned not only the common factors leading to a successful blue ocean shift but also the pitfalls and hurdles that got in the way.

To assess the validity and general applicability of our findings on a larger scale, we also analyzed and compared the patterns behind the strategic moves of other organizations that made the shift from red to blue oceans, based on their own processes. The aim here was to continue to broaden and deepen our understanding of how to escape cutthroat competition and create new markets. Studying both organizations that made the shift explicitly using our tools and ideas and those that did not is key to grasping a more complete picture of the pattern and dynamic process of market creation.

So, after over a decade of new study and analysis, we have arrived at a deeper understanding of what it takes to succeed in the blue ocean shift process. It comes down to three key components.

The Three Key Components of a Successful Blue Ocean Shift

The first component is adopting a blue ocean perspective, so that you expand your horizons and shift your understanding of where opportunity resides.

Too many organizations are wedded to industry best practices even as they strive to break away from them. Adopting the perspective of a blue ocean strategist opens your mind to what could be, instead of limiting it to what is. It expands your horizons and ensures that you are looking in the right direction. Without expanding and reorienting your perspective, striving to open up a new value-cost frontier is like running west looking for the sunrise. No matter how fast you run, you're not going to find it.

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Organizations that open up new value-cost frontiers think differently. That is, they think about different things than those that are focused only on competing in their current markets. They raise fundamentally different sets of questions that enable them to see and understand opportunities and risk in fresh and innovative ways. This allows them to conceive of different kinds and degrees of value to offer customers that others either can't see at all or dismiss as impossible or irrelevant. With an expanded field of vision, they can, for instance, imagine creating a national youth orchestra worthy of global praise, even though it lacks highly trained musicians or quality instruments, by reconceiving it as a showcase for bridging cultural divides and promoting peace. They can imagine building rehabilitation centers on military bases for petty criminals, even though that defies the historical separation of the military, police, and prison administrations. They can imagine creating a new kind of home French fry maker that produces fresh, tasty, and healthier fries without frying.

While the right perspective is critical, for most of us it is not sufficient to actually conceive of and open up a new value-cost frontier. This is one of the greatest challenges organizations face. They want to get out of the red ocean. They want to make a blue ocean shift. They may even have a blue ocean perspective. However, they lack market-creating tools and guidance to turn their blue ocean perspective into reality.

The second component, therefore, is having practical tools for market creation with proper guidance on how to apply them to translate a blue ocean perspective into a commercially compelling new offering that creates new market space.

If the right perspective is a matter of shifting one's strategic thinking by asking different questions, market-creating tools and guidance enable you to ask the right questions at the right point in the process and to see the significance of the answers. Taken together, they build people's creative competence and provide the structure and parameters within which to organize your thinking so you can conceive and discover what others don't see, and avoid the potential

pitfalls that trip up most organizations. Step-by-step, they guide you through the central questions for opening up a breakthrough value-cost frontier: How do you challenge the explicit and implicit assumptions you hold regarding your business and your marketplace? How do you go about identifying the ocean of noncustomers to create new demand? How can you systematically redefine market boundaries to open up a new value-cost frontier that makes the competition irrelevant? How can you create offerings that stand apart while simultaneously achieving lower costs? And how do you go about building a supporting business model that your organization will follow to profitably bring your strategic vision to market?

What makes these tools and frameworks so powerful is that they are visual, which renders them easy to understand and apply, no matter what an individual's level of education or creativity. By showing in a single-page graphic or diagram how the critical factors relate to one another, each tool enables everyone to see the answer to each question emerge, thus keeping everyone, well, on the same page.

Our book *Blue Ocean Strategy* introduced these tools, but the devil, as they say, is in the operational details. Here we delve deeply into those details: We show you how to put the right team together, set up the process, and systematically apply each tool, in what sequence, to produce results and avoid and overcome potential stumbling blocks along the way. We are not talking about offering lessons from a 30,000-foot perch. Instead, what we do here is empower managers with practical, hands-on guidance at every step of the journey from the red ocean to the blue.

Making a blue ocean shift is a transformational journey. It requires more than a clear idea and strategy to open up a new value-cost frontier. To move toward the new frontier, you have to bring people along. Without people's voluntary cooperation, you will be stopped dead in your tracks, as every professional of a certain age knows. While most strategy work does not delve into the human side of organizations, yours should.

Accordingly, the third component is having a humanistic process, something we have come to call “humanness” in the process, which inspires and builds people’s confidence to own and drive the process for effective execution.

Most organizations face internal hurdles to change. This might be a cognitive hurdle, because people are wedded to the status quo. Or a political hurdle created by deep divisions or structural silos that breed internal tensions and infighting. Or a motivational hurdle, because people focus on doing what it takes to get by, but lack the energy, passion, and drive to make a real difference. Paul MacAlindin and the National Youth Orchestra of Iraq, for example, faced the daunting hurdle of bringing people who had been divided by years of fratricidal war together as a team. In Groupe SEB, ingrained ways of doing things and skepticism presented tough organizational hurdles to get over. The Malaysian government faced the classic hurdles stifling most governments today—ministerial silos and cross-ministerial tensions, not to mention the motivational hurdle of a bureaucratic, civil servant mentality.

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Ironically, our research shows that the two most common practices organizations rely on for execution are also the reason most transformative efforts fail. First, most organizations treat strategy creation and execution as separate and sequential activities. One group of people devises a strategy and then hands it off to another to execute. For the most part, academic research on strategy and innovation reinforces this bifurcation and sequence. Second, when it comes to execution, most of the time and attention get focused on making structural changes and using carrot and stick approaches, such as changing spans of control, aligning incentives, setting up key performance indicators, and the like.

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To do that, organizations should essentially do the opposite of what they commonly do.

Instead of treating execution as something that happens after the strategy has been set, it needs to be built into the strategy from the start or people won't own it. Also, you need to focus on the emotions and psychology of your people, instead of putting most of your energy into manipulating the mechanistic levers of structure, punishments, and rewards. If you can move people by inspiring and building their confidence to own and drive your new strategy, they will be committed to seeing change through and overcoming the organizational constraints you confront.

How can you capture people's hearts and minds and align them with your new strategy? Change, after all, is threatening, and asking people to make a blue ocean shift does just that by asking them to move away from what they know to a new frontier. Yet surprisingly, as we studied organizations that had made successful blue ocean shifts, we saw that people became more creative and more energized, and that execution wasn't questioned—precisely what you want to achieve, but what's typically so elusive. Why would that be? The longer we thought,

the more clearly we could see that there was something about the process that recognized people, acknowledging their fears, their insecurities, their need to be treated with dignity, their desire to matter. We struggled to figure out what word could capture this something and best describe it. The closest we could get was what we came to term humanness.

What we came to understand is this: At its core, a successful blue ocean shift is fundamentally a humanistic process. It does not deny but instead embraces our humanness in such a way that it makes us more competent and confident than we ever imagined. Humanness inspires us to inch along. It recognizes our skepticism and vulnerabilities, our fear that we can't do it, our doubts over whether there even are blue oceans, our need for intellectual and emotional recognition to make us feel valued. By building humanness into the process, an organization can shift its team's psychology and create an emotional landscape for change, whether you have 5 people or 10,000.

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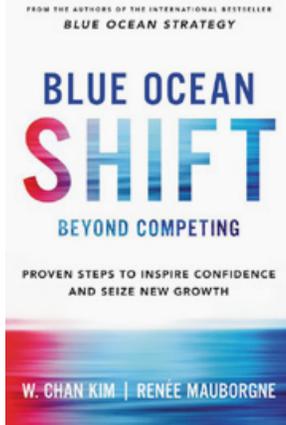
The blue ocean shift process accomplishes this not by demanding that anyone change but by easing people's fears and building their confidence at every step of the way. It does this by weaving atomization, firsthand discovery, and fair process into the entire journey. These elements are key to humanness, our research found, because they touch people at a fundamental level. The good news is that they are reproducible in any organization.

Shifting an organization from a red to a blue ocean does not happen in one day or after one off-site. But it also doesn't take years. While the final market launch of Groupe SEB's ActiFry took over two years, because of the time required to secure complex patents, the blue ocean shifts of the National Youth Orchestra of Iraq and even the Malaysian government's large-scale Community Rehabilitation Program were made in a year or so.

As organizations start to see tangible evidence of opportunities to open up breakthrough value-cost frontiers, energy climbs and momentum to move from the red to the blue ocean is unlocked in a powerful way. 📖



Info



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About the author

W. Chan Kim and Renee Mauborgne are Professors of Strategy at INSEAD and Co-Directors of the INSEAD Blue Ocean Strategy Institute. They are the authors of the international bestseller *Blue Ocean Strategy*, which is recognized as one of the most iconic and impactful strategy books ever written. *Blue Ocean Strategy* is a bestseller across five continents, and is published in a record-breaking 44 languages. Kim and Mauborgne are ranked in the top 3 management gurus in the world in the Thinkers50 list and have received numerous awards from across the globe. They are Fellows of the World Economic Forum and the founders of the Blue Ocean Global Network. For more on these authors and their new book, *Blue Ocean Shift*, see www.blueoceanshift.com.



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