BLUE OCEAN STRATEGIES IN A VUCA WORLD

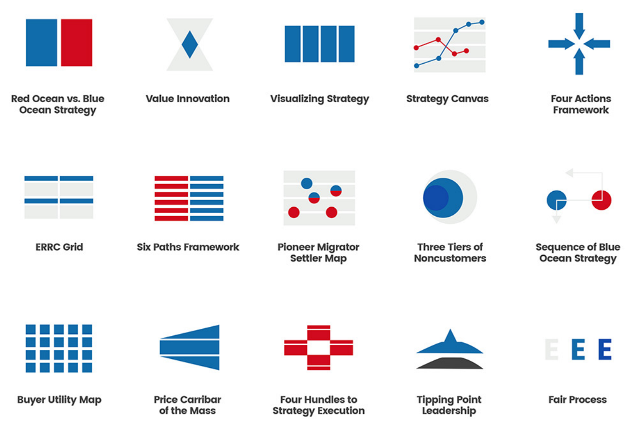
Blue Oceans

The term "Blue Ocean" is an analogy to describe the wider potential of market space that is vast, deep and not yet explored. Blue ocean strategy is based on a ten-year study of more than 150 strategic moves spanning more than 30 industries over 100 years, analysing not only leading business players who created blue oceans but also their competitors. Blue oceans, in contrast to red oceans, are defined by untapped market space, demand creation and the opportunity for highly profitable growth. In blue oceans, competition is irrelevant because the "rules" of the game are waiting to be set. Although some blue oceans are created well beyond existing industry boundaries, most are created from within red oceans by expanding existing industry boundaries.
Below are the main differences between a blue ocean and a red ocean strategy.

Red Oceans Strategy Focus on current customers	Blue Oceans Strategy Focus on noncustomers
▪ Compete in existing markets	▪ Create uncontested markets to serve
▪ Beat the competition	▪ Make the competition irrelevant
▪ Exploit existing demand	▪ Create and capture new demand
▪ Make the value-cost trade-off	▪ Break the value-cost trade-off
▪ Align the whole system of a firm's activities with its strategic choice of differentiation OR low cost	▪ Align the whole system of a firm's activities in pursuit of differentiation AND low cost

Cirque du Soleil's success did not win by taking customers from the already shrinking circus industry, which historically catered to children. Cirque du Soleil did not compete with Ringling Bros. and Barnum & Bailey. Instead it created uncontested new market space that made competition irrelevant. What makes Cirque du Soleil's rapid growth even more remarkable is that it thrived in an non-attractive and declining industry in which traditional strategic analysis pointed to limited potential for growth; while, it created a brand new group of customers: adults and corporate people.

Blue ocean key analytical tools and framework:



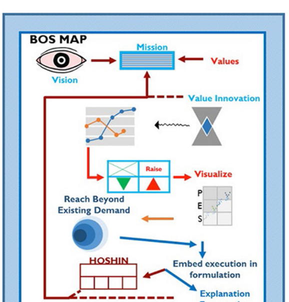
Value innovation

How can companies succeed in blue oceans? How can companies systematically maximize the opportunities while simultaneously minimizing the risks of creating blue oceans?

Strategy will always involve both opportunity and risk, be it a red ocean or a blue ocean initiative. At present, however, there is an overabundance of tools and analytical frameworks to succeed in red oceans. As long as this remains true, red oceans will continue to dominate companies' strategic agenda even as the business imperative for creating blue oceans takes on new urgency. Blue ocean strategy is based on value innovation which is the simultaneous pursuit of differentiation and low cost, breaking the value-cost trade-off by eliminating and reducing factors an industry competes on and raising and creating factors the industry has never offered. To stand apart in overcrowded markets, companies need to be creative through value innovation.

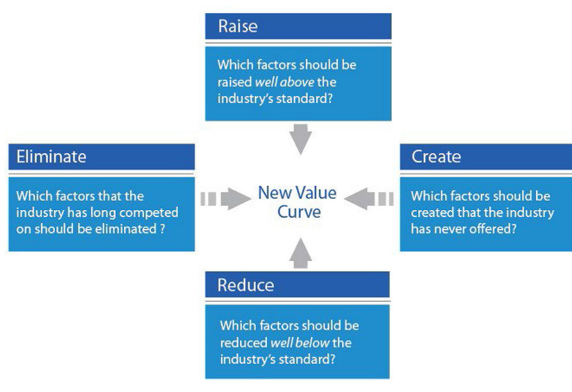
Blue Ocean Strategy map and tools and how it can fit into an organization's vision, mission, and values.

TTM has developed a strategy chart that follows a step wise approach for the strategic mapping and the various flow of tools and steps to reach a generation of strategic solutions.



The blue ocean Strategy Canvas

The strategy canvas is both a diagnostic and an action framework for building a compelling blue ocean strategy. It serves two purposes. First, it captures the current state of play in the known market space, which helps understand where the competition is currently investing; the factors the industry currently competes on in products, service, and delivery; and what customers receive from the existing competitive offerings on the market.
It follows a 4 action framework:



6 principles of blue ocean strategy:

4 formulation principles:

1. How to create uncontested market space by reconstructing market boundaries
2. Focusing on the big picture, not the members
3. Reaching beyond existing demand and supply in new market spaces
4. Getting the strategic sequence right

2 execution principles:

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

For any strategy to be successful and sustainable an organization must develop an offering that attracts buyers; it must create a business model that enables the company to make a tidy profit; and it must motivate the people working for or with the company to execute the strategy.

Avoiding the Traps of Red Ocean in a VUCA environment

VUCA is an acronym used to describe or reflect on the volatility, uncertainty, complexity and ambiguity of general conditions and situations.
The deeper meaning of each element of VUCA serves to enhance the strategic significance of VUCA foresight and insight as well as the behaviour of groups and individuals in organizations. It discusses systemic failures and behavioural failures, which are characteristic of organisational failure.

- **V = Volatility.**
  The nature and dynamics of change, and the nature and speed of change forces and change catalysts.

- **U = Uncertainty.**
  The lack of predictability, the prospects for surprise and the sense of awareness and understanding of issues and events.

- **C = Complexity.**
  The multiplex of forces, the confounding of issues, no cause-and-effect chain and confusion that surrounds organization.

- **A = Ambiguity.**
  The haziness of reality, the potential for misreads and the mixed meanings of conditions; cause-and-effect confusion.

In a **volatile** environment, looking to existing customers for insight into creating new demand will keep the organization anchored in a red ocean; an organization needs to turn its focus on noncustomers, for they hold the greatest insight into the points of pain and intimidation that limit the size and boundaries of an offering's industry.

A good example would be when Andre Rieu created an all new market space, introducing an ocean of once noncustomers to the beautiful world of classical music. Noncustomers revealed a host of factors that discouraged them from ever attending an orchestra performance from the lengthy and sophisticated musical pieces played, to the expected dress code and audience protocols, Andre Rieu created a non-intimidating entertaining orchestra experience by performing classical works with a distinctly unorthodox frivolity, joking with the audience and performing all sorts of antics.

In a **complex** environment, using confusing technology innovation with market-creating strategies can backfire! Market creation is not inevitably about technological innovation. Value innovation is what launches commercially compelling new markets. Successful new products or services open market spaces by offering a leap in productivity, simplicity, ease of use, convenience, fun and fashion, or environmental friendliness. Google Glass fell into the trap of complexity. Google Glass may have represented a technology innovation. However, it was not a value innovation.

In an **uncertain ambiguous** environment, market creation does not always involve destruction. Joseph Schumpeter's theory of creative destruction lies at the heart of innovation economics. Creative destruction occurs when an invention disrupts a market by displacing an earlier technology or existing product or service. Viagra, for example, established a new market in lifestyle drugs without making any earlier technology or existing product/service obsolete. Nintendo's Wii game player complemented more than replaced existing game systems, because the Wii attracted younger children and older adults who hadn't previously played video games.

Final Thoughts

The market universe has never been constant; rather, blue oceans have continuously been created over time. To focus on the red ocean is therefore to accept the key constraining factors of competition—limited market space and the need to beat the enemy to succeed—and to deny the distinctive strength of the business world: the capacity to create new market space that is uncontested. It will always be important to navigate successfully in the red ocean by outcompeting rivals. The capacity for VUCA leadership in strategic and operating terms depends on a well-developed mind-set for evaluating the technical, social, political market and economic realities of the environment in which people work. Working with deeper smarts about the elements of VUCA may be a driver for survival and sustainability in an otherwise complicated red ocean world. Red oceans will always matter and will always be a fact of business life, companies need to go beyond competing in established industries; for to seize new profit and growth opportunities, they need to create blue oceans.

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