

Book Review

Expanded Edition of Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant

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Why Review this Book?

In our previous work, “Increasing Social Media in Women and Minority Firms,” we explored the impact of expanding a virtual market presence on start-up ventures owned by minority and women owned firms. We partnered with HooteSuite to deliver social media training and certification to minority students in the Entrepreneurship & Experiential Learning Lab (EEL) at the City University of New York (CUNY) Medgar Evers College (MEC). While not discussed explicitly in the previous paper, we also interviewed a senior executive in the Canadian based company HooteSuite. At the time, HooteSuite was transforming from a C corporation to a B corporation. In an effort to explain the transition, we were told to read the Blue Ocean Strategy.

Almost two years later, during a period of what I will refer to as down time, I ordered the hard copy book from Amazon.com and read it the day after it arrived. The reason for the quick read is that I have been in pursuit of a strategy to accelerate economic development in marginalized communities for decades. For those in the protected classes, women, minorities, persons with disabilities and seniors, there are many market imperfections that give rise to glass ceilings, underemployment and unemployment. Job employment has not been the answer for many and is a growing concern in higher education as it relates to all students. Many posit job creation through entrepreneurship is the answer but venture sustainability is elusive for many.

Overview

The Blue Ocean Strategy research, articles, books and reviews are covered in strategy literature in several places. The original text discusses the Red Ocean of cycling competitive forces and the Blue Ocean of cycling new market demand creation. The thesis is a sustainable win-win market strategy is to create new markets rather than competing for smaller shares of existing markets.

A major proposition of the book is that organizations should use value innovation to create differentiation and simultaneously engage a profit model of strategic pricing through streaming cost and/ or partnership innovations. The combination of differentiation supported by lower than normal industry pricing sustains longer term profitability; however, in the long-run to continue in Blue waters, the organization must have a portfolio of products that balance its long term life cycle goals.

What I found interesting in the expanded edition is that it dedicated the closing three chapters 9, 10, and 11, to explain organizational successes and failures in the context of understanding and implementation of strategy. The balance of this review will focus on Chapter 9, “Align Value, Profit, and People Propositions; Chapter 10 Renew Blue Oceans; and Chapter 11, “Avoid Read Ocean Traps.”

Chapters 9-11

What is key is that all three propositions, value, profit, and people must be aligned to accrue gains from the strategy; often organizations will optimize two of the three propositions and fail to achieve objectives. There were examples of organizations that focused on value and profit and failure occurred because people were not appropriately engaged in the change. An example of appropriate alignment was Apple’s iTunes strategy.

The authors explained that the Blue Ocean strategy is dynamic and requires monitoring. Organizations must monitor their own value curves such that they continue to focus, diverge, and have a compelling tag line. Additionally Blue Ocean firms must monitor the imitation value curves of would-be competitors. Market forces cited to create barriers to Blue Ocean market entry are:

1. Alignment of Value Profit and People propositions: differentiation and low cost
2. Cognitive and organization: Value innovation appears incompatible in context of industry or organization culture requiring significant change.
3. Brand: Conflicts with organizational image
4. Economic and Legal: Patents, natural monopolies

The authors discussed “Renewal” at the Individual business level and corporate level. At the corporate level, the Pioneer, Migration, Settlers (PMS) map was introduced to illustrate the dynamics of Apple’s portfolio of businesses from 1997 to 2014. What was impressive about Apple’s PMS map was that over time the number of Pioneers continue to grow to be a substantial percentage of the portfolio delivering long-term market dominance.

From the perspective of experiential learning, the most interesting Chapter in the book was also the final, “Avoid Red Ocean Traps”. There is a list of ten thoughts, actions, and engagements, missteps that organizations have taken and proven to contribute to either decline or failure. The misconceptions span from erroneous attempts to be first to market to the misconception that technology is synonymous with value.

Summary

What have we learned? Blue Ocean strategy provides a framework and tools to define value curves; create new markets; and develop methods for long-term sustainability. The cases studied were well-established ventures some with life spans of several decades.

The challenge for those of us in pursuit of economic development is how then to apply Blue Ocean strategy to segments of marginalized populations such as entrepreneurs in the ghetto of urban cities or in remote rural villages. A recent study indicated that half of the worldwide wealth is in the control of eight men. How do we help the rest of the world find Blue Oceans?

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