OUM TEA TALK 2009

BLUE OCEAN STRATEGY: WAY FORWARD FOR OUM

Blue Ocean Strategy Team

19 June 2009
BLUE OCEAN STRATEGY

How to Create Uncontested Market Space and Make the Competition Irrelevant

W. Chan Kim • Renée Mauborgne

HARVARD BUSINESS SCHOOL PRESS
1. OBJECTIVE OF PRESENTATION

• To share the Blue Ocean Strategy (BOS) approach, analytical framework and tools that will be used in OUM’s strategic planning and budgeting exercise

• To obtain feedback and inputs from academic staff and senior management to help improve BOS adoption process
2. BACKGROUND

• On 1 April 2009, GMC approved the setting up a BOS Team at OUM
• The mission of the team is to incorporate BOS analytical framework and tools in OUM’s strategic planning and budgeting exercise
• The team met several times and is in the process of preparing a report to be presented to GMC
3. BLUE OCEAN STRATEGY TEAM AT OUM

• Prof. Ramli Bahroom (CPU)
• Assoc. Prof. Zulkifli Yaacob (CML)
• Dr. Oh Teik Hai (FBM)
• Ms. Christine Ling Bee Fong (FITMC)
• Ms. Rosila Abu Zarin (CPU)
4. STRATEGIC PLANNING

• An organization's process of defining its strategy, or direction and making decisions on allocating its resources to pursue this strategy.

• Deals with the following key questions:
  – "What do we do?"
  – "How do we excel?"
5. TRADITIONAL PRACTICE

- Existing companies compete in well-defined market-places
- Emphasis is on taking market share from competitors
- Carried detailed market research of existing customers/ markets
- Because of stiff competition, downward pressure on margins
- Many studies have been done to look at best competitive practices
- Many worthwhile tools have been developed e.g. Porter, BCG, Ansoff, PIMS
- Generic strategies: Differentiation or Low Cost
6. STEPS IN STRATEGIC PLANNING

1. **Vision and Mission** - Define the vision and set a mission statement with hierarchy of goals and objectives

2. **SWOT** - Analyse internal and external environment according to the desired goals

3. **Formulate** - Formulate strategies, actions and processes to attain these goals

4. **Implement** - Implement the agreed upon actions and processes

5. **Control** - Monitor and get feedback from implemented processes to fully control the operation
7. WHERE DO BLUE OCEAN STRATEGY FIT IN STRATEGIC PLANNING?

- Formulation stage - Formulate strategic thrusts, actions and processes to attain organisational goals
8. BACKGROUND OF BOS

• Kim and Mauborgne conducted research on 150 positions made from 1880-2000 in more than 30 industries.
• Analyzed the winning business players as well as the less successful competitors.
• Studied industries such as hotels, cinemas, retail stores, airlines, energy, computers, construction, automotive, broadcasting and steel.
• Found a consistent and common pattern across all the success stories and first called it “Value Innovation,” and then later “Blue Ocean Strategy.”
• The ideas, tools and frameworks were tested and refined over the years in corporate practice in Europe, US and Asia and presented in journal articles, before being published in the form of a book in 2005.
8. BACKGROUND OF BOS (Contd.)


9. WHAT IS BLUE OCEAN STRATEGY?

• Blue Ocean Strategy (BOS) is a business strategy on how to create *new and uncontested market space* or "Blue Ocean" and rather than competing in an existing industry.

• As a consequence, BOS makes the competition irrelevant.
10. THE INITIAL LITMUS TEST FOR BLUE OCEAN STRATEGY

1. **Focus**: Emphasise only on *certain areas* to optimise allocation of resources and minimise costs

2. **Divergence**: Dare to be *different*

3. **Compelling Tagline**: A good test of effectiveness and strength of a strategy is evident in its *strong and authentic* tagline
11. RED OCEAN VS BLUE OCEAN STRATEGY

<table>
<thead>
<tr>
<th>Red Ocean Strategy</th>
<th>Blue Ocean Strategy</th>
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<tbody>
<tr>
<td>Compete in existing market space</td>
<td>Create uncontested market space</td>
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<tr>
<td>Beat the competition</td>
<td>Make the competition irrelevant</td>
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<td>Exploit existing demand</td>
<td>Create and capture new demand</td>
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<td>Make the value-cost trade-off</td>
<td>Break the value-cost trade-off</td>
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<td>Align the whole system of a firm's activities with its strategic choice of differentiation or low cost</td>
<td>Align the whole system of a firm's activities in pursuit of differentiation and low cost</td>
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12. BASIC TOOLS OF BLUE OCEAN STRATEGY

- The Strategy Canvas
- The Four Actions framework
- Eliminate-Reduce-Raise-Create Grid
- The Six Paths framework
THE STRATEGY CANVAS
4-ACTION FRAMEWORK

Reduce
Which factors should be reduced well below the industry's standard?

Eliminate
Which of the factors that the industry takes for granted should be eliminated?

A New Value Curve

Create
Which factors should be created that the industry has never offered?

Raise
Which factors should be raised well above the industry's standard?
## ERRC GRID

<table>
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<th>Raise</th>
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<td>Which factors can you eliminate that your industry has long competed on?</td>
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VALUE INNOVATION
THE SIX PATHS FRAMEWORK
(RECONSTRUCTING MARKET BOUNDARIES)

1. Look across alternative industries
2. Look across strategic groups within industries
3. Look across the chain of buyers
4. Look across complementary product and service offerings
5. Look across functional or emotional appeal to buyers
6. Look across time
13. IMPLEMENTING BOS AT OUM

1. Research on "As Is" Strategy Canvas:
   - OUM vs Traditional IPTs
   - OUM vs Other ODLs

2. Apply the 6-Path Framework

3. Apply the 4-Action Framework and ERRC Grid

4. Develop “To Be” Strategy Canvas

5. Focus on the “KCFs” as indicated by “To Be” Strategy Canvas for implementation
### KEY COMPETITIVE FACTORS (KCFs)

| 1. Price |
| 2. Number of programmes |
| 3. Students support |
| 4. Face-to-face interaction |
| 5. Learning materials |
| 6. Industry collaboration |
| 7. University reputation |
| 8. Ease of entry |
| 9. Learning flexibility |
| 10. Assessment method |
| 11. No of centers |
| 12. Learner centredness |
STRATEGY CANVAS: OUM VS TRADITIONAL IPT

- Fees
- No of programmes
- Student support
- Customised Learning Materials
- F-2-F Interaction
- Industry Collaboration
- University Reputation
- Ease of Entry
- Learning Flexibility (blended...)
- Assessment Method
- Customer centredness
THE 6-PATH FRAMEWORK
PATH 1: LOOK ACROSS ALTERNATIVE INDUSTRIES

• What other industries produce services alternative (different functions and forms but the same purpose) to ours?

• Why do customers trade across them?

• By focusing on the key factors that lead buyers to trade across alternative industries and eliminating or reducing everything else, we can create a blue ocean of new market space.
PATH 2: LOOK ACROSS STRATEGIC GROUPS WITHIN INDUSTRIES

• What are the strategic groups (companies that pursue a similar strategy) in our industry?
• Why do customers trade up for the higher group, and why do they trade down for the lower one?
PATH 3: LOOK ACROSS THE CHAIN OF BUYERS

• What is the chain of buyers (*purchasers of services may differ from actual users*) in our industry?

• Which buyer group does our industry typically focus on?

• If we shifted the buyer group of our industry, how could we unlock new value?
PATH 4: LOOK ACROSS COMPLEMENTARY PRODUCT AND SERVICE OFFERINGS

• What is the context in which our product or service is used?
• What happens before, during and after purchase?
• Can we identify the pain points?
• How can we eliminate these pain points through a complementary product or service offering?
PATH 5: LOOK ACROSS FUNCTIONAL OR EMOTIONAL APPEAL TO BUYERS

• Does our industry compete on functionality or emotional appeal?
• If we compete on emotional appeal, what elements can we strip out to make it functional?
• If we compete on functionality, what elements can be added to make it emotional?
PATH 6: LOOK ACROSS TIME

• What trends have a high probability of impacting our industry, are irreversible, and are evolving in a clear trajectory?
• How will these trends impact our industry? Given this, how can we open up unprecedented customer utility?
4-ACTION FRAMEWORK

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13. CONCLUSION

• Blue Ocean Strategy is not a panacea for all OUM problems
• BOS provides a framework for value-innovation
• Definitely worth devoting effort on this approach
THANK YOU