

A composite image featuring three business professionals in formal attire (suits and ties) standing in the foreground. The background is a blurred city skyline at dusk or dawn, with warm orange and yellow light reflecting off the buildings. The overall color palette is dominated by blues and greys, with the warm light providing a focal point.

What Industry Today Doesn't Face Intense Competition?

**Why Non-Disruptive Creation Is as Important
as Disruption in Seizing New Growth**

by Alfredo Passos

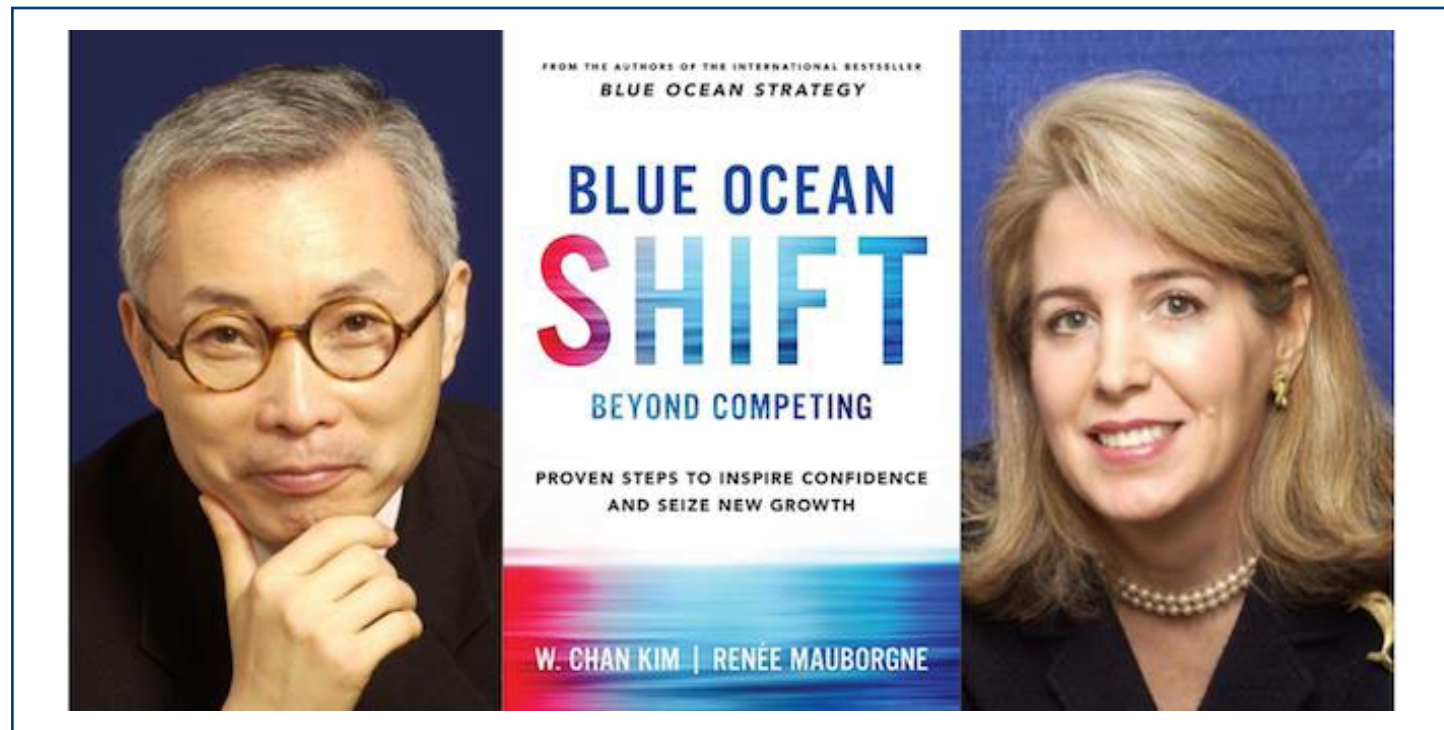
Why do some companies succeed in creating new market spaces while others fail?

In 2005 INSEAD professors W. Chan Kim and Renée Mauborgne, published *Blue Ocean Strategy*, one of the most impactful strategy books ever written. Selling over 3.6 million copies and published in 44 languages, the book has become a byword for any organization that is looking to create new market spaces ripe for growth.

The study includes research of over 150 successful new market creations, across more than 30 industries, including less successful competitors. What they found is that most companies focus on how to beat the competition in existing markets. They described this as a red ocean, often over-crowded and with shrinking profit margins and limited growth opportunities.

They have now taken the principles of the original work and today publish their follow-up, **Blue Ocean Shift**. The book provides a step-by-step guide to identifying untapped growth opportunities, whether you are a startup, small business, or Fortune 500 company.

Blue Ocean Shift: Beyond Competing Proven Steps to Inspire Confidence and Seize New Growth by W. Chan Kim and Renée Mauborgne



Blue Ocean Shift addresses a key challenge facing virtually every organization today. How to move yourself, your team and your organization from competing to creating or, from cutthroat markets to wide open new markets in a way your people own and drive the process. Think about it. What industry today doesn't face intense competition? Take retail. It's getting decimated. The competition is fierce. It's tough. It's rough. It's what we refer to as a bloody red ocean.

However, the successful companies are not in those red oceans. They are moving into and creating new markets, what we think of as blue oceans. The question is, how can all of us do that too? This book lays out the path anyone can follow to get there, using proven steps.

How to make a successful shift? The authors said that "You need two things to shift. Without them you are going to struggle. **First**, you need a roadmap. Because we all want to shift from compete to create, but we don't know how. So you need a roadmap with tools and guidance that anyone can apply. **Second**, you need people. And by that, we mean you need people's confidence to act. If people don't have the confidence to act, your roadmap means nothing. And that's what the book does. It gives

you that roadmap and it shows you how to build people's confidence at every step so that they own and drive the process for success."

Blue Ocean Shift shows real-world examples of organizations facing the same constraints we all face – be they politics, bureaucracy, limited resources – and applied the very tools and process outlined in the book to shift from competing to creating. You will learn, for example, how a musical conductor applied the blue ocean shift process to create the "bravest orchestra in the world." He redefined what a youth orchestra means, from music excellence to ambassadors for peace, even inspiring Shiite, Sunni and Kurdish musicians to play together, all the while dealing with resource constraints, historical ethnic divides, and poorly trained musicians.

There is the example of a hotel chain that applied the proven steps outlined in the book to break out of the highly competitive hotel industry – which is 'redder than red' – to create the new market of affordable luxury hotels offering five-star comfort at three-star prices. Today it has 90 percent occupancy rates, guest ratings called it 'superb' and 'fabulous' on booking sites, and described it as the lowest costs in the most chic locations. It is rolling out to major cities across the world.

The book also explains how a global, small-appliance company with more than 100 years of history turned an industry, whose value was declining by 10 percent a year, into a high-growth one. The company did that by redefining its offering to such an extent that it allows all of us today to make mouthwatering French fries with no frying and almost no oil. The upshot of its shift: Not only did demand grow by 40 percent, its stock price lifted by 5 percent. Oprah fell in love with the new offering and started tweeting that the product had "changed her life."

From prisons to toilet paper, healthcare to convenience stores, national governments to small nonprofits, new companies to established ones, Blue Ocean Shift shows you how they applied the process outlined in the book to shift from competing to creating in a way that brought their people along.

New markets or disruption? Disruption matters. But as we discuss in the book, that's only half the picture of how new markets are created. The other half, and we would argue the more important half, is what we call non-

disruptive creation. What we mean by that is creating new markets where there once wasn't any market at all. Take the example of life coaching. Today it is a \$2 billion industry. Life coach is the second fastest growing profession in the United States after IT professional. But twenty years ago it didn't exist. That market didn't exist until someone had the idea to create a brand-new opportunity for people to improve the quality of their lives in a way they couldn't get from anywhere else. Life coaching didn't disrupt anyone. No one lost a job because of it. No company went out of business. Microfinance, Viagra, online dating, Sesame Street – those are just a few of the many market-creating moves created by non-disruptive creation. As we lay out in the book, the opportunities for non-disruptive creation are huge. No executive or entrepreneur can afford not to understand that this is important as they are missing half of how new markets are created. That would be like shutting yourself from half of your opportunities to seize new growth, which no one should do. From a macroeconomic perspective, understanding non-disruptive creation is equally vital since it generates new growth and jobs without destroying existing jobs or companies, which is key.

Big companies are increasingly buying their innovations, like the Dr. Pepper Snapple Group, which recently purchased Bai Brands. It's great that a top Company like Dr. Pepper Snapple recognizes that it needs to go beyond competing to seize new growth and stay relevant. But instead of empowering its own 19,000 employees to do what it takes to move the Company forward, which is to create, it empowers them to do what increasingly doesn't move the needle, which is to compete. That's why the company had to shell out close to \$2 billion to purchase Bai Brands and stay relevant. This mismatch between what employees are empowered to do and where profit and growth increasingly come from is something that we believe many large companies need to address. While the world has changed, employees in many companies remain aligned with the path to success in the past, which is competing. What firms would need to do now is to shift and get their people attuned to the new market reality where creating new markets is the ticket to seize new growth. Just think of the message you are sending your employees about their value in the company and if every opportunity to grow comes from people outside the company. How will they feel that they are a vital part of their company's future? Blue Ocean Shift lays out the path to turn this around and shift.

8 Key Points of Blue Ocean Strategy

These are the fundamentals that will jump-start your strategy development process. What is distinctive about blue ocean strategy as a theory? How is blue ocean strategy different from a classic differentiation strategy? Is it another form of low-cost strategy? What's the research process behind it? In the decade since Blue Ocean Strategy was first published, we have fielded thousands of such questions. Some executives want to understand how it addresses the issue of execution. Some ask what the strategy is based on. Others question whether the strategy will be effective in their industry. We heard certain questions again and again and, in response, have identified eight core principles. Here we outline the essence of blue ocean strategy.

Blue ocean strategy is based on a decade-long study of more than 150 strategic moves spanning more than 30 industries over 100 years. Industries ranged from hotels, cinema, retail, airlines, energy, computers, broadcasting, and construction to automobiles and steel. We analyzed not only winning business players who created blue oceans but also their less successful competitors. We searched for convergence among the group that created blue oceans and within less successful players caught in the red ocean. We also searched for divergence across these two groups. In so doing, we tried to discover the common factors leading to the creation of blue oceans and the key differences separating those winners from the mere survivors and the losers adrift in the red ocean. As our database and research have continued to expand and grow over the last ten years since the first edition of our book was published, we have continued to observe similar patterns whether blue oceans were created in for-profit industries, non-profit organizations, or the public sector.

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2. It Pursues Differentiation and Low Cost

Blue ocean strategy is based on the simultaneous pursuit of differentiation and low cost. It is an "and-and," not an "either-or" strategy. Conventional wisdom holds that companies can either create greater value for customers at a higher cost or create reasonable value at a lower cost. Here strategy is seen as making a choice between differentiation and low cost. In contrast, blue ocean strategy seeks to break the value-cost tradeoff by eliminating and reducing factors an industry competes on and raising and creating factors the industry has never offered. This is what we call value innovation.

Value innovation is distinctively different from the competitive strategic approach that takes an industry structure as given and seeks to build a defensible position within the existing industry order. The strategic logic of value innovation guides companies to identify what buyers commonly value across the conventional boundaries of competition and reconstruct key factors across market boundaries, thereby achieving both differentiation and low cost and creating a leap in value for both buyers and the company.

3. It Creates Uncontested Market Space

Blue ocean strategy doesn't aim to out-perform the competition. It aims to make the competition irrelevant by reconstructing industry boundaries. Whereas conventional strategic approaches drive companies to define their industry similarly and focus on being the best within it, blue ocean strategy prompts them to break out of the accepted boundaries that define how they compete. Instead of looking within these boundaries, managers need to look systematically across them to create blue oceans – new and uncontested market space of new demand and highly profitable growth.

4. It Empowers You Through Tools and Frameworks

Blue ocean strategy offers systematic tools and frameworks to break away from the competition and create a blue ocean of uncontested market space. The field of strategy, by contrast, has predominantly focused on how to compete in established markets, creating an arsenal of analytic tools and frameworks to skillfully achieve this.

Blue ocean strategy is built on the common strategic patterns behind the successful creation of blue oceans. These patterns have allowed us to develop underlying analytic frameworks, tools, and methodologies to systematically link innovation to value and reconstruct industry boundaries. The visual and actionable frameworks and tools like the strategy canvas, four actions framework and six paths form the analytic foundations of the blue ocean creation process, bringing structure to what has historically been an unstructured problem in strategy. They provide a roadmap and critical visual guidance for systematically pursuing value innovation and creating uncontested market space. Companies can make proactive changes in industry or market fundamentals through the purposeful application of these blue ocean tools and frameworks.

5. It Provides a Step-By-Step Process

From assessing the current state of play in an industry to exploring the six paths to new market space, to understanding how to convert noncustomers into customers, blue ocean strategy provides a clear four-step process to break away from the competition and create a blue ocean of strong profitable growth. The four-step process is designed around the concepts and analytic tools of blue ocean strategy and fair process. It is built based on our strategy practices in the field with many companies over the last two decades. It allows managers and their teams to develop rigorous and concrete strategies while capturing the big picture. In this way, it presents an alternative to the existing strategic planning process, which is often criticized as a number-crunching exercise that keeps companies locked into making incremental improvements.

6. It Maximizes Opportunity While Minimizing the Risk

Blue ocean strategy is an opportunity-maximizing risk-minimizing strategy. Of course, any strategy will always involve risks – be it red or blue. However, blue ocean strategy provides a robust mechanism to mitigate risks and increase the odds of success. A key framework here is the Blue Ocean Idea Index. The Blue Ocean Idea Index lets you test the commercial viability of your blue ocean ideas and shows you how to refine your ideas to maximize your upside while minimizing downside risks. It allows you to answer four key questions: First, is there a compelling reason for people to buy your offering? Second, is your offering priced to attract the mass of target buyers, so they have a compelling ability to pay for it? Third, can you produce your offering at the strategic price and still earn a healthy profit from it? And finally what are the adoption hurdles in rolling out your idea and have you addressed these up front? The first two questions address the revenue side of your business model. They ensure that you create a leap in net buyer value. The third question ensures the profit side of your business model. And the last question ensures that you have given good thought and addressed externalities that could trip up even the best new idea.

7. It Builds Execution into Strategy

The process and tools of blue ocean strategy are inclusive, easy to understand and communicate, and visual – all of which makes the process non-intimidating and an effective path to building execution into strategy and the collective wisdom of a company.

Equally as important, blue ocean strategy is a strategy that expressly joins analytics with the human dimension of organizations. It recognizes and pays respect to the importance of aligning people's minds and hearts with a new strategy so that at the level of the individual, people embrace it of their own accord and willingly go beyond compulsory execution to voluntary cooperation in carrying it out. To achieve this, blue ocean strategy does not separate strategy formulation from execution. Although this disconnect may be a hallmark of most companies' practices, our research shows it is also a hallmark of slow and questionable implementation and mechanical follow-through at best. Instead, blue ocean strategy builds execution into strategy from the



start through the practice of the fair process in the making and rolling out of strategy. Fair process, namely, engagement, explanation and expectation clarity, prepares the ground for implementation by invoking the most fundamental basis of action: trust, commitment, and the voluntary cooperation of people deep in an organization. Commitment, trust, and voluntary cooperation are not merely attitudes or behaviors. They are intangible capital. They allow companies to stand apart in the speed, quality, and consistency of their execution and to implement strategic shifts fast at low cost.

8. It Shows You How to Create a Win-Win Outcome

While good strategy content hinges upon a compelling value proposition for buyers and a robust profit proposition for the organization, sustainable strategy execution is based largely on a motivating people proposition. The alignment of the three propositions proposed by blue ocean strategy ensures that an organization is taking a holistic approach to the formulation and execution of strategy. Together the three propositions provide an organizing framework for creating a winning strategy that will benefit buyers, the company, as well as internal and external stakeholders.

In summary, Professor Renée Mauborgne, said, "The key lessons to take away from Blue Ocean Shift. Blue Ocean Shift imparts five key lessons. **First**, it shows you why focusing on competing misses huge growth opportunities and how to expand your thinking on strategy beyond competing. It shows you how to produce more creative strategies that can unlock new value-cost frontiers and with it profitable new growth horizons, even in declining industries..."

Second, it shows why thinking about creative destruction and disruption as sources of innovation is limiting and how you can grow through non-disruptive creation. It is increasingly accepted wisdom that creating a new market would destroy or disrupt an existing one. Yet, Blue Ocean Shift reveals that such thinking leaves half the opportunities to create new growth and new markets off the table. Identifying and solving a brand-new problem or seizing a brand-new opportunity gives rise to non-disruptive creation that produces growth without necessarily disrupting or displacing businesses or industries.

Third, Blue Ocean Shift illustrates how anyone in any organization can move from red to blue oceans with blue ocean shift's systematic five-step process, not just entrepreneurs. Market creation is often seen as the result of a trial-and-error process and the domain of entrepreneurs. Blue Ocean Shift shows how market creation can be achieved through a reliable and systematic process by anyone, whether they see themselves as particularly creative or not, or any organization.

Fourth, Blue Ocean Shift shows why people's confidence is essential to create and execute your growth strategy and how to build it. Without the confidence to act, few will venture down a new path, no matter how clear the roadmap. By putting people's confidence on an equal plane with their creative competence, Blue Ocean Shift shows how to move your team and your organization from red to blue oceans in a way that people own and drive the process.

Finally, Blue Ocean Shift will show you why you should not build your growth strategy based on existing environmental and industry conditions and how you can shape them in your favor for growth. Most organizations build their strategy based on industry conditions. Here industry conditions drive their strategy of what to do. What Blue Ocean Shift recognizes, and what most of us all too often forget, is that while industry conditions exist, individual firms created them. And as individual firms created them, individual firms can shape them too. Blue Ocean Shift shows you how you can shape industry conditions in your favor for growth and profit by following a systematic process.

Blue Ocean Shift is the essential follow up to Blue Ocean Strategy. Drawing on more than a decade of new work, Kim and Mauborgne show you how to move beyond competing, inspire your people's confidence, and seize new growth, guiding you step-by-step through how to take your organization from a red ocean crowded with competition to a blue ocean of uncontested market space. By combining the insights of human psychology with practical market-creating tools and real-world guidance, Kim and Mauborgne deliver the definitive guide to shift yourself, your team, or your organization to new heights of confidence, market creation, and growth. They show why non-disruptive creation is as important as disruption in seizing new growth.

Blue Ocean Shift is packed with all-new research and examples of how leaders in diverse industries and organizations made the shift and created new markets by applying the process and tools outlined in the book. Whether you are a cash-strapped startup or a large, established company, nonprofit or national government, you will learn how to move from red to blue oceans in a way that builds your people's confidence so that they own and drive the process.

With battle-tested lessons learned from successes and failures in the field, Blue Ocean Shift is critical reading for leaders, managers, and entrepreneurs alike. You'll learn what works, what doesn't, and how to avoid the pitfalls along the way. This book will empower you to succeed as you embark on your own blue ocean journey. Blue Ocean Shift is indispensable for anyone committed to building a compelling future.

Sources:

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