

BRETT Chulu caught up with Professor Renee Mauborgne, the co-author of the international bestseller *Blue Ocean Strategy: How to Create Uncontested Market Space and Make Competition Irrelevant*. Mauborgne is the co-director of the INSEAD Blue Ocean Strategy Institute and the INSEAD Distinguished Fellow of Strategy. *Blue Ocean Strategy* has sold more than two million copies across five continents and has been published in a record-breaking 42 languages.

Brett: Our readers would like know more about you. Who is Renee Mauborgne?

Renee: As you noted, I am a Professor and Distinguished Fellow of strategy at INSEAD and the co-director of the INSEAD Blue Ocean Strategy Institute in Fontainebleau, France. The Institute was founded in 2007 as a result of the global demand and rising interest in the theory of Blue Ocean Strategy, which I co-authored with my colleague and long-standing best friend, W Chan Kim.

We spent well over a decade developing the ideas in *Blue Ocean Strategy* and believe passionately in them. Our goal was to write a book that could make a difference and inspire people about what is possible and how they too can create a blue ocean of new market space whether in their company, in the non-profit sector, at the level of a nation or even in their family.

Brett: It's startling that there is no universal understanding of the term strategy. What is "strategy" for the purposes of our discussion?

Renee: Strategy is essentially the development and alignment of three propositions that seek to either exploit or reconstruct the industrial and competitive environment in which the organisation operates.

For any strategy to be successful an organisation must develop a value proposition that attracts buyers; it must create a profit proposition that enables the company to make money out of the value proposition; and it must offer a people proposition that motivates the people working for or with the company to execute the strategy.

While the value and profit propositions essentially set out the content of a strategy — what a company offers to buyers and how it will benefit from that offering, the people proposition determines the quality of strategy execution.

Unless a company creates a complete set of consistent propositions it is unlikely to produce a high performing and sustainable strategy.

Brett: Perhaps, you would like to unpack for us the idea of Blue Oceans and Red Oceans?

Renee: We use the terms red and blue oceans to describe the market universe. Red oceans are all the industries in existence today — the known market space. In the red oceans, industry boundaries are defined and accepted, and the competitive rules of the game are known. Here companies try to outperform their rivals to grab a greater share of existing demand. As the market space gets crowded, prospects for profits and growth are reduced. Products become commodities, and cut throat competition turns the red ocean bloody. Hence, the term “red” oceans.

Blue oceans, in contrast, denote all the industries not in existence today—the unknown market space, untainted by competition. In blue oceans, demand is created rather than fought over. There is ample opportunity for growth that is both profitable and rapid. In blue oceans, competition is irrelevant because the rules of the game are waiting to be set.

Blue ocean is an analogy to describe the wider, deeper potential of market space that is not yet explored. Like the “blue” ocean, it is vast, deep, powerful, in terms of profitable growth, and infinite.

Brett: We would appreciate if you perhaps give us a few cases of Blue Oceans?

Renee: Our book Blue Ocean Strategy gives scores of examples. But to name a few, in North America there’s Cirque du Soleil in live entertainment or Apple’s i-Pod and i-Tunes in the music industry, in Europe there’s JCDecaux in outdoor advertising or Comic Relief in the charity fundraising industry, in Africa there’s M-Pesa in banking or CIDA University in education to name just a few. No matter which continent, which industry, whether for-profit or not-for-profit we see the ability to create blue oceans.

Brett: The UK Code (the new UK corporate governance code which came into effect in June last year) states that corporate governance seeks to balance entrepreneurship and risk. Doesn’t this

approach disincentivise the development of Blue Oceans?

Renee: No. That is precisely what blue ocean strategy is all about. Blue ocean strategy provides analytic tools and frameworks to make the pursuit of blue oceans as systematic and actionable as competing in the red oceans of known market space.

No strategy, of course, is risk free. But blue ocean strategy is different in that it explicitly recognises the key risks in creating blue oceans and tackles these through practical frameworks. This is one reason why the response we've received from top managers has been great. They can't afford to be riverboat gamblers.

Brett: Do you consider Steve Jobs a Blue Ocean Strategist? Why?

Renee: This question deserves a two-part response. First, yes, Steve Jobs is instinctively a blue ocean strategist.

He does not aim to benchmark the competition, but like blue ocean strategy he aims to make the competition irrelevant by offering a leap in value to buyers that changes the contours of the market.

While Apple's businesses all involve technology, he does not aim to create a technology innovation rather he aims to create value innovation that makes the technology disappear from buyers' perspective. That's why people love, for example, the i-Pod. It's not because it is based on some innovation in technology, but because it so simple, easy to use and stylish that buyers don't even register the technology that is involved.

That's the essence of blue ocean strategy. Second, however, Steve Jobs is not a blue ocean strategist as we define it because so much of what he does is instinctive while blue ocean strategy purports a systematic, reproducible process to create blue oceans in an opportunity maximising, risk minimising way.

Brett: The Japanese demonstrated to us that high quality products could be produced at low cost, but have since been facing stiff competition from other economic regions. How long do Blue Oceans last?

Renee: Creating blue oceans is not a static achievement but a dynamic process. Once a company creates a blue ocean and its powerful performance consequences are known, sooner or later imitators appear on the horizon. However, a blue ocean strategy brings with it considerable barriers to imitation.

The first barrier is often cognitive. Competitors are often blocked from imitating because of brand image conflicts, or the blue ocean strategy just does not fit conventional strategic logic. For many years CNN, for example, was ridiculed by the industry as chicken noodle news by established players.

The second barrier is organisational. Because imitation often requires companies to make substantial changes to their existing business practices, politics often kick in, delaying for years a company's commitment to imitate a blue ocean strategy.

The third barrier includes the economic forces of blue oceans. The high volume generated by a value innovation leads to rapid cost advantages, placing potential imitators at an ongoing cost disadvantage.

The best way to defend blue oceans and to block new entrants into the market you have created as long as possible is to heighten these barriers with constant improvement on your initial blue ocean strategy of value, profit and people propositions.

**Renee Mauborgne is a professor and distinguished fellow at INSEAD in Fontainebleau, France.**

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