**BLUE OCEAN STRATEGY**

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**Introduction**

It is without doubt that proper strategic management is the cornerstone of the performance of any business organization. Traditionally, competition based on market share has formed the major business strategy. Nevertheless, with an increase in completion, there has been oversupply of the industry. As a consequence, an increase in the market share may not always result in increased profit. In the event that an organization pursues an increase in the market share with the view of increasing its profit and fails, it is important to note that the effectiveness of a follower strategy is highly unlikely. As such, managers within organizations are faced with the challenge of embracing new strategic thinking in order to reduce chances of such mistakes and to open up the organizations to increased opportunities of getting high returns on investment regardless of the market share. The Blue Ocean strategy is a new approach to strategic management that has brought in a new way of thinking among managers that has rendered the rule of competition unimportant. This paper is going to review the Blue Ocean Strategy and how this strategy can be used to promote performance and economic success of the organization.

Literature Review

The Blue Ocean strategy has gained increased popularity over the recent past with most managers establishing that it provides organizations with directions on how they can escape the increased competition for the same market spaces, marked with a high number of competitors and limited customers, and to create a new space of market that is characterized by limited or no competition (Kim & Mauborgne, 2015, p. 76). Even as most organizations move towards the internet in the wake of globalization, efficient and systematic logistics services have proven to be highly important in ensuring the success pf the business. It is important to note that the Blue Ocean strategy allows for a shift from the Reed Ocean, which is representative of all the existing industries with well-known market places, to industries that currently do not exist and hence involve a market space that is unknown.

The foundation of the Blue Ocean strategy lies within its value innovation, which is created within a region where the actions of the organization have a favorable impact on both the value proportion of the company to buyers and the cost structure (Kim & Mauborgne, 2015, p. 25). As such, the company makes cost savings by reducing and eliminating the factors based on which competition is established within the industry. The point is to facilitate a shift from the traditional framework from competition, whereby organizations use the market defined platforms for competition and compete against their competitors using the same factors and features. Such an approach proves to be detrimental to the organization as it is forced to embrace other approaches including pricing strategies and increasing cost to achieve a competitive advantage. As earlier mentioned, such strategies do not hold the promise of profit maximization. Instead, they are built on high risk assumptions within the organizations management. The Blue Ocean strategy also allows for the lighting of the values of the buyer by creating and raising new elements that have not been offered within the industry before (Kim & Mauborgne, 2015, p. 49). This ensures that an organization establishes a new approach to gaining profit, one that would not attract a direct challenge from its competitors. With passing time, there is a further reduction in the costs due to economies of scale that result from high volumes of sales that are generated by the superior value.

A comparison between the Red Ocean and the Blue Ocean provides a better picture into the changes that the Blue Ocean strategy brings into the organization in terms of its approach to the market and profit maximization. To start with, as earlier noted, the Red Ocean involves competing in a market that already exists, an aspect that is characterized by high levels of competition from a small consumer based (Gochhait & Tripathy, 2014, p. 49). Contrary to this, the Blue Ocean strategy involves establishment of new uncontested markets, which provide an organization with an increased demand for their products as the available customer base is underexploited. With limited competition, the organization is able to create a sort of ‘monopoly’, through which it is able to gain profit without having to incur increases in costs of differentiation or reducing prices. Another major difference between the two strategies involves desman, whereby the Red Ocean strategy involves exploiting the demand that already exists within a market while the Blue Ocean Strategy involves creating new demand within a new market (Kim & Mauborgne, 2015, p. 102). On the other hand, while the Red Ocean strategy involves value addition or creation, the Blue Ocean strategy involves value innovation.

**Table 1: Principles of the Blue Ocean Strategy**

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| --- | --- |
| Principles of Formulation | Formulation Risks |
| * Extending the focus to the bigger picture as opposed to the numbers * Rebuild market boundaries * Understand the strategic sequence * Reach beyond the current demand | * The risk of searching * The risk of Planning * The risk of scaling * The risk of determining the best Business Model |
| Principles of Execution | Execution Risks |
| * Overcoming the Important hurdles within the organization * Integrate execution into the business strategy | * Organizational risk * The risk of management |

Various researchers have conducted studies and review of the blue ocean strategy, emphasizing its effectiveness in granting organizations a bridge over intensive competition into profitability. Pitta (2009) engaged in a research to establish the effectiveness of the Blue Ocean strategy as a conceptual strategy that could be effectively incorporated in product development. The author maintains that the Blue Ocean strategy provides an approach that mitigates dangerous competition for organizations by allowing them to create a new market space that is uncluttered. It is clear from the findings of the study, that organizations can employ the Blue Ocean strategy in restructuring their service and product offerings and hence evade the competition that they are exposed to within their industry (Pitta, 2009). The findings of by Pitta (2009) provide a new dimension for product development and management among senior organizational management. This position concerning the effectiveness of the Blue Ocean strategy in facilitating new product development was further strengthened in another research by Pitta and Pitta (2012). The authors identify the failures that have been observed in different organizations in terms of development of new products as a result of the predominant Red Ocean strategy. The high presence of competitors as per the Red Ocean strategy has led to failure in product development as such competitors negatively influence the marketing strategy and enforce changes that consume resources and minimize success. The authors clearly note the increased effectiveness of the Blue Ocean strategy in facilitating new product development (Pitta & Pitta, 2012). It is thus clear that through refining the new product development process, the Blue Ocean strategy also refines the success of organizations as they face no competition.

As earlier noted, the strategy employed is a highly important determinant of the success of any organization in terms of achieving profitability. Gochhait and Tripathy (2014) acknowledge the importance of a good strategy achieving success in terms of the rate of profit with rising the market share consistently and multiplying sales, with reference to refractory industries. In this view, the authors argue that an effective strategy would be one that would allow an organization to create new customers and establish measures through which such customers can be retained. As such, the authors establish that adoption of the Blue Ocean strategy would allow organizations to effectively meet the expectations of the customers in a highly transforming non-economic and economic environment (Gochhait & Tripathy, 2014). The authors place an emphasis on the demerits of the Red Ocean strategy, maintaining that the Blue Ocean strategy ensures the sustainability of organizational profits by creating spaces within the market that are nor contested. In transforming the organization, the Blue Ocean strategy can be used to train the staff within the organization to embrace innovativeness in order to come up with new approaches that will not be highly contested in the market space in order to create new demand for the organization’s products and services. This could be demonstrated using Slocum and Papa (2014) in their study involving the application of the Blue Ocean strategy in training health care providers within health care organizations. The authors review an approach involving the use Blue Ocean approaches to train osteopathic physicians in view of preparing them for offering future medical education. This strategy allows for a replacement of the current system of medical education and hence for the creation of a new standard for osteopathic medical education that is to be used to train future health practitioners (Slocum & Papa, 2014).

For any business, satisfying the needs of the customer is highly important as it ensures loyalty and promotes increased sales. Nevertheless, this has increasingly become a great challenge for contemporary organizations. It is important to note that organizations need to create value for their customers in order for them to be successful. By creating value for their customers, organizations derive value from them. It is important for organizations to aim at achieving both by implementing an effective strategy. After reviewing the various customer value categories, Yang and Yang (2011) review the various concepts within the Kano model that are applicable in creating value and they also review the various actions as proposed by this model, which are reflective of the Blue Ocean strategy (Yang & Yang, 2011). The Blue Ocean strategy is viewed as an effective approach through which customer acquisition, retention and margin can be promoted, all of which are important factors in the promotion of organizational profits.

Higher growth is important for organizations considering the increase in globalization and the need to spread into new markets. Nevertheless, the growth of organizations may be impeded by the economic policies put in place. The use of contemporary approaches in the development of economic policies has over the years proven to be less effective in promoting growth within companies. Lindič, Bavdaž and Kovačič (2012) suggest a policy making approach that would allow for the use of an entrepreneurial perspective. The Blue Ocean strategy is hereby considered as a highly effective approach through which proper policy making can be effected. Through utilization of the Blue Ocean strategy, policy makers would be able to shift the focus of the established economic policies from industries, companies, and business activity of specific size to collaboration of different size firms, intraindustry cooperation, establishment of uncontested markets, and value innovation (Lindič, et al., 2012).

Mohamed (2009) conducted a study in which he involved fourteen organizations that had applied the Blue Ocean Strategy in view of analyzing the effectiveness of the strategy in promoting efficiency and profitability. The data obtained by the researcher was mainly focused on the four element action framework with elements such as eliminate, reduce, raise, and create. The researcher engaged in an in-depth analysis of the various activities that the companies engaged in view of the strategy in order to effect the success of the strategy (Mohamed, 2009). It is without question from the findings of this study that the Blue Ocean strategy provides various activities that allow organizations to drift from the ordinary into a new sense of direction through which they can be able to achieve distinction and create customer value.

The success of the Blue Ocean strategy stretches beyond the individual business context to the B2B sector. Various researchers have successfully demonstrated the effectiveness of the strategy in facilitating positive B2B relationships and upholding the success of businesses when interacting with other businesses. Čirjevskis, Homenko and Lačinova (2011) are among researcher who have been able to identify the effectiveness of this strategies. Apart from acknowledging the importance of the Blue Ocean strategy to the success of B2B relations, it was also clear that the authors also recognized the various factors that were likely to impede the application of this strategy within the organizational context, including acceptability of the strategy, and organizational hurdles, among others (Čirjevskis, et al., 2011). Through this, the authors were able to learn how the innovation value chain can be used to diagnose the ability of a company to uphold value innovation. The applicability of the Blue Ocean strategy in the B2B sector had been earlier explored by the same researchers, Čirjevskis, Homenko and Lačinova (2010), in a different article, in which they observed that the Blue Ocean strategy viability in this sector. The study was similar in content as the study conducted later, whereby the Blue Ocean strategy was recognized to be effective in securing a new space from which a business could interact with another business without contention from other outside parties (Čirjevskis, et al., 2010).

Ng, Lau, and Ismail (2014) recently established that in as much as most businesses and institutions have regarded the blue ocean strategy as effective and embraced it both in the business and academic domains, it has faced criticism from various researchers. such researchers argue that the Blue Ocean strategy is overly descriptive and does not have a formulated theoretical foundation. Nevertheless, the researchers engage in a quantitative review of data directed at substantiating the validity of the Blue Ocean strategy (Ng, et al., 2014). The authors conclude with a conceptual model that they propose as highly important in directing not only future practice but also research. Agnihotri (2014) also suggests a value network approach aimed at creating blue oceans. It is through various techniques and models including the value innovation and strategy canvas that allow for the pursuance of the blue ocean. Nevertheless, the author argues that the blue ocean strategy has mainly been applicable in the B2B markets (Agnihotri, 2014). The author further proposes a model that ensures that the strategy remains applicable both in B2C and B2B markets.

**Conclusion**

It is evident that the blue ocean strategy safeguards organizations from the traditional competing approach to the market. This strategy allows organizations to avoid confronting the current highly competitive market directly while relying on the available demand for its products or services, by establishing its own space within the market, through which it can be able to create new demand for such products and services and to properly interact with its consumers without the threat of competition. It remains important for the organization to determine the best fit of the model into the organization in order to overcome any challenges to implementation of the strategy including acceptability issues, and issue to do with logistics. The blue ocean strategy promotes value innovation within the organization, allowing the organization tom establish value for its customers and hence to effectively meet their needs. The factors of competition that are used in the traditional markets are eliminated by the blue ocean strategy, allowing for a shift in focus to the needs of the consumers as opposed to the traditional profit oriented approaches. By sufficiently meeting the needs of the consumers, organization arte able to attract increased sales and hence increases in the profit margin.

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