Blue Ocean Classics

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TABLE 1

A snapshot of blue ocean creation

This table identifies the strategic elements that were common to blue ocean creations in three different industries in different eras. It is not intended to be comprehensive in coverage or exhaustive in content. We chose to show American industries because they represented the largest and least-regulated market during our study period. The pattern of blue ocean creations exemplified by these three industries is consistent with what we observed in the other industries in our study.

Key blue ocean creations	Was the blue ocean created by a new entrant or an incumbent?	Was it driven by technology pioneering or value pioneering?	At the time of the blue ocean creation, was the industry attractive or unattractive?
Automobiles			
Ford Model T Unveiled in 1908, the Model T was the first mass-produced car, priced so that many Americans could afford it.	New entrant	Value pioneering* (mostly existing technologies)	Unattractive

GM's "car for every purse and purpose" GM created a blue ocean in 1924 by injecting fun and fashion into the car.	Incumbent	Value pioneering (some new technologies)	Attractive
Japanese fuel-efficient autos Japanese automakers created a blue ocean in the mid-1970s with small, reliable lines of cars.	Incumbent	Value pioneering (some new technologies)	Unattractive
Chrysler minivan With its 1984 minivan, Chrysler created a new class of automobile that was as easy to use as a car but had the passenger space of a van.	Incumbent	Value pioneering (mostly existing technologies)	Unattractive

*Driven by value pioneering does not mean that technologies were not involved. Rather, it means that the defining technologies used had largely been in existence, whether in that industry or elsewhere.

(continued)

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Computers			
CTR's tabulating machine In 1914, CTR created the business machine industry by simplifying, modularizing, and leasing tabulating machines. CTR later changed its name to IBM.	Incumbent	Value pioneering (some new technologies)	Unattractive
IBM 650 electronic computer and System/360 In 1952, IBM created the business computer industry by simplifying and reducing the power and price of existing technology. And it exploded the blue ocean created by the 650 when in 1964 it unveiled the System/360, the first modularized computer system.	Incumbent	Value pioneering (650: mostly existing technologies) Value and technology pioneering (System/360: new and existing technologies)	Nonexistent

Apple personal computer Although it was not the first home computer, the all-in-one, simple-to-use Apple II was a blue ocean creation when it appeared in 1978.	New entrant	Value pioneering (mostly existing technologies)	Unattractive
Compaq PC servers Compaq created a blue ocean in 1992 with its ProSignia server, which gave buyers twice the file and print capability of the minicomputer at one-third the price.	Incumbent	Value pioneering (mostly existing technologies)	Nonexistent
Dell built-to-order computers In the mid-1990s, Dell created a blue ocean in a highly competitive industry by creating a new purchase and delivery experience for buyers.	New entrant	Value pioneering (mostly existing technologies)	Unattractive
Movie theaters			
Nickelodeon The first Nickelodeon opened its doors in 1905, showing short films around-the-clock to working-class audiences for five cents.	New entrant	Value pioneering (mostly existing technologies)	Nonexistent

(*continued*)

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Movie theaters			
Palace theaters Created by Roxy Rothapfel in 1914, these theaters provided an operalike environment for cinema viewing at an affordable price.	Incumbent	Value pioneering (mostly existing technologies)	Attractive
AMC multiplex In the 1960s, the number of multiplexes in America's suburban shopping malls mushroomed. The multiplex gave viewers greater choice while reducing owners' costs.	Incumbent	Value pioneering (mostly existing technologies)	Unattractive
AMC megaplex Megaplexes, introduced in 1995, offered every current blockbuster and provided spectacular viewing experiences in theater complexes as big as stadiums, at a lower cost to theater owners.	Incumbent	Value pioneering (mostly existing technologies)	Unattractive

TABLE 2

Red ocean versus blue ocean strategy

The imperatives for red ocean and blue ocean strategies are starkly different.

Red ocean strategy	**Blue ocean strategy**
Compete in existing market space.	Create uncontested market space.
Beat the competition.	Make the competition irrelevant.
Exploit existing demand.	Create and capture new demand.
Make the value/cost trade-off.	Break the value/cost trade-off.
Align the whole system of a company's activities with its strategic choice of differentiation *or* low cost.	Align the whole system of a company's activities in pursuit of differentiation *and* low cost.

The simultaneous pursuit of differentiation and low cost

A blue ocean is created in the region where a company's actions favorably affect both its cost structure and its value proposition to buyers. Cost savings are made from eliminating and reducing the factors an industry competes on. Buyer value is lifted by raising and creating elements the industry has never offered. Over time, costs are reduced further as scale economies kick in, due to the high sales volumes that superior value generates.

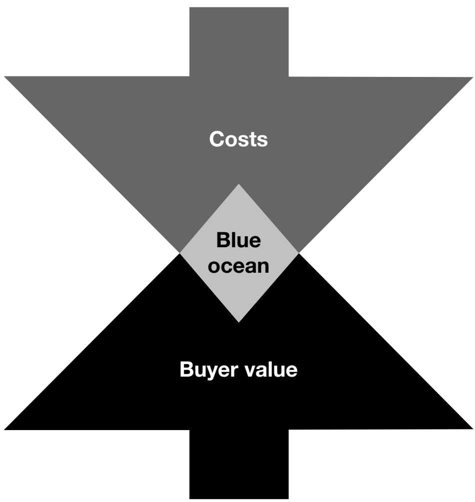


TABLE 1

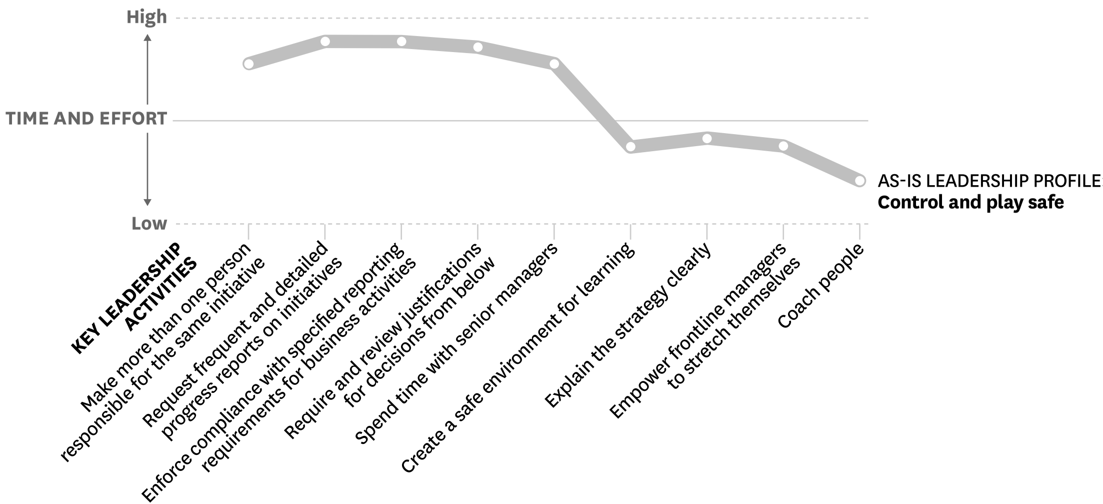
The Blue Ocean Leadership Grid

The Blue Ocean Leadership Grid is an analytic tool that challenges people to think about which acts and activities leaders should do less of because they hold people back, and which leaders should do more of because they inspire people to give their all. Current activities from the leaders' "as-is" profiles (which may add value or not), along with new activities that employees believe would add a lot of value if leaders started doing them, are assigned to the four categories in the grid. Organizations then use the grids to develop new profiles of effective leadership.

Eliminate	**Reduce**	**Raise**	**Create**
What acts and activities do leaders invest their time and intelligence in that should be eliminated?	What acts and activities do leaders invest their time and intelligence in that should be reduced well below their current level?	What acts and activities do leaders invest their time and intelligence in that should be raised well above their current level?	What acts and activities should leaders invest their time and intelligence in that they currently don't undertake?

What middle managers actually do

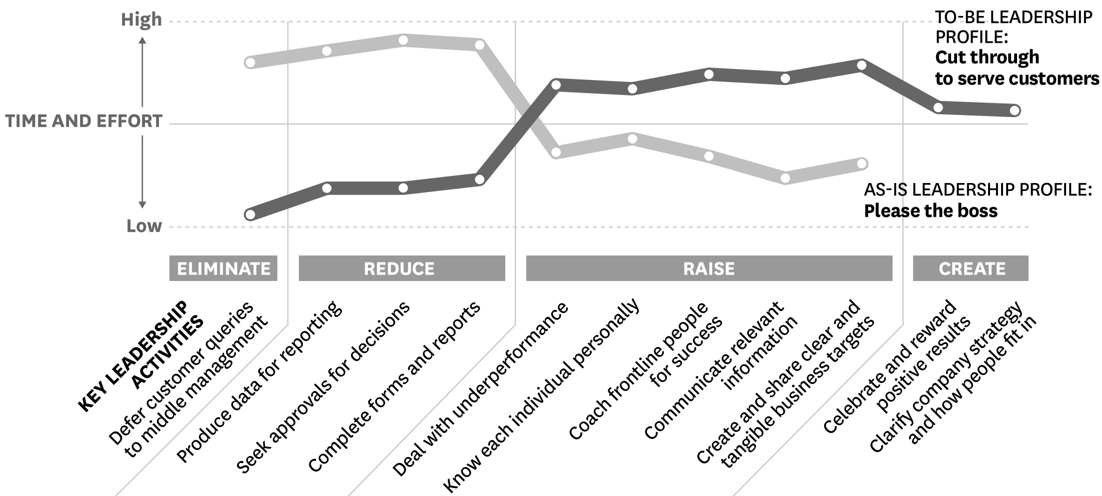
As-is Leadership Canvases show the activities that employees see leaders engaging in, and the amount of time and energy they think leaders spend on each. The canvas below, for middle managers at the retail company BRG, reveals that people viewed them as rule enforcers who played it safe.



To-be Leadership Canvas

Frontline managers: Serve customers, not the boss

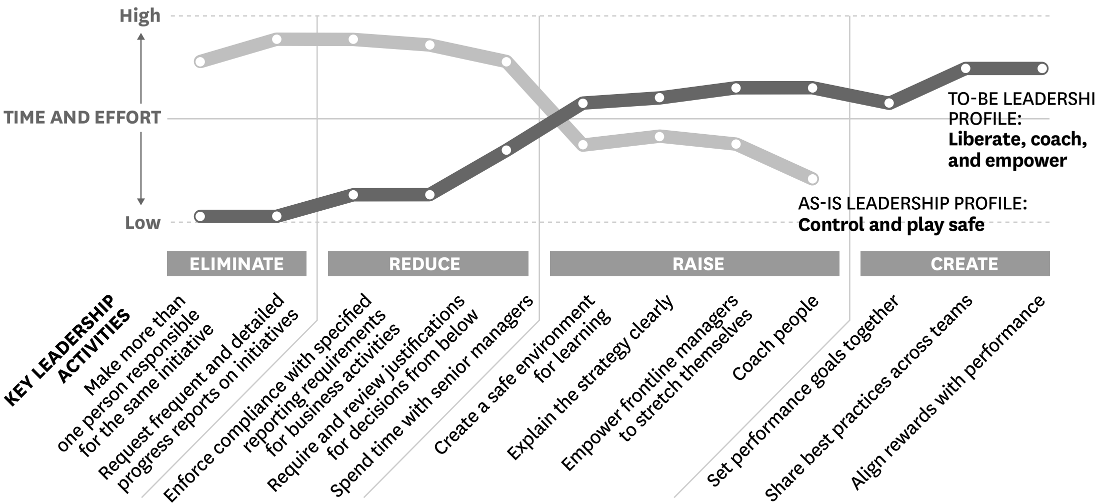
Current activities of BRG's frontline leaders vs. the activities employees think they should be doing:



To-be Leadership Canvas

Middle managers: More coaching, less control

Current activities of BRG's midlevel leaders vs. the activities employees think they should be doing:



To-be Leadership Canvas

Senior managers: From the day-to-day to the big picture

Current activities of BRG's senior managers vs. the activities employees think they should be doing: