

How does Blue Ocean Strategy help elephants run faster?

Agile innovation for large global companies

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The last five years have seen exponential growth in the number of startups and “micro-multinationals” – small, lean companies with a global reach. Digital technology is empowering these innovators, helping them launch products and grow faster than ever before. By contrast, large global companies, battered by the financial crisis and encumbered by legacy business models can seem like elephants, unable to innovate as fast or as successfully as their smaller rivals. By applying Blue Ocean Strategy, traditional multinationals can leverage their competitive advantages to achieve breakthrough innovation and increased agility.



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Large, established companies face ever-increasing competition from both international competitors with a lower cost base on the one hand, and lean startups on the other. Innovation is the only way for large companies to escape the trap of low growth and decreasing margins, but as “elephants”, they are generally less agile, and more risk-averse than the competition.

Large companies recognize the importance of innovation, and identify it as a priority. Many have put in place structured processes along the lines of “gate systems” to collect insights, generate and select ideas, and develop the best ones for launch as a product or service. Results are often disappointing. Processes in place tend to produce flawed results. They prematurely kill off potentially strong ideas and ensure low risk only by eliminating game-changing ideas that disrupt existing codes. The result is renovation rather than real innovation.

The problem is compounded by the “gate” process of sequential steps, involving decision makers with different priorities and vision (e.g. R&D, marketers, accountants). Not only can this result in loss of information and wrong decisions, but the time required for ideas to pass each “gate” ensure the large companies remain at the starting line as their more agile competitors conquer their target customers.

Blue Ocean Strategy (BOS) represents an alternative to this old-fashioned process. An approach developed by Kim and Mauborgne, professors at INSEAD, it benefits from more than 15 years of research and development, with 150 strategic moves analyzed in more than 30 sectors. A collaborative process lasting several weeks, it brings together external consultants and senior managers from a range of disciplines representing stakeholders in the innovation process. The project is owned by the general management team, ensuring decisions are taken at the highest level. This gives managers “carte blanche” to think creatively, but in a way that generates business growth.

The aim of BOS is to generate disruptive innovations, not by outperforming the competition in an existing industry, but by creating new market space or “blue ocean”, thereby making the competition irrelevant.

It is built around an exploration of the market that focuses on non-customers rather than existing customers, and focuses simultaneously on increasing value and reducing costs. Rather than insisting on additional functionalities and services (a common issue with gate system innovations) it focuses managers’ attention on the value curve, identifying ways in which some products over-deliver for customers. This innovation via frugality has much in common with the Jugaad concept, enabling companies to reduce costs while providing customers with what they want.

Lateral thinking, or disruption, is a key part of the Blue Ocean approach, with creativity channeled to identifying alternatives, emotional and rational purchase triggers, influencers and “pain points” in the customer experience. When selecting ideas, a deciding factor is the idea’s ability to break with sector conventions. The impact is game changing: exceptional products, significant growth, and an entirely fresh way of looking at the market.

Blue Ocean strategy does not replace day-to-day innovation. Rather, it nourishes the innovation portfolio with Big Ideas. Contrary to popular opinion, these ideas are not necessarily complex, or hard to put into practice. They do, however, demand courage to take the company out of its comfort zone and, sometimes, to try out a new economic model.

The rewards are clear: the company can create its own market, pull away from the competition, and rediscover the prospect of sustainable growth.

Finally, we still believe that the strength of resources of a large company – its range of expertise, “glocal” knowledge, size and capital resources – can be used to restore competitive advantage. Blue Ocean Strategy, a hybrid methodology, can give birth to a new breed of elephants – faster thinking, faster moving, and with improved vision!

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