



Questions for:  
**Renée Mauborgne**



The INSEAD professor and best-selling author talks about the hurdles to achieving a 'blue

**ocean strategy'.**

**Interview by Karen Christensen**

**Your *Blue Ocean Strategy* book and concept - which encourage firms to stop fighting their rivals in 'bloody-red oceans' for a shrinking pool of profits and instead create 'blue oceans' of uncontested market space - has been wildly popular. How does the current finance crisis affect this theory?**

In the past few months, the impact of the financial crisis has been felt around the globe. The turmoil has been eroding business confidence, contracting both investments and consumer spending, and increasingly trapping the real economy into recession. As we know, a recession or depression is typically marked by a decline in overall demand, which will further exacerbate the situations of companies that are already facing intense competition and shrinking profit margins. Under such conditions, competing within a contracting market and dividing existing-and-shrinking demand will only lead to the path of doom. It is therefore more imperative than ever for companies to shift their attention and efforts from the competition

to buyers, and from dividing existing demand to creating new demand in order to lead themselves and the world out of this crisis. The effort to create new market space and generate new demand at the micro level, which is at the core of Blue Ocean Strategy (BOS), serves to complement and reinforce global efforts to stimulate demand at the macro level.

**Describe your theory of 'Tipping-Point Leadership' and its relation to achieving Blue Ocean Strategy.**

My colleagues and I see strategy execution as an integral part of strategy. No matter how brilliant the thinking is, without effective execution, a strategy is never complete. In order to venture beyond a red ocean to execute a blue ocean move, a firm's leaders must overcome four key hurdles to minimize organizational risk and make execution happen: the cognitive hurdle, the resources hurdle, the motivational hurdle and the political hurdle.

Key to overcoming these hurdles is what we call Tipping-Point Leadership. The theory of tipping points, which has its roots in Epidemiology, is well known; it hinges on the insight that in any organization, once the beliefs and energies of a critical mass of people are engaged, conversion to a new idea will spread like an epidemic, bringing about fundamental change very quickly. Tipping-Point Leadership builds on the reality that in every organization there are people, acts, and activities that exercise a disproportionate influence on performance.

Our book identifies the disproportionate influence factors that any organization can leverage to tip all four hurdles and move from thought to action. In short, leaders who want to overcome the hurdles must learn to make unforgettable and unarguable calls for change, concentrate their resources on what really matters, mobilize the commitment of their key players, and succeed in silencing the most vocal naysayers.

**The first important hurdle, the cognitive hurdle, keeps employees from seeing that change is necessary. How can leaders go about removing 'cognitive blinders'?**

To get an organization ready for strategic transformation, waking employees up to the need for a strategic shift is an absolute necessity. Red oceans may not be the paths to future profitable growth, but they feel comfortable to people and may have even served an organization well to date. If employees are not fully convinced of the need for change, or if they do not fully understand the new strategy they are tasked to execute, their lack of attention, drive,

and commitment will add substantial costs to strategy execution. Leaders can break through the cognitive hurdle by quickly making people aware of the *need* for a strategic shift and obtaining agreement on its *causes*. With employees in line, understanding the need for change and armed with a clear direction towards the future, execution speed and efficiency will increase, which will drop the cost of implementation substantially.

Tipping-point leaders let people see and experience harsh reality first hand. While numbers are disputable and uninspiring, coming face-to-face with poor performance can be shocking and inescapable, but actionable. The direct-experience approach exercises a disproportionate influence on tipping people's cognitive hurdles fast. Leaders may put their key managers face-to-face with the worst operational problems so that they see the need for change and are convinced that a turnaround not only is necessary, but achievable.

**The second hurdle to achieving a Blue Ocean Strategy involves dealing with resource constraints, which have become endemic in today's economy. How can managers succeed in doing more with less?**

In order to jump the resource hurdle, managers should abide by a basic principle of Tipping-Point Leadership: the key to creating change fast, at low cost, is concentration, not diffusion. They should then identify and leverage what we call 'disproportionate-influence factors' to free unproductive resources and multiply the value of such resources, so that instead of asking for more, they are able to execute their strategy by essentially getting more 'bang' out of each buck they have. Leaders must ask questions such as, Are we allocating resources based on old assumptions, or should we seek out and concentrate resources on 'hot spots'? Where are our hot spots – that is, those activities that will have the greatest performance impact but are resource starved? Conversely, where are our 'cold spots' – those activities that have scant performance impact but are consuming significant resources? The key is to redirect resources from cold spots to hot spots to maximize the return for each dollar. Lastly, leaders should consider appointing a 'horse trader' to trade the resources that aren't needed for those that are. Basically, the principle behind jumping the resource hurdle is in line with the logic of value innovation, i.e. pursuing breakthroughs in value at low costs.

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**The third hurdle is the motivational hurdle. In today's environment of shrinking bonuses and mass layoffs, how can leaders motivate employees?**

For a new strategy to be executed effectively, people must not only recognize what needs to be done, they must also have the motivation to act on that insight in a sustained and meaningful way. This point is especially critical today, as companies are going through strategic adjustments or changes – some of them necessary evils – to survive and overcome the adverse economic conditions. Tipping-Point Leadership aims to motivate employees quickly and at low cost. Leaders must ask, Who are our key influencers – our 'kingpins'? How can we focus the spotlight on and manage them based on fair process? By focusing on factors of disproportionate influence in motivating employees, including kingpins, managers can avoid the conventional pitfalls of launching massive top-down mobilization initiatives that are usually inefficient and ineffective, and instead execute a strategic transformation quickly and at low cost.

**The fourth and final hurdle facing change-driven managers is the political hurdle of internal and external resistance to change. How should this be tackled?**

Organizational politics is an inescapable reality. Even if a firm has reached the tipping point of execution, powerful vested interests likely exist that will resist the impending changes. The question is, how can you identify and silence internal opponents to change? To overcome this hurdle, leaders should ask, Who will fight me and who will align with the new strategy?

Have I built coalitions with natural allies to 'encircle' dissidents? Do I have a 'consigliere' to remove the biggest land mines so that I don't have to focus on changing those who will not change? By focusing on three disproportionate influence factors – leveraging 'angels', silencing 'devils' and getting a consigliere on the top management team – you can leap over the political hurdle.

**Creating uncontested market space is no easy feat. Are enough firms embracing value innovation?**

The history of industry evolution is a history of blue ocean creation. All we have done is distill the strategic logic of value innovation and identify the pattern of blue ocean moves from corporate practice, based on our studies of more than 150 strategic moves from 1880 to 2000 in more than 30 industries. Blue oceans of uncontested market space have always been pursued and created by companies; it is amid such activity that industries expand and multiply and economies grow and prosper.

After our book came out and became an international bestseller, more and more organizations across the globe have begun to apply these frameworks and tools to their practice. For those who are interested, our *Blue Ocean Strategy Newsletter* is available for free [sign up at [blueoceanstrategy.com](http://blueoceanstrategy.com)]. It regularly reports from around the world on companies applying BOS as well as practitioners who have been inspired by the book. So yes, we have seen a great number of firms embracing Blue Ocean Strategy, and the number continues to grow.

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**What is next on the horizon for you and your co-author, W. Chan Kim?**

Blue Ocean Strategy is not only about theoretical thinking. It is but also about actionable frameworks and tools for practice. We believe that theory and practice should inspire, enrich and inform one another to maximize mutual gain and advancement for the benefit of all, and we are dedicated to making contributions to both fronts.

In the book we mainly focused on providing frameworks and methodologies for companies to undertake BOS moves and create new market space. But in fact, the strategic logic and analytical frameworks of BOS can be applied in both corporate environments and public organizations and can be employed to formulate and execute strategies for individuals, businesses and nations. In the past few years, we have been studying applications of Blue Ocean Strategy in different types of organizations and at different levels. To this end, INSEAD created the **Blue Ocean Strategy Institute** to advance academic research and practical applications of BOS. The Institute has an ambitious, two-pronged mission to both contribute to the fields of strategy and management through academic research and to help improve the practice and the performance of companies, governments, and organizations around the world through the practical application of these ideas in action.

In the meantime, numerous blue ocean strategy initiatives are going on around the globe. For instance, the **Kimberly-Clark Blue Ocean Strategy Institute** has been set up by **Kimberly-Clark** in Sao Paulo, Brazil to help companies achieve value innovation; and the **Malaysia Blue Ocean**

**Strategy Institute** has been set up by the Malaysian government to advance its economy and national mission.

BOS is also moving into business school classrooms. Today, many such schools are swimming in the red ocean of bloody competition by benchmarking and imitating one another, especially the practices of top Western business schools. A good example of such red ocean practice is a typical MBA classroom discussion based on a paper case. Assigning a paper case to both executives and MBA students in preparation for classroom discussion is not that effective. Reading scores of pages a night is difficult for most students, which slows down the uptake of information and the rate of learning in a meaningful way. To help business schools break away from this red ocean, our Institute has been producing a series of next-generation blue ocean teaching materials such as theory-based movie cases, interactive scenario cases, simulations, e-learning and 'create-ware' to make the classroom experience more interactive and spontaneous so as to accelerate learning. Information on these and other available materials can be found under the Teaching Tools section of our Website, [blueoceanstrategy.com](http://blueoceanstrategy.com). **R**

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**Renée Mauborgne** is an affiliate professor of Strategy at INSEAD, The INSEAD Distinguished Fellow of Strategy and International Management, and co-director of the INSEAD Blue Ocean Strategy Institute. Along with W. Chan Kim, she is the co-author of *Blue Ocean Strategy: How to Create Uncontested Market Space and Make Competition Irrelevant* (Harvard Business Publishing, 2005), which has sold over two million copies worldwide and broken HBPs record for translation into the most languages (41). *Thinkers 50*, the global ranking of management gurus, placed her among the top ten most influential thinkers in 2007, making her the highest placed woman on the ranking.