

**Summary of the Harvard Business Review Paper on  
Blue Ocean Strategy**

**By W. Chan Kim and Renee Mauborgne**

Competing in overcrowded industries is no way to sustain high performance.  
The real opportunity is to create blue ocean of uncontested market space.

- The business universe consists of 2 distinct kinds of space, which we think of as red and blue oceans.
  - o red oceans represent all industries in existence today – the known market space
    - industry boundaries are defined and accepted and the competitive rules of the game are well understood
    - in red oceans, companies try to outperform their rivals in order to grab a greater share of existing demand
    - increasing competition turns the water bloody red – hence the term red oceans
  - o blue oceans represent all industries not in existence today – the unknown market space
    - demand is created rather than fought over
    - there is ample opportunity for growth
      - there are two ways to create blue oceans
        - o companies can give rise to completely new industries
        - o companies can alter the boundaries of an existing industry
- A consistent pattern of strategic thinking behind the creation of new markets and industries – is called blue ocean strategy.
- Blue oceans have always been with us; blue oceans will remain the engines of growth.
- Prospects in most established market spaces – red oceans – are shrinking steadily.
- Most companies are becalmed in their red oceans.
  - o There is a dramatic imbalance in favor of red oceans
    - This is because corporate strategy is heavily influenced by its roots in military strategy.
      - The very term “strategy” is imbued with military references: chief executive officers, headquarters, troops, front lines, etc.
      - Strategy is all about red ocean competition
        - o It’s about confronting an opponent and driving him off the battlefield
      - Blue ocean strategy is about doing business where there is no competitor
- Competition matters. But there are two far more lucrative aspects of strategy:
  - o One is to find and develop markets where there is little or no competition – blue oceans –
  - o The other is to exploit and protect blue oceans
- Blue oceans are not about technology innovation
- Incumbents often create blue oceans – and usually within their core businesses
- Company and industry are the wrong units of analysis
  - o The most appropriate unit of analysis is the strategic move
    - The set of managerial actions and decisions involved in making a major market-creating business offering
- Creating blue oceans builds brands
- Never use competition as a benchmark – instead make it irrelevant by creating a leap in value for both buyers and the company itself. **HOW DO WE CREATE A LEAP IN VALUE FOR OUR SAILORS AND THE NAVY SIMULTANEOUSLY ?** When a company offers a leap in value, it rapidly earns brand buzz and a loyal following in the marketplace.
- Blue ocean strategy rejects the fundamental tenet of conventional strategy: that a tradeoff exists between value and cost.
  - o The suggestion is that strategy is essentially a choice between differentiation and low cost.
  - o The evidence is that in creating blue oceans – successful companies pursue differentiation and low cost simultaneously.
    - *OPINION: With differentiation, we have done a good job by planning for the merger of CTA, CTO and CTM with other similar Navy ratings. We lost our ability, over time, to sufficiently differentiate these ratings from their Navy counterpart ratings. We need to ensure that our other ratings CTI, CTT, CTR and CTN remain sufficiently differentiated from their Navy counterpart ratings. Similarly, differentiation of our Information Warfare officers from their Navy counterparts will be critical to our future viability.*
- Blue and red oceans have always co-existed and always will. Practical reality, therefore demands that all companies understand the logic of both types of oceans.