BANKING FORESIGHT : BLUE OCEAN STRATEGY FOR INTEGRATED DEVELOPMENT

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1.0 Introduction

This article is about a useful strategy for banks, the "Blue Ocean Strategy", which is about creating an uncontested market place and making the competition irrelevant. Originators of this concept are W. Chan Kim and Rene'e Mauborgne who authored the book "Blue Ocean Strategy" in the year 2005. They argue, by quoting many examples from a study of over 100 companies in the world from thirty odd different industries, that tomorrow's leading companies will succeed by creating "blue oceans" of uncontested market space suitable for growth, instead of fighting competition in the "red ocean". Further, they state that these strategic moves or "Value innovation" in the Blue Ocean create powerful leaps in value for both the firm and its customers, making the rivals obsolete and unleashing new demand. Answers to the questions, "What is Blue Ocean Strategy ?, How does it differ from the Red Ocean strategy ? and How do companies apply the Blue Ocean strategy to ensure growth and stability ?" will be discussed in the article. These insights will be very useful for banks to ensure stability and growth and shape integrated developments in the future.

The Banking Sector plays a crucial role in any economy in the world. It is more so in an emerging economy such as the Sri Lankan economy, specially at this historic juncture after three decades of a protracted conflict. Banking sector is expected to perform a vital role as the main driving force in expediting long-awaited economic development. For many decades, the Sri Lankan banks have been operating in an environment where there is intensive competition, in search of profits and sustainable growth. Competitive advantage and differentiation are the key factors that help banks to capture the market share within the same industry. However, what we see today is too many banks swimming in the "red ocean" facing intensive competition, where there is limited room for real growth. How can the "Blue Ocean Strategy" be helpful to banks to overcome these issues in the future ? How can banks find uncontested market places to make the competition irrelevant and to make a difference in the future ? It is not easy, but worthwhile trying. This article about creating blue oceans for future real growth by challenging the conventional wisdom, will give many valuable insights to banks to re-visit their corporate strategies .

The authors, W. Chan Kim and Rene'e Mauborgne (2005) argue that the 'Blue Ocean Strategy' is about creating uncontested market space, making the competition irrelevant or a strategy of making the rivals irrelevant rather than competing with them. This strategy is concerned with products, processes and people, and looks at the entire value chain which is a more holistic, system-wide approach. Further, it is the way of thinking rather than talking about a sub-system of the organization. The concept of "Blue Ocean Strategy" is based on a research conducted by W. Chan Kim and Rene'e Mauborgne (2005) for over fifteen years, of 150 strategic moves across thirty industries, data spanning over more than a hundred years. The sample consisted of small and large companies, new entrants and established companies, Private and Public companies, companies in low and high-tech environments and of companies in attractive and less attractive Industries. Based on their study, the authors confirm that there are no permanently excellent companies just as there are no permanently excellent industries. But they argue that while some companies do smart things, other companies do less-than-smart things, so that the company that does things smartly and differently gets highlighted in the industry. However, the companies to improve the quality of their success need to study their smart strategies that made a positive difference and should realize how to reproduce them systematically. These smart strategic moves when applied centrally will create 'Blue Oceans" for the companies.

What the researchers found in the above study was a consistent and a common pattern across strategic moves for creating and capturing blue oceans, which was consistent across time regardless of industry. Instead of the companies dividing the existing demand and benchmarking competitors in the 'red oceans', it is about growing demand and breaking away from the competition in the 'blue ocean'. As the above scholars argue, changing from 'red ocean strategies' to 'blue ocean strategies' is a major challenge to a Company. But, a systematic, actionable approach based on tested analytical tools and frame work will show them how to face this challenge, both to maximize opportunities and minimize risk in the environment. The unique feature of this frame work is it not only addresses the analytic aspect of creating blue ocean strategies in a company, but it also addresses the vital component of its human aspect. It will address how a company can make their employees follow these new strategies/acts willingly, by building up trust and commitment. The tools and frame work presented by the authors have been tested and refined over the years in corporate practice across the globe, specifically in Europe, the United States, and Asia.

2.0 What is the need to create "Blue Oceans" ?

There are many reasons behind an increasing demand to create blue oceans. The global environment has changed rapidly over the past two decades, as a result of the revolution in the Information Technology and Communication advances and the rise of the global knowledge-based economies across the world. New markets have emerged with different market players, demanding new market strategies and skills, to produce new products and services to compete in the same market space. Current market strategies and occupational skills are quickly becoming outdated with the new technologies and new industries emerging in the market. In this scenario, it becomes essential for the companies to look at new dimensions in their strategic planning, which gives them effective strategic directions to their corporate goals. An effective, actionable

strategic plan will give a company an edge over the others in the industry, where there are many competitors that have the same objectives, same resources, same skills, and competing for the same market share. However, this red ocean environment will soon shrink the demand making the competition intensified and unlikely to create real growth in the long-run. Therefore, there is a need to look at new strategies in a 'Blue Ocean'.

3.0 How to Create Blue Ocean Strategies ?

It is essential to note the following three key features underlying the 'Blue Ocean Strategy' first, as W. Chan Kim and Renee Mauborgne (2005) had identified :

(i) Do not compete in the existing market space : instead create an uncontested market space for growth Authors based on their study argued that, when a company competes in the existing market space and benchmarks its competitors, it tends to look like one of them, loses its distinct identity. Further, the company gets lost in the red sea of similar type of companies, who are producing same type of products/services and fighting for a common market share in the industry. Instead, the company should create new markets or uncontested market space in the environment.

(ii) Do not beat the competition : Instead make the competition irrelevant. Companies are content being in the red oceans, competing with each other in the industry, not looking beyond the boundaries for a blue ocean. Instead, the companies should look beyond the boundaries and make the competition irrelevant.

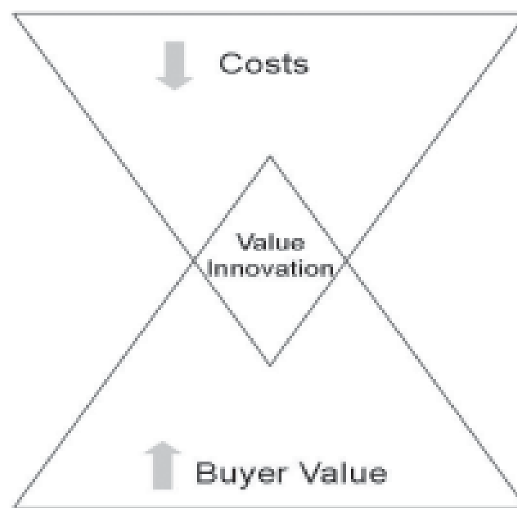
(iii) Do not exploit the existing demand : Instead, create and capture new demand. Companies should not always look towards their existing customers for growth. Instead, the companies should look towards non-customers and see how they can create an uncontested market space.

3.1 Value innovation in the Blue Ocean Strategy:

'Value Innovation' is an essential component in creating Blue Oceans. It occurs only when companies align innovation with utility, price and cost positions. What happens if the companies fail to align innovation with value ? The technology innovators and market pioneers often give some solutions which are taken up by other companies, their competitors. 'Value Innovation' is a different way of thinking about and executing strategy, which will create Blue Oceans and a break from the competition. The unique feature of this concept is it is different from the commonly accepted dogmas of competition-based strategy: the value-cost trade-off. The conventionally accepted norm is that companies can either create greater value to customers at a high cost or create reasonable value at low cost. In this instance, strategy is seen as making a choice between differentiation and low cost. In contrast, companies that operate in blue oceans pursue differentiation and low cost simultaneously.

Kim and Renee (2005) states, value innovation 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 by eliminating and reducing the factors an industry competes on. Buyer value is increased 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. Figure 1 below depicts the differentiation-low cost dynamics underpinning 'Value Innovation, the cornerstone of Blue Ocean Strategy.

Figure 1 - Value Innovation : The Cornerstone of Blue Ocean Strategy



Source : W.Chan Kim & Renee Mauborgne (2005), Blue Ocean Strategy, Page 16

As given in Figure 1 above, the creation of Blue Ocean is about driving costs down for the company, while simultaneously driving value up for the buyers. This results in a leap in value for both the company and its buyers. Value innovation is achieved only when the company's whole system : utility, price and cost activities are properly aligned. This is because buyer value comes from the utility and price that the company offers to buyers and the value to the company is generated from price and its cost structure, which include the company's whole system. This whole-system approach creates the blue oceans sustainable strategy, which integrates the range of a company's functional and operational activities. Therefore, Value Innovation is more than Innovation, which covers the entire system of a firm's activities. It requires companies to align the whole system towards achieving a leap in value for both, buyers and themselves. When a company deviates from such integral approach, the innovation will remain divided from the core strategy, creating red oceans.

3.1 Case Study I : The Cirque de Soleil

Kim and Renee (2005), based on their research quote a unique example of a company operating in blue ocean, creating value innovation, the 'Cirque de Soleil', one of Canada's largest cultural exports. The 'Cirque de Soleil' was created in 1984 by a group of street performers and their productions were seen by over forty million people in over ninety cities around the world. In less than two decades this amazing entertainment company achieved a remarkable level in the circus industry, where the Ringling Brothers and Barnum & Bailey, the global champions of the circus industry took more than one hundred years to achieve.

What did 'Cirque de Soleil' do differently to achieve this remarkable growth within a short period of time ? Did they compete with the Ringling Brothers and Barnum & Bailey, who were the global giants in the circus industry ? No, instead they created uncontested market space with a new clientele, that made the competition irrelevant. The new market space consisted of adults and corporate clients, who were prepared to pay a much higher price for the new entertainment products of the company. This strategic move made a greater contribution to their rapid growth since previously the company's main customers were the children, parents and a selected group of adults who were prepared to pay only a small sum for the entertainment. With the *value innovation* the company opened up the market to new customers and raise the entertainment charges by three to four folds of the normal circus industry charges at that time.

The company applied 'value innovation' or differentiation and low cost strategy simultaneously, in the centre of their entertainment experience created. The Cirque de Soleil appeared neither as an ordinary circus nor as a theater production, but as a new type of entertainment appealing to a new market space. Instead of following the conventional methods of beating the competition by offering better solutions to clients than their competitors, they gave a new out-of-the-box solution. Cirque de Soleil offered people the fun and thrill of the circus and the intellectual sophistication and artistic values of the theater at the same time. By breaking the market boundaries the company gained a new understanding not only of circus customers, but also of circus non-customers, i.e adult theatre customers.

This strategic move led to a whole new concept that broke the value-cost trade-off and created a blue ocean of new market space. In other words, Cirque de Soleil offered the best of both circus and theatre, and it has eliminated or reduced everything else. By offering unprecedented utility, the company has created a blue ocean and has invented a new form of live entertainment. Further, by eliminating many of the most costly features of the circus, company could drastically reduce its cost structure, achieving both differentiation and low cost simultaneously.

4.0 Red Ocean versus Blue Ocean Strategy

Figure 2 below illustrates the basic differences between the 'Red Ocean' and the 'Blue Ocean' strategies.

Figure 2 : Red Ocean versus Blue Ocean Strategy

Red Ocean Strategies	Blue Ocean Strategies
Compete in existing market space	Create an 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 firm's activities with its strategic choice of differentiation or low cost	Align the whole system of a firm's activities in pursuit of differentiation and low cost

Source : W. Chan Kim and Renee Mauborgne (2005), Blue Ocean Strategy, page 18

Figure 2 above outlines the key defining features of Red and Blue Ocean strategies. Red Ocean strategy is competition-based and it assumes that an industry's structural conditions are given and that the companies are forced to compete among themselves, an assumption based on *structuralist view* or *environmental determinism*, as scholars named it. In contrast, value innovation in the Blue Ocean strategy is based on the understanding that market boundaries and industry structures are not demarcated and can be reconstructed by the actions and beliefs of industry players, which is known as the *re-constructionist view*. In the red ocean, firms compete with the same best-practice rule, therefore differentiation is costly. In contrast, in the blue ocean or re-constructionist world, the strategic objective is to create new best-practice rules by breaking the existing value-cost trade-off.

5.0 Formulating and Executing Blue Ocean Strategy

How to succeed in Blue Oceans ? How can the companies systematically maximize the opportunities while simultaneously minimizing the risks of formulating and executing blue ocean strategy ? To find answers to these questions, an understanding of the opportunity-maximizing and risk-minimizing principles is essential. These are the driving forces of creation and capturing of blue oceans. Strategy will always be coupled with opportunity and risk, no difference whether the initiatives are in red ocean or blue ocean. Until the authors introduced the tools and frameworks that are essential for creating blue oceans, the working environment was dramatically unbalanced in favour of tools and framework to succeed in red oceans. This made the companies hesitant to go beyond existing industry space and act seriously to initiate blue oceans. However, Kim and Renee (2005) through their research introduced the essential, basic principles and analytical

frameworks to succeed in blue oceans. Companies can now make strategic changes in industry or market fundamentals through successful application of the blue ocean tools and frameworks, which are grounded in the issues of both opportunity and risk. Following are the principles that formulate and implement a successful blue ocean strategy.

5.1 Principles of Blue Ocean Strategy

There are six principles that drive the successful formation and execution of Blue Ocean strategy and the risks that these principles attenuate. The six principles are divided into four *Formulation Principles* and two *Execution Principles,* with the respective risk factors each principle attenuate.

The Six Principles of Blue Ocean Strategy

Formulation principles		Risk factor each principle attenuates
1. Reconstruct market boundaries	↓	Search risk
2. Focus on the big picture, not the numbers	↓	Planning risk
3. Reach beyond existing demand	↓	Scale risk
4. Get the strategic sequence right	↓	Business model risk

Execution Principles		Risk factor each principle attenuates
5. Overcome key organizational hurdles	↓	Organizational risk
6. Build execution into strategy	↓	Management risk

Principle 1 : Reconstruct Market Boundaries

The first principle is to reconstruct market boundaries to break from the competition and create blue oceans. It addresses the search risk and the challenge is to successfully identify the commercially compelling blue ocean opportunities. There are six basic approaches to remarking market boundaries. This is called the 'six path framework'. The paths have general applicability across industry sectors, based on looking at familiar data from a new perspective. The six paths are : i) Look across alternative industries, ii) Look across strategic groups within industries, iii)Look

across the chain of buyers, iv) Look across complementary products and service offerings, v) Look across functional or emotional appeal to buyers and vi)Look across time. To break out of red ocean, companies must break out of the accepted boundaries that define how they compete. Instead of looking within these boundaries, managers need to look systematically across them to create blue oceans.

Principle 2 : Focus on the Big Picture, not the Numbers

This is a key principle to mitigate the planning risk of investing lots of time and effort but delivering only a tactical red ocean move. Here an alternative approach is developed to existing strategic planning process, that is based on not on preparing a document, but on drawing a strategy canvas. This approach consistently produces strategies that unlock the creativity of a wide range of people in the company, open all eyes to blue oceans, and is easy to understand and communicate for effective execution. The strategy canvas visualizes a company's current strategic position in its market place as well as helps it to chart its future strategy. The companies can pay attention to the big picture, rather than becoming immersed in numbers and jargon and getting caught up in operational details.

Principle 3 : Reach Beyond Existing Demand

This is a key component of achieving value innovation. By aggregating the greatest demand for a new offering, this approach attenuates the scale of risk associate with creating a new market. To achieve this objective, companies should challenge two conventional strategy practices. i.e. focus on existing customers and drive for finer segmentation to accommodate buyer differences. To maximize the size of blue oceans, firms should take a reverse course. Instead of concentrating on existing clients, look to non-customers. Work on powerful commonalities in what buyers value, instead of focusing on customer differences.

Principle 4 : Right Strategic Sequence

The companies need to buy their blue ocean strategy in the sequence buyer utility, price, cost and adoption. The starting point is the buyer utility. Your products/services should unlock exceptional utility and there must be compelling reason for the clients to buy it. When you clear the exceptional utility bar, you should set the right strategic price to create demand. The offerings should be priced to attract the target customers and then they have a compelling ability to pay for them. If not, they cannot buy and there will be no demand or market buzz. Third element cost is vital. A Companies operating in blue oceans produce their products/services at a target cost and still earn a healthy profit margin. They profit at a strategic price – the price easily accessible to the mass of target buyers. Companies should not allow the costs drive prices nor should you scale down utility, because high costs block the companies' ability to profit at the strategic price. Finally the company should face the adoption challenge. What are the adoption hurdles in executing your idea ? You have to address these upfront. Adoption hurdles include : potential resistance to the idea by retailers or partners. For a company, it is essential to address the adoption hurdles up front to create blue oceans.

Principle 5 : Overcome Key Organizational Hurdles

Companies should know how to handle the organizational hurdles, in order to attenuate the organizational risks. Once a company has developed a blue ocean strategy, with a profitable business model, it must execute it. Companies face many challenges when trying to execute the strategy, or translating thought into action, whether in red or blue oceans. Blue ocean strategy represents a significant departure from the status quo and the managers' challenge is high in this case. They face four organization hurdles in strategy execution : i) cognitive or waking employees up to the need for a strategic change; ii) limited resources : Greater the shift in strategy, the greater it is assumed are the resources needed to execute it; iii) Motivation : Key players should be motivated to move fast and to carry out a break from the status quo; iv) Politics : this is the final hurdle the managers have to face in this task. Companies face above organizational hurdles in different degrees, and knowing how to overcome them is key to attenuating organizational risk in the blue ocean strategy. Conventional approach demands greater resources and time to achieve results. In blue oceans you need to challenge the conventional wisdom, by using 'tipping point leadership' to achieve your target. It allows a company to overcome the above four hurdles fast and at a low cost, while winning employees' support in executing a break from the 'status quo'.

Principle 6 : Build Execution into Strategy

It is essential for the companies to build execution into strategy from the very beginning, to build people's trust and commitment deep in the ranks and inspire their cooperation. The above principle allows firms to minimize management risk of distrust, non-cooperation and even sabotage. The management risk relevant to strategy execution is greater in the blue ocean than in red ocean, because its execution often requires significant change. Hence minimizing management risk is vital as companies execute blue ocean strategy. Therefore, it is essential for the companies to reach beyond the usual 'carrot and stick' management policies and reach for 'fair process' in the making and executing of blue ocean strategy. 'Fair process' is managerial expression of procedural justice theory. It builds execution into strategy by creating people's buy-in up front. When fair process is exercised into strategy-making process, people trust that a level playing environment exists and are inspired to cooperate willingly in executing the relevant strategic decisions. Voluntary contribution is more than mechanical execution and it involves going beyond the call of duty. It is crucial in creating blue oceans.

6.0 Analytical Tools and Frameworks of Blue Ocean Strategy

Proper analytical tools and frameworks are essential to make the formulation and execution of blue ocean strategy as systematic and actionable as possible, as competing in red oceans of known market space. Effective blue ocean strategy should be about risk minimization and not risk taking, therefore the tools and frameworks in blue ocean strategy are developed keeping this feature in mind. How can a company use these tools and frameworks to break out of the existing red ocean competition ? How can a company open up and capture a blue ocean of uncontested market space ? To find answers to these questions it is essential to discuss about the '*strategy canvas*', an analytical framework that plays a vital role in value innovation and the creation of blue oceans.

6.1 The Strategy Canvas

The strategy canvas is a vital element, both a diagnostic and an action framework, which serves two purposes in building an effective blue ocean strategy. First, it grasps the current position of operations in the known market space. It gives an insight into the current competition levels, the factors the industry currently competes on in products, services, and delivery, and what customers receive from the existing competitive offerings in the market. In order to fundamentally shift the strategy canvas of an industry, a company must begin by re-orienting its strategic focus from *competitors* to *alternatives*, and from *customers* to *non-customers* of the industry. The above strategic move will give the necessary insights to a company as to how to re-define the issues the industry focuses on and thereby reconstruct buyer value elements that reside across the industry boundaries. In contrast, in the Red Ocean conventional strategic logic, the company was forced to look for better solutions than its competitor, for the existing issues defined by the industry.

6.2 The Four Action Framework

The Four Action Framework has been developed by the authors to re-construct buyer value elements in crafting a new value curve. As given in Figure 4 below, there are four key questions to challenge an industry's strategic logic and business model, to break the trade-off between differentiation and low cost, and to create a new value curve. The *Four Key Questions are :*

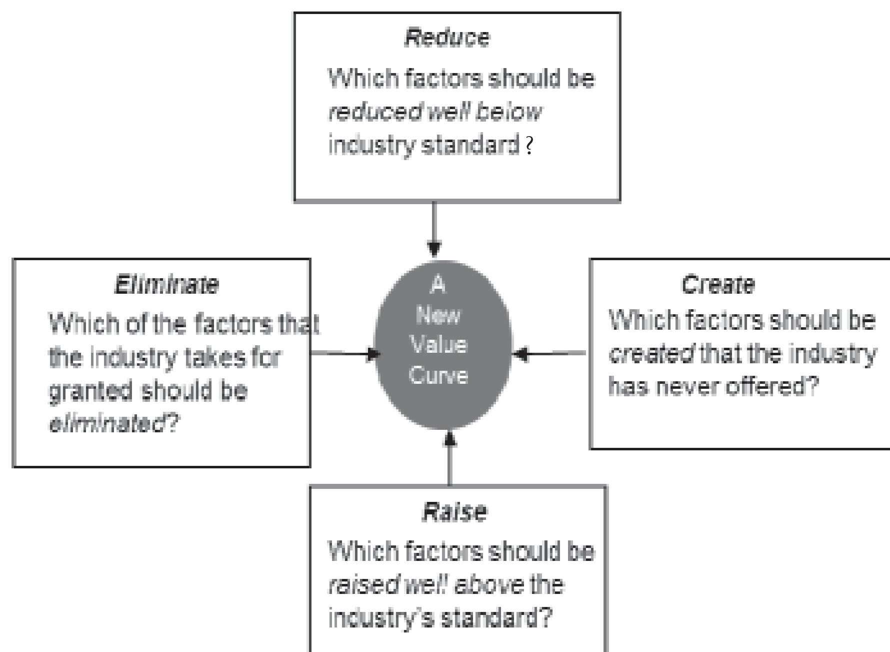
i. Which of the factors that the industry takes for granted should be *Eliminated*?

ii. Which factors should be *Reduced* well below the industry's standard ?

iii. Which factors should be *Raised* well above the industry's standard ?

iv. Which factors should be *Created* that the industry has never offered ?

Figure 4 : The Four Action Framework



Source : W. Chan Kim and Renee Mauborgne (2005), Blue Ocean Strategy, page 29

In the above Four Action Framework, the first question forces on eliminating factors that the companies in the industry have long competed on. These factors currently have no value or detract from value, but they are often taken for granted. Even though there is a fundamental change in what buyers value, the companies operate in red oceans, competing with each other do not act on, or even perceive the change. The second question forces the companies to check whether products or services have been over-designed in the process of benchmarking, to beat the competition. In this instance, sometimes the customers are over served by companies and their cost structure is therefore increased for no real gain. The third question pushes the company to raise suitable factors well above the industry's standard. The final and the fourth question guide the company to discover entirely new sources of value for their buyers and to create new demand and shift the strategic pricing of the industry.

Hence, by pursuing the first two questions, *Eliminate* and *Reduce,* the companies will be able to gain an insight into how to drop their cost structure vis-a-vis competitors. It is essential for the companies to set out the eliminating and reducing tasks systematically, to avoid increasing their cost structures and complex business modules. In contrast, the second two factors, *Create* and *Raise*, provide the companies with insights into how to increase their buyer value and create new demand. The above four questions jointly allow the companies to systematically find out

how the companies can reconstruct their buyer value elements across alternative industries to offer their buyers a totally different new experience, by simultaneously keeping their cost structure low. The actions of *eliminating* and *creating* are particularly important, since they push companies to go beyond value maximization exercises with existing factors of competition. Further, *eliminating* and *creating* factors push companies to change the factors themselves, hence making the existing competition irrelevant.

6.2.1 Case Study 2 : Casella Wines

Before proceeding further, a case study from Kim and Renee's (2005) research is quoted below to give the readers a clear understanding of how the companies in different industries create blue ocean strategies, by applying the above four actions. In this example the US wine industry in early 2000 is considered. The US enjoyed the third largest aggregate consumption of wine globally, in an intensively competitive, 20 billion industry. In the US, the California Wines dominated the domestic wine market and enjoyed two thirds of the total US wine sales. They also competed with the imported wines, and the number of wines increased in numbers over the period. But the US consumer base has remained stagnant and US remained fixed at the 31st place in world per capita wine consumption during the period of the study. Top eight companies produced more than 75% of the wines in the US, while about 1600 other wineries produced the remaining 25%. To face the challenges received from the intense competition, the companies in the wine industry spent a large sum of money from their marketing budgets each year. If you look at it from a conventional strategic angle, the US wine industry appeared to be an unattractive, stagnant industry during that period.

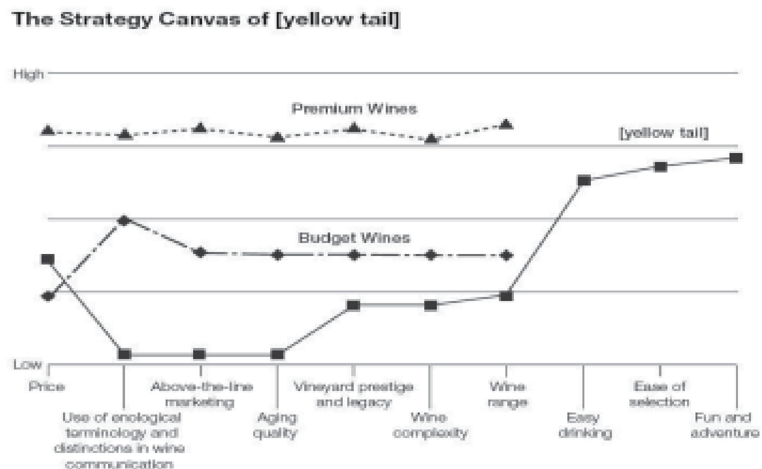
'Casella Wines', an Australian winery, redefined the problem of the wine industry in the US. The company looked at an uncontested market space, and made strategic moves such as value innovations to create powerful leaps in value for both, Casella Wines and its buyers, making the rivals obsolete and creating a new demand for its products. How did the company do this ? They looked at an uncontested market, the non-wine drinkers, and introduced a non-traditional wine, which was fun and easy to drink for everyone.

Casella Wines created 'Yellow Tail', a non-traditional wine, introduced as a fun, social drink to every one: beer drinkers, cocktail drinkers and other drinkers of non-wine beverages. Their objective was not to steal customers from their rivals, but to create an uncontested market space for the new non-traditional wine. It grew the market, brought non-wine drinkers into the wine market. The novice table wine drinkers started to drink wine more frequently, jug wine drinkers moved up and the drinkers of more expensive wines too moved down to become consumers of this fun social drink. The Casella Wines achieved their objective through 'Yellow Trail' and changed the face of the US wine industry in two years. The company grew rapidly and opened three new factories in the US wine industry to produce this non-traditional wine - an easy drinking, easy to select, fun and adventure type, which reduced other factors such as focus on ageing qualities etc. Casella Wines found that the majority of the Americans rejected wine due to its complicated taste they could not appreciate.

The company introduced their non-traditional wine in a fruity flavour, which anyone could drink any where, anytime and at more ease like a social drink. 'YellowTail' was creating only two types of wines : *Chardonnay*, the most popular white in the US, and a red , *Shiraz*. Reducing the types of wines gave ease of selections and thereby reducing the range of prices offered. The company even went further and removed all the technical jargon from the labels and created a striking, simple, non-traditional label to make it more attractive and customer friendly. The new label featured a kangaroo in bright, vibrant colours of orange and yellow on a black background. Even the wine boxes were painted in the same bright colours, with the name printed boldly on the sides, with lowercase spelling. It was eye-catching and also served as an unintimidating display for the wines. The Company also made the retail shop employees the brand ambassadors of the 'Yellow Tail', providing branded clothing : Australian outback clothing, including bushman's hats and oilskin jackets to wear at work. Inspired by the branded clothing, the retail shop employees soon became very effective brand ambassadors of the Yellow Tail wine. The change created a fun, social atmosphere for the Casella Wine consumers. It took only two years for the 'Yellow Tail' to emerge as the fastest growing brand in the histories of both the US and Australian wine industries. Further, it became the number one imported wine in US, surpassing the California labels in certain areas.

Figure 5 below graphically illustrates the extent to which the Casella Wine's application of the four actions : *Reduce, Eliminate, Raise and Create* in the above Four Actions Framework of the Blue Ocean Strategy led to a break from the competition in the US wine industry.

Figure 5 :



Source : W. Chan Kim and Renee Mauborgne (2005), Blue Ocean Strategy,

In the above figure, the Casella Wine company's blue ocean strategies are graphically compared with more than 1600 wineries competing in the US. As given in the figure above, the Yellow Tail's value curve stands apart from the rest. The Casella Wine Company had acted on all four actions in the above framework, to unlock uncontested market space that changed the US wine industry in a short period of two years.

6.3 The Eliminate-Reduce-Raise-Create Grid

This is a supplementary analytic tool to the previously discussed Four Action Framework of the Blue Ocean Strategy. It is termed, "The Eliminate-Reduce-Raise-Create Grid". The Figure 6 below illustrates same for the Casella Wines.

Figure 6 : 'Eliminate-Reduce-Raise-Create Grid' of the Casella Wines (yellow tail)

Eliminate-Reduce-Raise-Create Grid: The Case of [yellow tail]

Eliminate	Raise
Enological terminology and distinctions Aging qualities Above-the-line marketing	Price versus budget wines Retail store involvement
Reduce	**Create**
Wine complexity Wine range Vineyard prestige	Easy drinking Ease of selection Fun and adventure

Source : W. Chan Kim and Renee Mauborgne (2005), Blue Ocean Strategy,

This tool forces the companies to ask the four questions in the four actions framework, and in addition to act on all four to create a new value curve. Kim and Renee (2005) highlighted that by forcing the companies to fill in the grid with the actions of eliminating and reducing, as well as raising and creating, the grid gives the companies four immediate benefits as follows:

1. It pushes the companies to break the value-cost trade-off, by pushing them to simultaneously pursue differentiation and low costs strategies

2. It immediately flags companies that are focused only on raising and creating and thereby increasing their cost structure, and often over-serving the customers.

3. It is easy to understand by managers at any level in a company, thereby creating a high level of engagement in its application

4. It drives the companies to robustly scrutinize every factor the industry competes on, making them discover the range of implicit assumptions they make unconsciously in competing.

7.0 Conclusion

Above article is all about challenging the conventional wisdom through 'Blue Ocean strategy'. The conventional theory of organizational change is about transforming the employees, using greater resources and long-term time frames. The six principles of the Blue Ocean Strategy including the 'tipping point leadership' that helps to overcome the four organizational hurdles, takes a reverse course to conventional approach. To change the mass it focuses on transforming the extremes: the people, acts, and activities that exercise a disproportionate influence on performance. By transforming the extremes, the companies are able to change the core fast and at a low cost to execute their blue ocean strategy. It is a challenge to execute a strategic shift, and doing it with limited resources within a short time frame is even more difficult. Yet it can be achieved by consciously addressing the hurdles to strategy execution and focusing on the blue ocean strategy tools and frameworks discussed above.

The Sri Lankan Banking Sector is expected to perform a remarkable, vital role in its emerging economy at this crucial juncture. A wide range of new financial products and services are needed to boost the execution of the national policies aimed at nation building. Revival of the priority sectors, more intensive effort to enter into under-banked areas, to innovate more value-added financial solutions that can open regional and global markets to the Sri Lankan economy, training and developing their human capital to face these new challenges are critical components to the banking sector in this process. Therefore, the 'Blue Ocean Strategy' that challenges the conventional wisdom, to create an uncontested market place and make the competition irrelevant, will be an appropriate strategy for the banking sector to consider at this very important moment.

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