

# Conference report

## Blue oceans, temporary monopolies, and lessons from practice

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*This report on the Fifth Annual Conference of the Association of Strategic Planning (ASP), "Strategy in action: lessons from practice," was held in Long Beach, California. This report covers the two keynote speakers plus highlights from a selection of the presentations (for more information see the ASP website: [www.strategyplus.org](http://www.strategyplus.org)).*

### The search for "blue oceans"

#### *First keynote presentation*

Dr W. Chan Kim is coauthor of *Blue Ocean Strategy: How to Create Uncontested Market Space and Make Competition Irrelevant* (Harvard Business School Press, 2004) and The Boston Consulting Group Bruce D. Henderson Chair Professor of Strategy and International Management at INSEAD, France.

The thesis of Chan Kim's presentation – in line with the book he coauthored with Renée Mauborgne[1] – was that industries rife with competition have become bloodied arenas, or "red oceans," and making a profit competing in them becomes correspondingly very difficult. On the other hand, companies finding niches or markets of unserved demand, typically by developing a new business model, are said to be swimming in a "blue ocean" that has no competitors. The "blue ocean strategy" (BOS) model is fast becoming part of the strategy lexicon.

Kim took some pains to articulate how BOS is different:

- Companies that have strong brands are swimming in blue oceans.

- BOS means both being differentiated and a low-cost leader[2].

- BOS depends on value innovation – not competitive advantage – and must try to attract non-customers (markets not currently served).

- BOS achieves substantially better financial results than companies in red oceans.

BOS is not immune from risks, principally of two kinds: formulation risks having to do with searching, planning, scaling up, and devising a new business model, and execution risks having to do with organizing appropriately and knowing how to manage change. Companies have to have the three Ps – a portfolio of products for the Blue Ocean, organizational process, and motivated people.

Like most authors with a new planning idea, Kim claimed that traditional strategic planning has a number of glaring flaws: too much planning and no "strategy," documents filled with numbers but no "big picture," left-not-right-brained process, and plans not communicated widely. He also felt that traditional strategic planning was useful only in "red oceans." Most managers consider this view of

planning, similar to Henry Mintzberg's when he wrote his diatribe against strategic planning[3], to now be largely out of date.

However, very few in the audience would disagree with Kim that to have a BOS – to swim in a blue ocean – is vastly preferable to getting bloodied in a red ocean, even though leaders in “red ocean” industries can be profitable and do well. The question on most minds, including this reporter's, was how to find the next blue ocean?

Kim's answer was a tool called the “strategy canvas.” He proposed four steps to discovering a blue ocean:

1. *Visual awakening.* Compare your company with competitors using the strategy canvas; see where your strategy needs to change (ask four questions: what can we eliminate? . . . reduce? . . . raise? . . . create?).
2. *Visual exploration.* Go into the field to collect data.
3. *Visual strategy fair.* Get feedback on the current state and design the “to be” strategy.
4. *Visual communication.* Use the strategy canvas.

Typically, companies that have found a blue ocean (“pioneers”) become, over time, “migrators” (best in crowd) and, when lots of competitors have moved in, “settlers.” BOS tries to reverse that trend, i.e. from being a settler or migrator to becoming a pioneer.

The strategy canvas is a valuable, visual tool, and a spur to creative thinking. But constructing one is devilishly difficult. When asked where the “dimensions” on the x-axis come from, Kim's answer was “experience.”

While finding a blue ocean is alluring, it may represent the same challenges that strategists have been facing all along, but called a different name. Yet Kim does remind us to focus on the big picture and put a top priority on

searching for new opportunities, and he offered some useful tools and approaches.

### *Second keynote presentation*

Dr Milind Lele is author of *Monopoly Rules: How to Find, Capture, and Control the Most Lucrative Markets in Any Business* (Crown Books, 2005), Managing Director of SLC Consultants, Inc., Chicago, IL, and adjunct professor in the University of Chicago's Graduate School of Business' Executive Education programs in Chicago, Barcelona, and Singapore.

Dr Milind Lele's presentation was a persuasive articulation of the points made in his recently published book. The key to understanding his message was to accept an expanded meaning of the traditional definition of monopoly. The classic economic definition means one company that accounts for 100 percent of the industry's sales and typically has a governmental license to be the only producer (state-owned enterprises, cable-TV territories in the early days, utility companies, etc.). Lele's definition of a monopoly as “an ownable space for a useful period of time” is similar in that the company has the market all to itself (no competition), but different in the following respects:

- monopolies can be created temporarily – the period can be a few days or many years;
- monopolies can be created in the midst of many competitors – in fact, competitive shortsightedness and inertia to prevent the monopoly in the first place is a prime enabling factor; and
- monopolies arise out of situations and do not have to have a governmental license.

How does one know whether one has a monopoly? The key is that the customer behaves as if he had no other choice (pay up or do without). Concessions at movie theaters or

sports arenas are monopolies in those facilities because of their policy prohibiting customers from bringing in any food or drink. Apartments for rent in an Olympic venue during the time of the Olympics can command monopoly rents because there are no other choices. Similar arguments can be made for 1-800-Flowers on Valentine's Day and airline flights during the days before and after Thanksgiving.

Another clue is that the competition does not see you. Enterprise Rent-A-Car grew to be the largest car-rental company in the US by targeting people getting their cars serviced or repaired, rather than travelers at airports. It had no offices at airports, but instead had a presence in every local community in the US. Southwest Airlines' monopoly is its unique routes (it is the only choice from certain lesser used airports).

Just because one has a monopoly does not mean pricing like a traditional monopolist. Pricing must be reasonable (or people may choose to do without), yet profits can be maximized without regard to competition.

Monopoly situations arise from the flux of:

- industry dynamics;
- customer dynamics; and
- competitor dynamics.

In this new kind of strategic thinking, monopoly is the goal, and strategy is how to achieve it, enlarge it, and sustain it. The definition of monopoly states that it has two components: the monopoly space and the length of time it can be occupied or sustained.

Lele offered two useful tips about finding monopolies. Figuring out your industry's core belief is the secret to finding the opportunity to create a monopoly. For example, in car rentals, two industry core beliefs could be the place to rent a car is at every major

airport, and the only time one rents a car is when flying to another city. In the process of establishing its monopoly, Enterprise Rent-A-Car reconsidered those core beliefs. While it was achieving this goal, its competitors refused to believe there was any other way to rent cars. They refused to modify their core belief even while Enterprise gained market share until it became the largest car-rental company in the US. Lele suggested that companies should act like a new market entrant, and not subscribe to the industry's core belief.

### Selected presentations

For this conference, organizers issued a call for papers from practitioners, consultants, and academics on the broad topic, "Strategy in action: lessons from practice." From the response, 40 concurrent presentations were selected. These were grouped into five themes:

1. Improving strategic planning.
2. Strategic-planning methods.
3. Specific interest areas.
4. Planning in public organizations.
5. Focusing on results.

### Improving strategic planning

As a way of making their strategic planning more successful, presenter Deborah Brazeal[4] urged companies to encourage innovation principally by getting all their employees to be more creative (either by giving them special training or hiring more creative people) and demanding more creativity from them (she called this "changing the cultural DNA of the organization"). In his turn, presenter David Fishman[5] suggested that strategy is not dead, but needs to be revitalized, which in turn requires revisiting the fundamentals of strategy development and imbuing it with the right purpose and perspective. Strategy is the responsibility of top management and cannot be delegated; must treat every situation

as unique, must get the purpose and perspective right first, understand the dimensions of the problem, and tailor the approach (strategy) to the challenges faced by the organization. Presenters A.O. Lewis and John Loebbaka[6] offered a case study of how Universal Alloy Corporation, a supplier of aluminum to the aerospace industry, coped with a decline in demand, deteriorating competitiveness, and the effects of 9/11 (collectively termed "strategic decay"). Instead of a three to five year strategic plan with annual updates, UAC switched to a process of real-time issue management, completing three planning cycles within eight months right after 9/11, and created an Office of Strategic Management. Presenter Carl Spetzler[7] offered his list of the deadliest sins of strategy – delusion (crafting strategy without grounding in reality), pride (overconfidence in one's capabilities), indolence (inactivity and lack of follow-through), incognizance (lacking knowledge or awareness), diffidence (timid alternatives and overly risk-averse behaviors), groupthink (uncritical acceptance of prevailing points of view), "simplism" (the tendency to concentrate on a single aspect of a problem to the exclusion of all other factors), dissociation (a state of separation or disunion), and operationalism (strategic blindness due to being captive to an operational perspective). Presenter Jim Webb[8] shared his fascination with the powerful revolutionary spirit that has produced leaders that have broken the rules and changed their world – what he believes is needed in today's competitive world.

### Strategic planning methods

Most presentations in this section dealt with using specific models or tools to enhance strategic outcomes. Charles Feinstein[9] proposed a method for prioritizing projects with respect to timing, subject to budgetary constraints. Depending on

the value stream provided by each project, the method could determine which projects should be done immediately and which might be safely deferred. Michael Phillips[10] spoke about game theory as an effective strategic-planning tool and illustrated its use in two actual case studies. He quoted John Cassaday, President and CEO of Corus Entertainment, Inc. as saying: "Game theory forces decision-makers to step into the shoes of competitors and other stakeholders. That doesn't come naturally. Corporations tend to overestimate their own capabilities and underestimate their competitors."

Eric Flamholtz and Yvonne Randle[11] took the audience through an actual case study using their process and new computer-based software tool, Strategic Management Advantage® to assist managers communicate the plan to others and track performance against goals. Dana Wright's[12] premise is that the key to successful implementation is engaging the rest of the company in the process – helping them understand why the particular strategic direction was chosen and their role in it, and passing their feedback back on up. Methods for engagement include story telling, table templates, games, and "graphic recording" (creating large, 4 ft x 8 ft templates or maps that help everyone see the BIG picture)[13]. The presentation included lessons learned from a recent global project covering 35,000 associates that needed translating into 18 languages. Andy Pattantys[14] reminded the many consultants in the room of what it takes to be really prepared for a strategic-planning meeting and the dos and don'ts of successful facilitation. He warned against the temptation on the part of the facilitator to inject his or her solution into the process, resulting in immediate loss of credibility and loss of ownership by the management team of the resulting strategy. Stephen Drew[15] focused on applying scenario planning to

three aspects of planning for disruptive technologies: identifying technologies that are potentially disruptive, mapping out possible development paths for such technologies, and developing organizational capabilities to exploit the opportunities presented by disruption. Benefits included increased levels of engagement, more thorough research and intelligence gathering, learning about new forms of competition and competitors, and reduced biases in perception and decision-making. Allen Long[16] recounted a way of making traditional scenario planning useful for the shorter three to five year timeframe. Using a case study of a US chemical company trying to take advantage of the emerging market in China while protecting itself from growing Chinese competitors, recommendations included a set of China-related actions it could implement immediately and four distinct China strategies it could implement later (or not) depending on how other trends played out. These results might not have been achieved with traditional scenario planning.

### *Specific interest areas*

These presentations focused on areas that support or surround strategy rather than formulate it. Martin Bishop[17] talked about employees' understanding the strategy (and the brand) as a key to motivating action, supporting implementation with adequate resources and time, and aligning implementation (delivering) with the brand (that promises the value). Measuring brand strength and improvement is also critical, as was shown in a case study of the oil company BP. Jim Kirkland[18] recounted the powerful ways in which customer satisfaction and sales increase with increased attention to data. For example, a 2.5 percent drop in major problems experienced by customers results in a 1 percent gain in customer satisfaction, which in turn

leads to \$15 million in future sales. Since its inception five years ago, customer-satisfaction initiatives at Suzuki have resulted in additional sales of over \$80 million. Such programs work because Suzuki supports the dealers, parts are readily available, dealers' ability to repair must be good, and the product has to be of high quality to begin with. Gaston Pereira and Jim Wilson[19] emphasized the need to align marketing plans and customer value propositions with the overall strategic plan, and presented a case study of Sigue, a leading provider of international money-transfer services (it processes more than \$3 billion annually in remittances from workers living in the US to their families in Mexico and other countries in Latin America), to illustrate their points. Don Townsend[20] explored the tensions between the board of directors and management in strategy formulation. How should the board be engaged? When should it be involved? How can it positively influence the process and subsequent decisions? His advice is to engage the board early in the process, have it fully understand the process, have it appreciate the changing environment, competition, and risks, and get its concurrence on the strategy and the resources required to implement it. Jerry Dilettuso[21] maintains that the CEO's effective contribution to strategic planning is predicated on how well he or she fulfills five roles – chief agenda-setter (driver), chief strategy protagonist (catalyst), head cheerleader (advocacy), chief organizational designer (processes and culture), and chief talent assessor and team-builder (team development). Peter Jay Sorenson[22] presented four models – value-creation model, critical organizational capabilities, balanced scorecard/strategy mapping, and capable organizations – useful in leveraging intangible assets into tangible value, especially during the due-diligence and integration phases

of merger-and-acquisition (M&A) processes; intangible assets apparently account for 80 percent or so of the market-cap value of publicly held corporations. Michael Putz[23] used Cisco's acquisition of Linksys in 2003 as a case study to illustrate the importance of adhering to a small set of key principles outlined in Christensen's and Raynor's recent book[24]. One such key is to focus the new business on competing in untapped markets rather than cannibalizing the low end of the acquiring company's core market. And while serial disruption is a key to sustainable growth, the key to growing now is through disruptive acquisitions. Finally, David Chaudron[25] used scenario planning in an unconventional and highly interactive way to underscore the value of strategic thinking and stretching that thinking beyond traditional frameworks. The audience played the role of the company – owned entirely by its government and engaged entirely in extracting and selling oil – and through considering four possible scenarios, had to decide what the company should do in the future.

### *Planning in public organizations*

The presentations in this section involved multi-organizational collaboration and planning and deal with very complex issues. Charles Everett[26], the former airport manager of Syracuse Hancock International Airport (SYR), a small hub airport in upstate New York, discussed the complex external environment of airports today – their need to be competitive as costs rise and resources dwindle – and how they do strategic planning. SYR is used as a case study to showcase the integrated airport planning, operations, and management model. Julia Sullivan[27] shared her experience designing and leading citizen engagement for a collaborative visioning conference that took place in New Orleans on

November 10-12, 2005, shortly after the city and state were devastated by Hurricane Katrina. The conference brought local and national design and planning professionals together with Louisiana public officials, civic groups, business organizations, and citizens to develop a body of principles that would guide Louisiana's long-range strategic plan for its rebuilding and recovery. Conner and Rosen[28] described the design and functioning of a collaborative, distributed implementation model – a four-month effort to develop the *2004 California Space Enterprise Strategic Plan*, facilitated by the California Space Authority and involving 146 private and public stakeholder organizations and 345 senior-level stakeholders. Such a complex undertaking requires ongoing recruitment as some of the original participants move on, a focus on achieving performance objectives, and collaborative oversight. Seth Milstein[29] explained the US Marine Corps' rapid-response planning methodology that has been followed in preparing for invasions of Afghanistan and Iraq, and maintains that elements of the process can be applied to any organization. Such elements include articulating preliminary assumptions, being clear on the purpose (mission), sequencing essential tasks, developing and comparing alternative courses of action and deciding, and execution.

### Focusing on results

The presentations were about speed, execution, and results. John Sterling[30] updated earlier 2003 research interviewing CEOs and COOs about their experiences with effective and ineffective strategy implementation. Some reasons for strategy failures include unanticipated market and competitive changes, insufficient resources budgeted, lack of alignment, and poorly conceived business models; effective implementation requires aligning execution with the strategy,

monitoring progress and demanding accountability, and developing realistic budgets. Mike Kanazawa[31] emphasized important things we already knew but still do not do – engage everyone in the organization in strategy execution, which means involving them at the beginning (not merely getting buy-in at the end), leading authentically (not outsourcing leadership), and being honest (not pretending you have all the answers when you do not). Doing these things not only increases the chances of successful execution, but also dramatically speeds the process. Leland Russell and Joyce Jaffe Reynolds[32] presented a three-part framework for “high-velocity” execution – smart planning without wasting time, getting results without wasting resources, and improving while you are moving. Best practices include tapping the collective IQ of the group, acting on “good enough” plans (and adjusting later if necessary), collaborating online, real-time accountability, and after-action reviews (using feedback to improve performance).

### Notes

1. Brian Leavy, “Value pioneering – how to swim in your own ocean,” *Strategy & Leadership*, Vol. 33 No. 3, 2005, pp. 50-52.
2. Kim also said that traditional strategic analysis, including Porter's Five-Forces Model, deals with “red ocean strategy” (blue oceans become red eventually when they attract competition); there has been no way of analyzing BOS until now.
3. Henry Mintzberg, *The Rise and Fall of Strategic Planning*, Macmillan, 1985.
4. Deborah Brazeal, Professor, Cal Poly Pomona, “Strategic planning with creative intent.”
5. David Fishman, Managing Director, Strategic Decisions Group, “A new mandate for strategy – lessons from the past decade.”
6. A.O. Lewis, Professor, Alliant University, and Jon Kevin Loebbaka, General Manager, Universal Alloy

Corp., “Managing future and emergent strategy decay.”

7. Carl Spetzler, Chairman, Strategic Decisions Group, “The deadly sins of strategy: how to recognize, remedy, and avoid them.”
8. Jim Webb, “Guerilla strategy – business lessons from real revolutionaries.”
9. Charles D. Feinstein, Associate Professor of Operations and MIS, Leavey School of Business, Santa Clara University and co-founder, VMN Group LLC, and Peter A. Morris, VMN Group LLC, “A Value-based approach to project prioritization.”
10. Michael Phillips, Strategy Consultant, Open Options Corp., “Applications of game theory in strategic planning.”
11. Eric G. Flamholtz, Professor, UCLA Anderson and President, Management Systems Consulting Corp., and Yvonne Randle, Management Systems Consulting Corp., “Making strategic planning work: managing the problems of effective implementation.”
12. Dana Wright, Principal, Take Action, Inc., “Strategy engagement as a prerequisite to successful implementation.”
13. Conference attendees were able to see graphic recording in action when a 4 ft x 8 ft template was created of Milind Lele's keynote address (photo attached).
14. Imre Andrew (Andy) Pattantyus, President, Strategic Modularity, Inc. “How to design and run an effective strategic-planning meeting.”
15. Stephen A. Drew, Professor, Lutgert College of Business, Florida Gulf Coast University, “Building technology foresight: using scenarios to develop strategies for disruptive innovation.”
16. Allen Long, Managing Director, Outward Insights, “Short-term scenario planning: how to achieve immediate and actionable results.”
17. Martin Bishop, Director of Strategy & Analytics, Landor Associates, “It's about delivery, not strategy.”
18. Jim Kirkland, Associate Director of Service, American Suzuki Motor

- Corporation, "When data drives strategy: mining the customer-service and loyalty connection."
19. Gaston Pereira, Chief Marketing Officer, Sigue Corporation, and Jim Wilson, Managing Director, Claremont Strategy Center, "Focus on customers for growth and innovation."
  20. Donley Townsend, Principal, Donley Townsend Associates LLC, "Engaging the board of directors on strategy."
  21. Jerome T. Dilettuso, former Vice Chairman of Varsity Brands and former President and CEO of National Spirit Group, "The CEO's contribution to strategy and planning."
  22. Peter Jay Sorenson CMC, Principal, GINKGO Enterprises, "Doing the intangible asset tango in M&A messes."
  23. Michael Putz, Director of Business Development, Cisco Systems, "Tapping the power of potentially self-disruptive acquisitions."
  24. Clayton Christensen and Michael Raynor, *The Innovator's Solution: Creating and Sustaining Successful Growth*, HBS Press, 2003.
  25. David Chaudron, Managing Partner, Organized Change, "Scenarios in the sand: using scenarios and strategic planning among the Arabs."
  26. Charles R. Everett, Jr, Principal, Everett & Associates LLC, "Beyond the vision: strategic planning and management, a process for effective decision-making. an aviation case analysis."
  27. Julia Sullivan, Lead Facilitator, AmericaSpeaks, "Finding one voice: large scale engagement at the louisiana recovery and rebuilding conference."
  28. Victoria Conner, Principal, Strategic Vitality LLC and Stanley G. Rosen, Consultant, Toffler Associates and former Chairman and current Board Member of the California Space Authority, "Distributed, collaborative implementation: ongoing continuity for the consensus-based strategic plan."
  29. Seth M. Milstein, Chief Operations and Strategy Officer, Mobile TLMH America and a Major in the US Marine Corps Reserve, "USMC rapid response planning process."
  30. John W. Sterling, Partner, Smock Sterling, "Translating strategy into effective implementation: dispelling the myths and highlighting what works."
  31. Mike Kanazawa, Partner, Dissero Partners, "Speed and results – the pillars of strategy execution."
  32. Leland Russell, CEO and Joyce Jaffe Reynolds, Managing Director, Geo Group Strategic Services, Inc., "The execution challenge."

### About the author

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