From Blue Ocean Strategy to Blue Ocean Leadership

A HARVARD BUSINESS REVIEW WEBINAR FEATURING

Renée Mauborgne

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OVERVIEW

Blue Ocean Strategy provides companies a new way of thinking about where and how to compete to drive profitable growth. Blue Ocean Leadership uses many of the same principles and analytic frameworks to help companies engage previously disengaged people by changing the company's leadership profile. It produces a leap in leadership strength quickly and at low cost.

Blue Ocean Leadership focuses on leaders' acts and activities; not their behaviors, traits, or values. A helpful analytic tool involves assessing the organization's "as is" leadership profile, and after considering multiple possibilities, determining the "to be" state. Blue Ocean Leadership helps leaders tap into the huge untapped ocean of talent and energy within the organization, producing both qualitative benefits (greater alignment, increased motivation, more energy, and a talent pull) as well as qualitative benefits (lower turnover and recruiting costs, increased satisfaction, and stronger financial performance).

CONTEXT

Professor Renée Mauborgne summarized the basic ideas from Blue Ocean Strategy, explained how these apply to leadership, and shared a simple analytic framework that organizations can use to improve leadership and firm performance.

KEY LEARNINGS

Blue Ocean Strategies help companies drive profitable growth.

Published in 2005, *Blue Ocean Strategy* is an international best seller which has sold more than 3.5 million copies and brought to life new ideas that have helped companies improve their performance and transform themselves.

Companies in all industries increasingly compete in hotly contested, commoditized, bloody "red oceans." Blue Ocean Strategy provides a new way of thinking. The idea is to create uncontested new market spaces ("blue oceans") where the competition is irrelevant. In blue oceans, companies invent and capture entirely new demand. Professor Mauborgne summarized three key principles underlying Blue Ocean Strategies. These are strategies that:

- Open an ocean of new market space by pursuing **both** differentiation **and** low cost. They are strategies of AND; not of either/or.

- Create new demand by converting non-customers of an industry into customers.

- Offer systematic, reproducible, and visual tools and processes for the effective formulation and execution of strategies.

CONTRIBUTORS

Renée Mauborgne
Professor of Strategy and Management, INSEAD; Co-author of *Blue Ocean Strategy* and "Blue Ocean Leadership"

Melinda Merino (Moderator)
Senior Editor, *Harvard Business Review*

Strategy and leadership are inseparable realities.

Extensive experience with companies that have attempted to execute Blue Ocean Strategies has shown that strategy and leadership are inextricably linked. Many companies that have wanted to implement innovative new strategies have felt that without a step change in their leadership capabilities, they were not equipped to move forward with a new strategy. Thus, lack of leadership strength prevents companies from devising and executing strategy.

The number one leadership issue that companies face is disengaged employees.

Data from Gallup shows that in every industrialized country the vast majority of employees (at least 70%) are disengaged, and many are actively disengaged. This represents a huge ocean of untapped talent and energy.

The Ocean of Untapped Talent and Energy

Country	Engaged	Not engaged	Actively disengaged
United States	30%	52%	18% - costs 1/2 trillion $
Canada	16%	70%	14%
Germany	15%	61%	24%
France	9%	65%	26%
United Kingdom	17%	57%	26%
South Africa	9%	46%	45%
Australia	24%	60%	16%
Russia	19%	63%	19%
Japan	7%	69%	24%
Korea	11%	67%	23%
China	6%	68%	26%
India	9%	60%	31%
Brazil	27%	62%	12%
Worldwide	13%	63%	24%

© Gallup's 2013 State of the Global Workplace report

Figure 1
Engaged and Disengaged Employees by Country

Lack of employee engagement can be thought of as a leadership issue. Leadership in essence is a service that people buy or don't buy. In this sense, leaders have customers, but disengaged employees who don't buy into leadership are non-customers.

Seeing disengagement as non-customers choosing not to buy what leaders are trying to sell caused Professor Mauborgne and co-author W. Chan Kim to see analogies in the strategy challenges companies often face and the leadership challenges they confront. This led Mauborgne and Kim to develop Blue Ocean Leadership, adopting elements and analytic frameworks from their work on strategy to address leadership.

Blue Ocean Leadership applies concepts from Blue Ocean Strategy to develop an organization's leadership capabilities.

The basic idea of Blue Ocean Leadership is to achieve an organizational leap in leadership strength quickly and at low cost, which translates into high performance for the business. This is done by converting unengaged employees to engaged ones.

> "The challenges companies face is that they want to implement Blue Ocean Strategy but they first need to address leadership."
>
> **– RENÉE MAUBORGNE**

The concepts of Blue Ocean Leadership differ from traditional leadership models in that Blue Ocean Leadership:

1. **Focuses on acts and activities.** Most leadership efforts focus on cognitive and behavioral skills, such as empathy, self-awareness, and self-regulation. But it is extremely difficult and slow to transform behaviors of large numbers of individuals. The reasons for focusing on acts and activities are because acts are easy to specify what to do or not do; it is easier to change what you do than who you are; acts are measurable; and acts and activities are linked to performance.

2. **Connects to an organization's market and business realities.** Blue Ocean Leadership is not generic; it is specific to each organization's specific situation.

3. **Emphasizes distributive leadership.** The ideas of Blue Ocean Leadership apply not just to senior leaders but to all levels of leaders in an organization.

Blue Ocean Leadership is achieved through a four-step process.

Here is how organizations can go about achieving Blue Ocean Leadership:

1. **Assess the organization's current leadership reality (the "as is" state).** This can be done by assembling a small group of senior leaders (10–15) and using The Blue Ocean Leadership Grid. Leaders should ask others in the organization how they are experiencing leadership, and what acts and activities leaders should eliminate, reduce, raise, and create. This process provides a common language for talking about leadership and a roadmap.

ELIMINATE	RAISE
What acts and activities do leaders invest their time and intelligence in that should be eliminated?	What acts and activities do leaders invest their time and intelligence in that should be raised well above their current level?
REDUCE	**CREATE**
What acts and activities do leaders invest their time and intelligence in that should be reduced well below their current level?	What acts and activities should leaders invest their time an intelligence in that they currently don't undertake?

Figure 2
From "As-Is" to "To-Be": The Blue Ocean Leadership Grid

2. **Develop alternative leadership profiles.** After the current leadership reality is understood, organizations then assemble teams that develop multiple possible leadership profiles.

3. **Select the leadership profile that will best unlock disengaged employees.** A good practice is to hold a "leadership fair" where the "as is" leadership snapshot is shared and multiple alternatives are presented. All attendees (roughly 100–150 leaders from all levels of the organization, as well as board members) vote on the leadership profile they prefer. However, it is ultimately top management that decides.

Organizations can develop a leadership canvas for each level of leadership. For example, a British retailer's as-is profile showed that front-line managers are focused on pleasing the boss. The desired "to be" state is to cut through bureaucracy to serve customers.

Please the Boss ➔ **Cut Through to Serve**
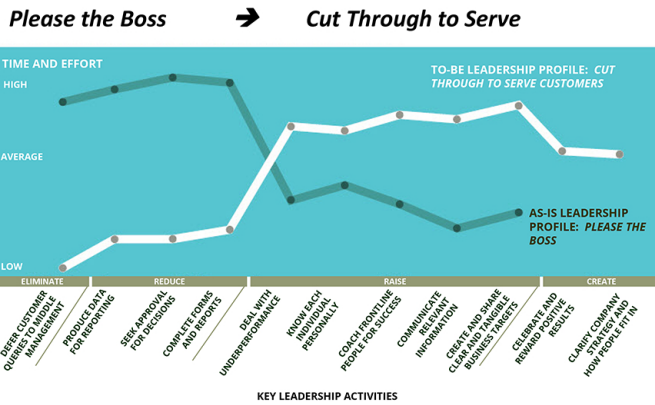
Figure 3
The Leadership Canvas of BRG's Frontline Managers

4. **Institutionalize and execute the new leadership model.** Once the desired new leadership state is defined, the key is to institutionalize it throughout the organization. This involves explaining it to subordinates, developing measures, and holding monthly meetings to assess progress. Often organizations focus on attracting the best talent. Blue Ocean Leadership focuses on engaging the ocean of talent that already exists within organizations.

The benefits of Blue Ocean Leadership can be significant.

The benefits are both quantitative and qualitative. Quantitatively, companies that engage employees decrease turnover and absenteeism, decrease recruitment and training costs, increase customer satisfaction, and improve financial performance. Qualitatively, benefits include leadership and market alignment, a sense of freedom and ability to perform, boosted motivation with excitement and positive word of mouth among employees, talent pull, less stress, and more energy.

> "There is a great deal of talk about the war for talent. More important is unlocking the huge ocean of untapped talent that already exists."
>
> **– RENÉE MAUBORGNE**

BIOGRAPHIES

Renée Mauborgne
Professor of Strategy and Management, INSEAD; Co-author of Blue Ocean Strategy

Renée Mauborgne is The INSEAD Distinguished Fellow and a professor of strategy at INSEAD, the world's second largest business school. She is also Co-Director of the INSEAD Blue Ocean Strategy Institute.

Mauborgne is a member of President Barack Obama's Board of Advisors on Historically Black Colleges and Universities (HBCUs). She is also a Fellow of the World Economic Forum.

Mauborgne has published numerous articles on strategy and management. She is the co-author of *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant* (Harvard Business School Press, 2005). *Blue Ocean Strategy* has sold over 3.5 million copies and is being published in a record-breaking 43 languages. It is a bestseller across five continents and has won numerous awards.

Mauborgne ranked No. 2 in The Thinkers50 listing of the World's Top Management Gurus, in 2011 and 2013. She is the highest placed woman ever on Thinkers50. In 2014, Mauborgne, along with her colleague W. Chan Kim, received the Carl S. Sloane Award for Excellence from the Association of Management Consulting Firms. She also won the 2011 Thinkers50 Strategy Award. Mauborgne was selected for the 2011 Leadership Hall of Fame by *Fast Company* magazine and as one of the World's 50 Best Business School Professors in 2012 by Fortune.com. She was also named among the world's top five best business school professors in 2013 by MBA Rankings.

Mauborgne received the Nobel Colloquia Prize for Leadership on Business and Economic Thinking 2008 and is the winner of the Eldridge Haynes Prize for the best original paper in the field of international business. She is the winner of the Prix DCF 2009 in the category of "Stratégie d'entreprise." *L'Expansion* named Mauborgne along with her colleague W. Chan Kim as "the number one gurus of the future." The *Sunday Times* (London) called them "two of Europe's brightest business thinkers." The *Observer* called Kim and Mauborgne, "the next big gurus to hit the business world." She won the 2007 Asia Brand Leadership Award. Mauborgne is the winner of several Case Centre awards.

Mauborgne co-founded the Blue Ocean Strategy Network (BOSN), a global community of practice on the blue ocean strategy family of concepts that they created. BOSN embraces academics, consultants, executives, and government officers.

Melinda Merino (Moderator)
Senior Editor, Harvard Business Review

Melinda Merino is Senior Editor at *Harvard Business Review* where she leads acquisitions in the areas of strategy, innovation, talent management, and emerging markets. She has published a number of HBR Press best-selling books including *Blue Ocean Strategy* by Chan Kim and Renee Mauborgne, Michael Porter's *On Competition*, and *Conscious Capitalism* by John Mackey and Raj Sisodia. Melinda has also published several popular HBR articles including an interview with Ram Charan on executive decision-making and *Competing on Talent Analytics* by Tom Davenport, Jeanne Harris, and Jeremy Shapiro. Prior to joining HBR Press in 2000, Melinda launched a business publishing program at Stanford-affiliated Consulting Psychologists Press in Palo Alto and has held editorial and sales positions at a number of publishers. Melinda holds a BA in biology and philosophy from Colgate University.