

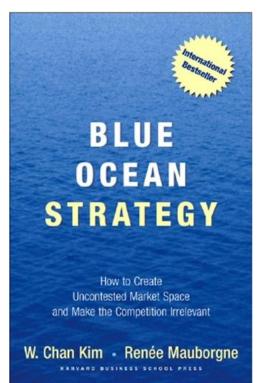
BLUE OCEAN STRATEGY SIMULATION

Introducing StratX's Latest Strategy Simulation

Theory by W. Chan Kim & Renée Mauborgne Simulation Design and Development by STRATX



- Blue Ocean Strategy Overview
- Blue Ocean Strategy Simulation Overview
- Using BOSS in your Class
- About StratX
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BLUE OCEAN STRATEGY THEORY OVERVIEW





BLUE OCEAN STRATEGY AUTHORS

W. Chan Kim is The Boston Consulting Group Bruce D. Henderson Chair Professor of Strategy and International Management at INSEAD, France (the world's second largest business school). Prior to joining INSEAD, he was a professor at the University of Michigan Business School, USA. He has served as a board member as well as an advisor for a number of multinational corporations in Europe, the U.S. and Pacific Asia. He is an advisory member for the European Union. He was born in Korea.

BLUE

Kim is a fellow of the World Economic Forum. His Harvard Business Review articles, co-authored with Renée Mauborgne, are worldwide bestsellers and have sold over a half a million reprints. Their Value Innovation and Fair Process articles were selected as among the best classic articles ever published in Harvard Business Review. They have co-authored articles in The Wall Street Journal, The Wall Street Journal Europe, The New York Times, The Financial Times, The Asian Wall Street Journal, and numerous journals.

Kim has published numerous articles on strategy and managing the multinational which can be found in: Academy of Management Journal, Management Science, Organization Science, Strategic Management Journal, Administrative Science Quarterly, Journal of International Business Studies, Harvard Business Review, Sloan Management Review, and others. He is the co-author of Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant (Harvard Business School Press, 2005).

Kim is a winner of the Eldridge Haynes Prize, awarded by the Academy of International Business and the Eldridge Haynes Memorial Trust of Business International, for the best original paper in the field of international business. He was selected for Thinkers 50, the global ranking of business thinkers, and was named along with his colleague Renée Mauborgne, as "the number one gurus of the future" by L'Expansion, one of France's leading business magazines. The Sunday Times (London) called them "two of Europe's brightest business thinkers... Kim and Mauborgne provide a sizeable challenge to the way managers think about and practice strategy." The Observer called Kim and Mauborgne, "the next big gurus to hit the business world."



BLUE OCEAN STRATEGY AUTHORS

Renée Mauborgne is The INSEAD Distinguished Fellow and a Professor of Strategy and Management at INSEAD, France (the world's second largest business school). She was born in the United States. Mauborgne is a fellow of the World Economic Forum. Her Harvard Business Review articles, co-authored with

BLUE

W. Chan Kim, are worldwide bestsellers and have sold over half a million reprints. Their Value Innovation and Fair Process articles were selected as among the best classic articles ever published in Harvard Business Review. They have co-authored articles in The Wall Street Journal, The Wall Street Journal Europe, The New York Times, The Financial Times and numerous journals.

Mauborgne has published numerous articles on strategy and managing the multinational which can be found in: Academy of Management Journal, Management Science, Organization Science, Strategic Management Journal, Administrative Science Quarterly, Journal of International Business Studies, Harvard Business Review, Sloan Management Review and others. 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). Mauborgne is a winner of the Eldridge Haynes Prize, awarded by the Academy of International Business and the Eldridge Haynes Memorial Trust of Business International, for the best original paper in the field of international business. In 2005 she was selected as the highest placed woman on Thinkers 50, the global ranking of business gurus, and was named along with her colleague W. Chan Kim, as "the number one gurus of the future" by L'Expansion, one of France's leading business magazines. The Sunday Times (London) called them "two of Europe's brightest business thinkers. Kim and Mauborgne provide a sizeable challenge to the way managers think about and practice strategy." The Observer called Kim and Mauborgne, "the next big gurus to hit the business world."





- BOS is the result of a decade-long study of 150 strategic moves spanning more than 30 industries over 100 years (1880-2000).
- BOS is the simultaneous pursuit of differentiation and low cost.
- The aim of BOS is not to out-perform the competition in the existing industry, but to create new market space or a blue ocean, thereby making the competition irrelevant.
- BOS offers a set of methodologies and tools to create new market space.
- While innovation has been seen as a random/experimental process where entrepreneurs and spin-offs are the primary drivers – as argued by Schumpeter and his followers – BOS offers systematic and reproducible methodologies and processes in pursuit of innovation by both new and existing firms.
- BOS frameworks and tools include: strategy canvas, value curve, four actions framework, six paths, buyer experience cycle, buyer utility map, and blue ocean idea index.
- These frameworks and tools are designed to be visual in order to not only effectively build the collective wisdom of the company but also to effectively execute a strategy through easy communication.
- BOS covers both strategy formulation and strategy execution.
- The three key conceptual building blocks of BOS are: value innovation, tipping point leadership, and fair process.



Uncontested Market Space and Make the Competition Irrelevant

W. Chan Kim • Renée Mauborgne

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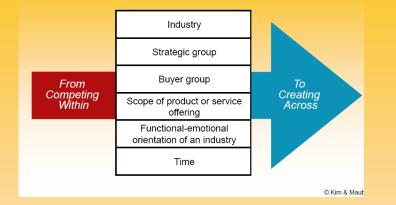


Red Ocean Strategy	Blue Ocean Strategy
Compete in existing market space	Create uncontested market space
Beat the competition	Make the competition irrelevant
Exploit existing demand	Create and capture new demand
Make the value-cost trade-off	Break the value-cost trade-off
Align the whole system of a firm's 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

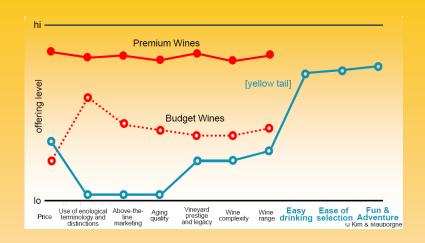


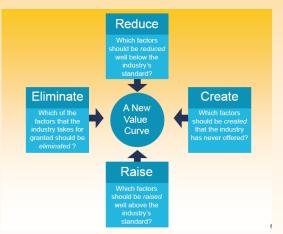


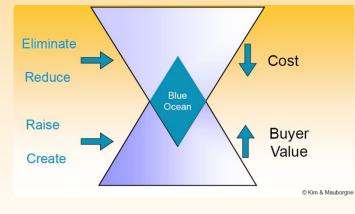
BLUE OCEAN STRATEGY METHODOLOGIES & TOOLS



The six conventional boundaries of competition

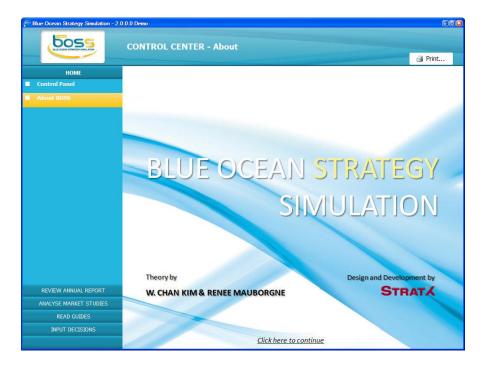






The case of [yellow tail]					
<u>Eliminate</u>	<u>Raise</u>				
Enological terminology and distinctions	Price versus budget wines				
Aging qualities	Retail store involvement				
Above-the-line marketing					
Reduce	<u>Create</u>				
Wine complexity	Easy drinking				
Wine range	Ease of selection				
Vineyard prestige	Fun and adventure				

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BLUE OCEAN STRATEGY SIMULATION OVERVIEW







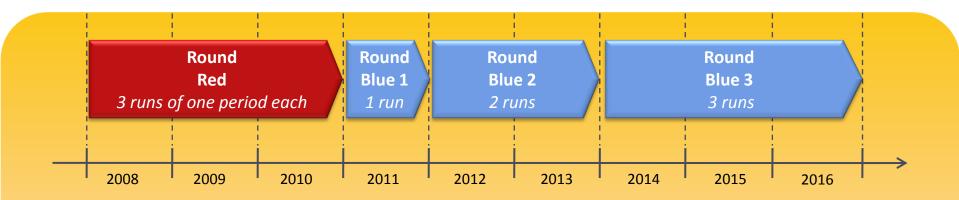
- A computerized strategy game illustrating Blue Ocean Strategy concepts, methodologies & analytical tools
- Participants work in team to manage a fictitious company for several years in the Game Console industry
- They are offered ways to swim out of the red ocean filled with sharks
- The BOS theory, tools and frameworks allows them to break away from the competition and create a blue ocean of new market space for their company







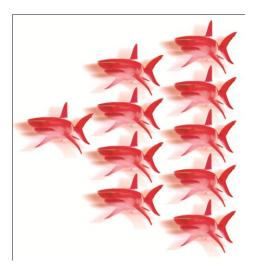
BOSS INCLUDES A MAXIMUM OF 4 DECISION ROUNDS

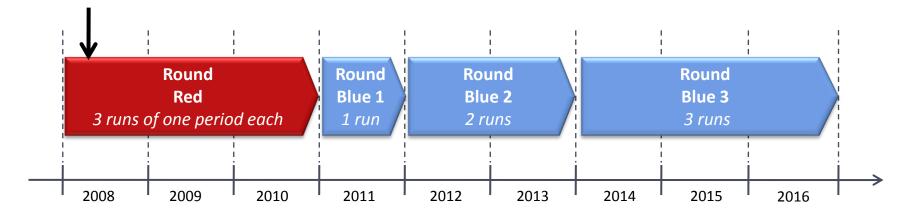


Each Round brings new challenges to the students

- Round "Red": management of their existing "Red Ocean" product
- Round "Blue 1": creation of a high value and low cost "Blue Ocean" product offering comprising competing factors beyond those upon which the industry competes
- Round "Blue 2" : refining their offering and further unlocking demand through the right Strategic Price
- Round "Blue 3": extending their Blue Ocean using Service and Delivery platforms and dealing with the presence of low-priced new competitors

BOSS ROUND RED BEATING COMPETITION IN THE EXISTING MARKET









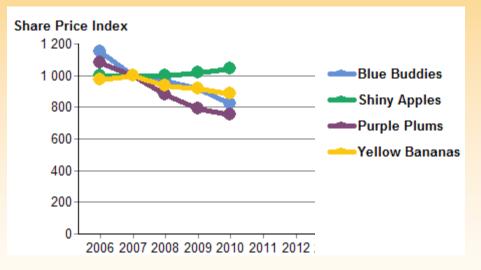


- The team objective is to compete in the Red Ocean and outperform their competitors
- Students familiarize with the market and industry; with their organization and its history; with their customers & competitors
- They have access to lots of data in their Annual Report and Market Studies:
 - Company and Brand P&L; Company and Brand Key Performance Indicators; Sales and Market Shares; Customer Preferences; Benchmarking Information; Market Forecast; etc...
- Then they form a strategy and execute it through multiple decisions:
 - Innovation and R&D; Corporate projects; Production; Segmentation Strategy; Marketing; Geographical Expansion and Distribution Coverage; Finance



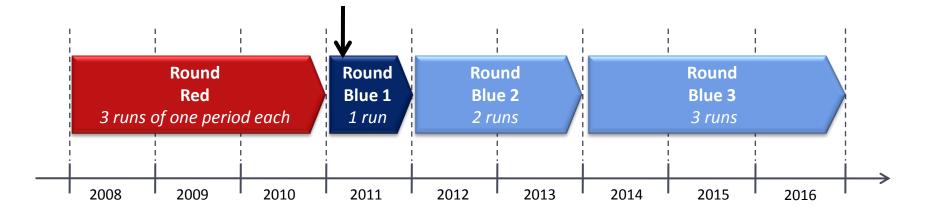
As competition is limited to existing market, the key objective is to increase market share and gain economies of scale

- The key success factors in Round Red are:
 - Identify & target most attractive consumer groups.
 - Data-driven analysis based on traditional market research
 - Continuously optimize products (Raise/Reduce) for fast changing customer needs.
 - Invest massively in marketing to build awareness and interest.
 - Compete on price
- Company results are poor
 - Only moderate increase in market share as competition is tough
 - Price pressure
 - Low market growth
 - Strong decrease in profits due to R&D, decreasing price, increased marketing



BOSS ROUND BLUE-1 *CREATING A BLUE OCEAN*











Visual Awakening	 Students must draw the current industry Value Curves, discuss the shape of all Curves and draw a conclusion about the industry's overall Value Curve
Visual Exploration	 Students must read and debate the outcome of the Visual Exploration conducted by the Executive Team
Four-Action Framework and ERRC Grid	 Students must decide which Competing Factors must be Eliminated, Reduced, Raised or Created
To-Be Strategy Canvas	 Students must create a Blue Ocean product, deciding what level to offer for each of the existing or created Competing Factors.

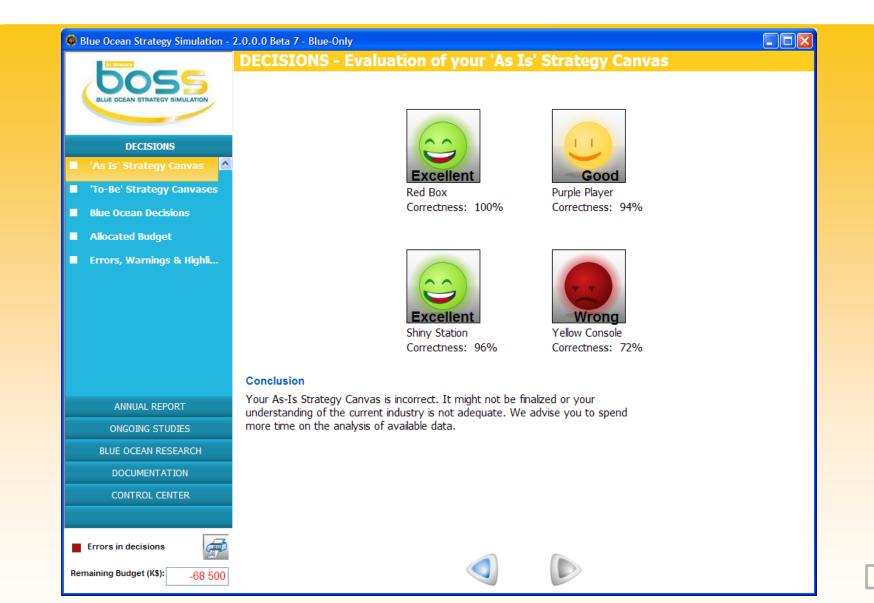


BOSS SAMPLE CHART – VISUAL AWAKENING DRAWING THE AS-IS STRATEGY CANVAS





BOSS SAMPLE CHART – VISUAL AWAKENING AUTOMATED FEEDBACK ON AS-IS CURVES





BOSS SAMPLE CHART – VISUAL EXPLORATION TRANSCRIPT OF NONCUSTOMER INTERVIEWS

🐵 Blue Ocean Strategy Simulation - 2.0.0.0 Beta 7 - Blue-Only

BLUE OCEAN RESEARCH - Visual Exploration Round Blue-1

Printer friendly version

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DECISIONS

ANNUAL REPORT

ONGOING STUDIES

BLUE OCEAN RESEARCH

Visual Exploration Round Blue-1

Potential Product Competing ..

Path 3: Looking across the Chain of Visual Exploration - Round Blue-1

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This is a transcript of the conversa

Mike: I am going to start with the that I mean where I believe the b 30% - I'm not kidding! By far the r gamers who told me horror stor games. When they weren't doing week after week or shut away in t of Blue Buddies!

These parents said that they face "who have everything they want already machine", as they put it; on the other hand, how gaming "mindlessly" when homework needed

David: I heard very much the same thi comments, although a key theme for rooms, and yet they wanted to be all do this, they were not going to by vide

These parents were dead against the way video games can absorb their kids' 'childhood hours'. They said that when their children were supposed to be researching school material... They were certainly not going to exacerbate the problem by buying a video gaming console. They felt that they had lost control over what their children were doing...

ntrol how much time was going to be spent

e this construction of the people I talked to made these kinds of optimized and they did not really want to intrude on their teenagers in their control the amount of time that they spent 'gaming'. Since they could not video game console.

Sally: Exactly, these parents were dead against the way video games can absorb their kids' 'childhood hours'. They said that when their children were supposed to be researching school material on the internet they found them playing games on the internet. They called these games "inane", "mindless", "puerile" – "pushing a few buttons to make things explode on the screen" is how they put it". They were certainly not going to exacerbate the problem by buying a video gaming console. They felt that they had lost control over what their children were doing.

Errors in decisions

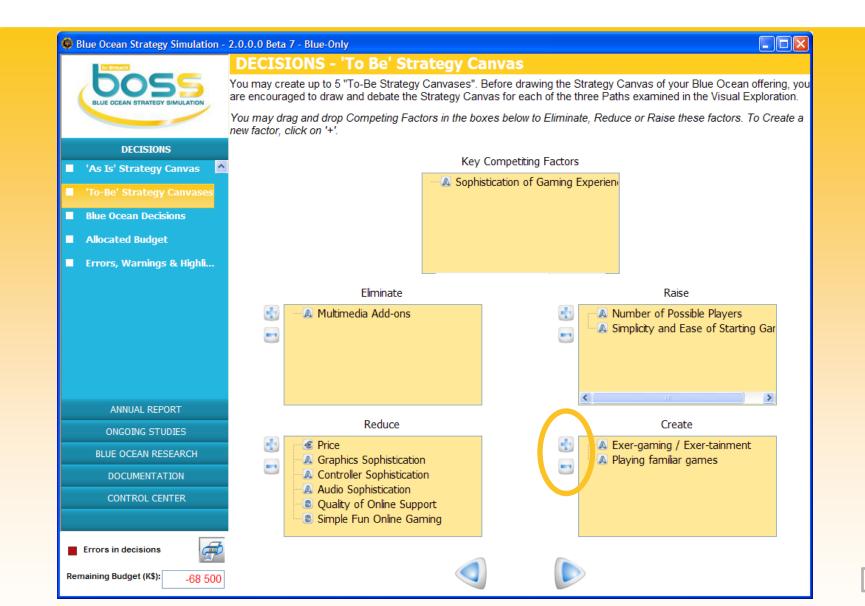
DOCUMENTATION

CONTROL CENTER

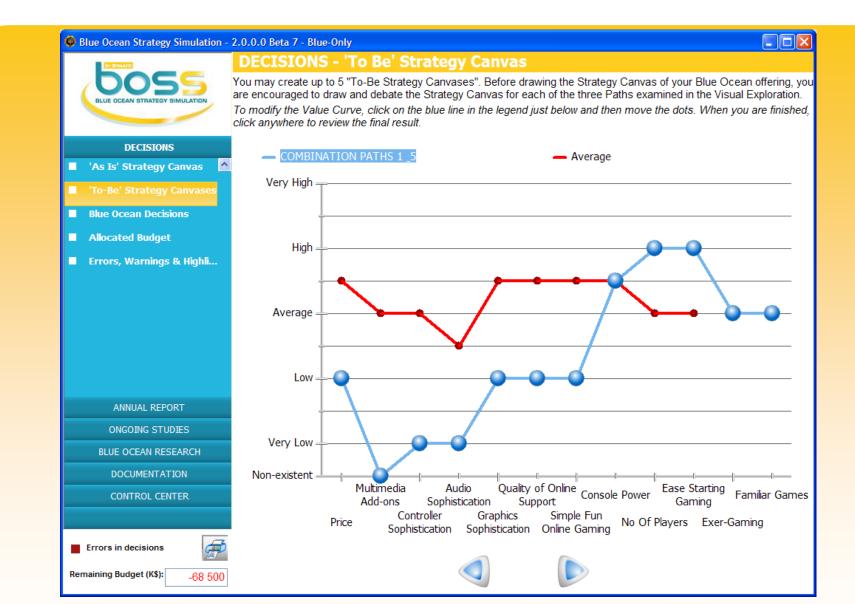
Rick: Yes ... quite a few I spoke to either wanted their children to learn to play a musical instrument, or their children were learning one and they are having great difficulty getting the children to put in the minimum practice time that their teachers were pleading for. When faced with a choice of doing scales and arpeggios and killing the zorgs, the zorgs win out every time! Zorgs versus Mozart – come on?!



BOSS SAMPLE CHART THE ELIMINATE-REDUCE-RAISE-CREATE GRID

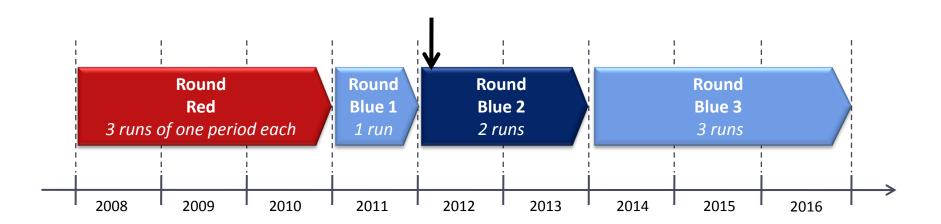






- The Six Paths reveals ways to reconstruct boundaries and open up avenues to noncustomers which, if followed, allow an organization to create and capture new demand.
- Searching for commonalities across noncustomer types allows organizations to see how to collapse Strategy Canvases and capture a far greater share of noncustomers than would creating a strategic offering for a single large type of noncustomers.
- By reconstructing market boundaries and focusing on the 4 Action Framework of Eliminating, Reducing, Raising and Creating, organizations are able to achieve differentiation <u>and</u> low cost – these are no longer tradeoffs.

BOSS ROUND BLUE-2 *REFINING THE BLUE OCEAN AND SETTING THE STRATEGIC PRICE*









STUDENTS ARE COACHED BY THEIR PROFESSOR AND BOSS PROVIDES THEM WITH AUTOMATED FEEDBACK

Your Blue Ocean offering is attra Exploration, especially those id

Your Blue Ocean offering includ This factor has appealed to a la requirements of the market alon

Your Blue Ocean offering include Graphics Sophistication, Simplicit

These factors have appealed to a large propor disapointed the market along these factors

Your Blue Ocean offering includes the cor Rechargeable batteries, Ability to leave Although these factors have appealed majority of noncustomers. As a result

Your Blue Ocean offering includes the competing factor "Multimedia Add-ons".

Although this factor has appealed to some noncustomers, it provides low additional value to the vast majority of noncustomers. As a result, you lost some margin without creating

additional sales.

s. However, it seems that your product has nave failed to generate higher sales volume.

for others in the house".

e noncustomers, they provide low additional value to the vast ou lost some margin without creating additional sales.

Your Blue Ocean offering includes the competing factor "Multimedia Add-ons". It appears that this factor does not provide any value to noncustomers. As a result, you lost some margin without creating additional sales.

You have created too many factors or have exceeded the market requirements when designing your Blue Ocean. Thus, you have lost margin. Your resulting net profit is not the hallmark of a Blue Ocean strategic move.

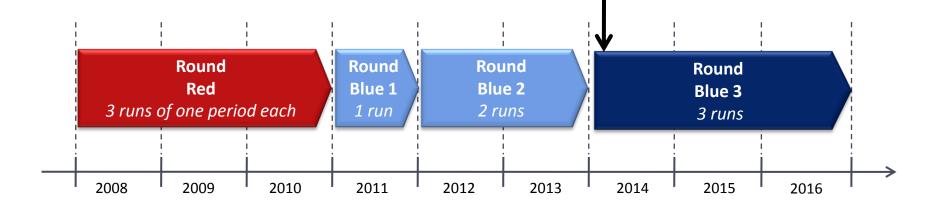


All learning points of Round Blue-1 still apply, plus :

- In reality, organizations may not get the Strategy Canvas right the first time, due to the traditional practice of most companies of 'Raising' and 'Reducing' their offering level along the traditional factors of competition.
- The importance of Strategic pricing and the price corridor of the mass is highlighted. It is crucial to set the right strategic price at the first moment of market entry to capture the mass of buyers.
- There are many cases where the failure to price strategically has led to demand remaining locked, and a lack of pressure on new entrants and competitors – eg the first mobile phones, the X-box.
- Organizations will traditionally price too high when they have an innovation of any sort believing that their innovation has created a differentiation desired in the market

BOSS ROUND BLUE-3 BREAKING AWAY FROM THE COMPETITION AGAIN

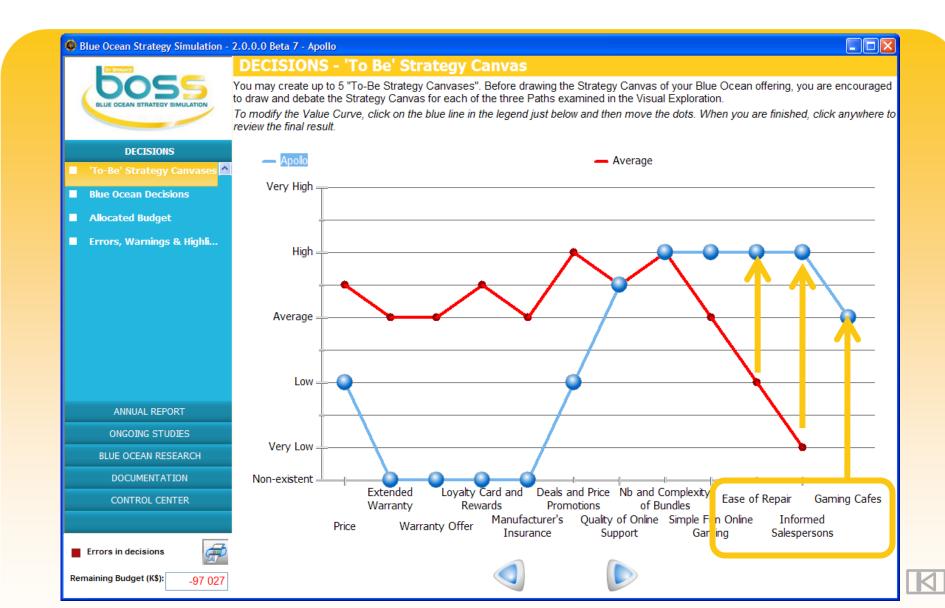














- Dramatic profit growth is dependent primarily on the strategic move and not on any inherent capability within the organization: there are no permanently good organizations, they are only as good as their strategic moves.
- Blue Oceans can become Red: to be successful, organizations must stretch for Blue Ocean again.
- Organizations have the option to create Blue Oceans in Service and Delivery, not only in their Products, as most traditionally think. They can be very successful by rotating the creation of Blue Oceans between Product, Service and Delivery platforms and keep growing the size of their Blue Ocean. Most organizations limit their strategic options by focusing on only one dimension of strategy.
- At different points in time and focusing on different platforms (Product, Service and Delivery), applying the Six Paths will reveal different insights. Thus, the executive team needs to go back to the market to get new information about noncustomers and customers to be able to keep creating Blue Oceans.
- Invest heavily in marketing to confound competitors and gain volume of margin through geographic expansion

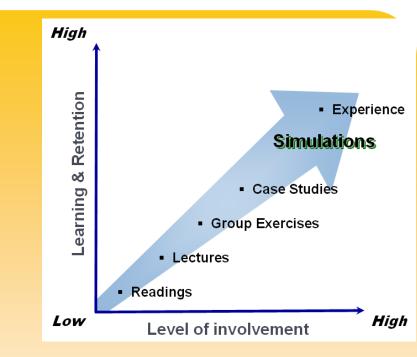
USING BOSS IN YOUR CLASS







- BOSS is a fun, innovative and highly effective tool to learn, practice and experience Blue Ocean Strategy
- BOSS will provide a deeper understanding and higher retention of Blue Ocean
 Strategy theory, methodologies and tools
- The competition across teams participating to the BOSS exercise will lead to a high level of excitement & enthusiasm



- BOSS corporate participants will be much more ready to lead a BOS initiative in their company
- BOSS is the perfect tool to bring together cross functional teams in company specific programs before they work on actual projects



- Students or executives will love your course! The fast pace and hands-on experience creates an intense energy, making participants eager to apply their new skills. It's a lot of fun, but also hard work. Students and executives find the combination irresistible.
- BOSS comes with a full range of Instructor's materials, which allows you to easily monitor and control the progress of your teams and highlight key learning points, round after round.
- BOSS couldn't be easier to administer. Its indirect competition setting provides you with total flexibility on the number of teams, allowing BOSS to work with any class size.
- StratX online support is available to meet your needs and optimize your pedagogical experience!

PEDAGOGICAL MATERIALS

BOSS Software

Instructor's Website

• Course creation & management, team activity monitoring, debriefing and ranking charts, etc.

Guides (all available online with printer-friendly version)

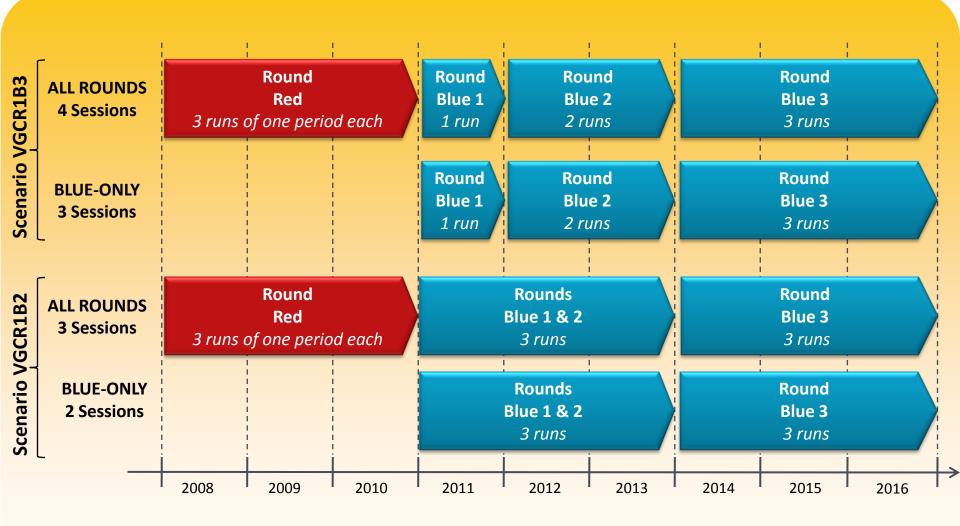
- BOSS handbook; Introduction to reach Round;
- Instructor's Guide

Powerpoint presentations for instructor

- Introduction to Blue Ocean Strategy theory, by Kim & Mauborgne
- Introduction to each Round
- Sample debriefing for each Round

2 SCENARIOS TO ADAPT TO YOUR SCHEDULE CONSTRAINTS







Round	Activity	Where	Duration
	Pre-Reading : BOSS Handbook & Introduction to Round Red	online	30'
Red	Introduction to Round Red + Organization of teams	Class	1h00'
	BOSS Session – Round Red – Instructor available for consultation	Workgroup	2h00'
	Pre-Reading : Introduction to Round Blue-1	Online	30'
Blue-1	Debriefing of the previous Round results Introduction to BOS Theory & Introduction to Round Blue-1	Class	1h15'
	BOSS Session – Round Blue-1 – Instructor available for consultation	Workgroup	2h00'
	Pre-Reading : Introduction to Round Blue-2	Online	30'
Blue-2	Debriefing of the previous Round results Introduction to Round Blue-2	Class	1h00'
	BOSS Session – Round Blue-2 – Instructor available for consultation	Workgroup	2h00'
	Pre-Reading : Introduction to Round Blue-3	Online	30'
Blue-3	Debriefing of the previous Round results Introduction to Round Blue-3	Class	1h00'
	BOSS Session – Round Blue-3 – Instructor available for consultation	Work group	2h00'
	BOSS Conclusion and Final Debriefing	Class	1h00'



- BOSS has been designed with a particular focus on Strategy, Management, Innovation and Entrepreneurship courses
- BOSS can handle groups of any size and thus can easily be integrated in large core courses or smaller elective courses
- BOSS can be used at the graduate, MBA or Executive education level
- Different licensing options will be available to suit different types of courses.

ABOUT STRATX

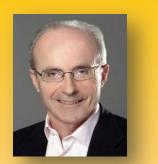






STRATX WAS FOUNDED IN 1984 BY INSEAD PROFESSOR JEAN-CLAUDE LARRECHE

- StratX is a consulting company specialized in Education and Management Development
- We offer to our Corporate clients tailored Management Development solutions for all levels, from board members to young managers
- We offer to the Academic community high-technology and sophisticated simulations and tools, co-developed with academic stars: Larréché/Gatignon, Kim/Mauborgne, etc.



Professor Jean-Claude Larréché Founder & CEO, StratX Marketing Professor, INSEAD



STRATX HAS BEEN A LEADER IN BUSINESS SIMULATIONS FOR 30 YEARS

- A portfolio of over 25 leading-edge simulations
- Covering multiple target audiences: Executives, MBAs, Undergraduates
- Adapted to specific industries: Pharmaceuticals, B-to-B, B-to-C, Services, Finances, Retail, ...
- Illustrating different concepts: Blue Ocean Strategy, Business Strategy, Strategic & Operational Marketing, Sales, Customer Value, Innovation, Brand Management, Brand life-cycle, ...
- Multiple format: onsite or online; direct or indirect competition; half-day to 5-day long; workshop, seminar or competition; ...





SELECTED ACADEMIC CLIENTS

FT.com FINANCIAL TIMES

Top 30 Global MBA Ranking 2008			Top 30 European Business Schools 2007		
1	University of Pennsylvania: Wharton	✓	1	HEC Paris	✓
2	London Business School	✓	2	London Business School	\checkmark
3	Columbia Business School	✓	3	Insead	\checkmark
4	Stanford University GSB	✓	4	IMD	
5	Harvard Business School		5	IE Business School	\checkmark
6	Insead	✓	6	IESE Business School	\checkmark
7	MIT: Sloan		7	ESCP-EAP European School of Management	\checkmark
8	IE Business School	✓	8	Rotterdam School of Management, Erasmus Univers	\checkmark
9	University of Chicago GSB	✓	9	EM Lyon	\checkmark
10	University of Cambridge: Judge		10	Esade Business School	\checkmark
11	Ceibs	✓	11	Cranfield School of Management	\checkmark
11	lese Business School	✓	12	Essec Business School	\checkmark
13	New York University: Stern	✓	13	Stockholm School of Economics	\checkmark
14	IMD		14	City University: Cass	\checkmark
15	Dartmouth College: Tuck	\checkmark	15	London School of Economics and Political Science	
16	Yale School of Management	\checkmark	16	Vlerick Leuven Gent	\checkmark
17	Hong Kong UST Business School	\checkmark	17	Lancaster University Management School	\checkmark
18	HEC Paris	✓	18	Warwick Business School	\checkmark
19	University of Oxford: Saïd	~	19	SDA Bocconi	\checkmark
20	Indian School of Business	√	20	Helsinki School of Economics	\checkmark
21	Esade Business School	√	21	Henley Management College	
22	Lancaster University Management School	√	21	University of Oxford: Saïd	\checkmark
22	Manchester Business School	√	23	Imperial College London: Tanaka	\checkmark
24	Northwestern University: Kellogg	v	23	University of Durham Business School	
25	UCLA: Anderson	v	25	Ashridge	
26	Emory University: Goizueta	v	25	Universität St.Gallen	
27	University of Michigan: Ross	v	27	Aston Business School	\checkmark
28	Duke University: Fuqua	v	28	University of Cambridge: Judge	\checkmark
29	Warwick Business School	v	29	Edinburgh University Management School	
30	Cranfield School of Management	✓	30	Nyenrode Business Universiteit	\checkmark







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