

STRATEGY

# Closing the Gap Between Blue Ocean Strategy and Execution

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At the highest level, there are [three propositions](#) essential to the success of strategy: the value proposition, the profit proposition, and the people proposition. For any strategy to be successful and sustainable, an organization must develop an offering that attracts buyers; it must create a business model that enables the company to make money out of its offering; and it must motivate the people working for or with the company to execute the strategy. While good strategy content is based on a compelling value proposition for buyers with a robust profit proposition for the organization,

sustainable strategy execution is based largely on a motivating-people proposition. Motivating people requires more than overcoming organizational hurdles and winning people's trust with fair process. It also rests on aligned and fair incentives.

In this sense, the three strategy propositions provide an organizing framework to ensure an organization is taking a holistic approach to the formulation and execution of strategy. The three strategy propositions correspond to the traditional activity system of an organization. As the ultimate outputs of an organization's activities are value for the buyer and revenue for itself and its inputs are the costs to produce them and the people to deliver them, the three strategy propositions of buyer value, profit (revenue minus costs), and people capture the essence of what an organization's activity system does. Unlike marketing, manufacturing, human resources, and other functions, a good strategy should cover the entire activity system of an organization. A marketing department, for example, may focus on the value proposition and pay insufficient heed to the other two propositions. Similarly, a manufacturing department may neglect buyer needs or may treat people as a cost variable. This is why a sustainable blue ocean *strategy* requires a fully developed and consistent set of three propositions. If a strategy does not fully develop and align the three strategy propositions, short-lived success or failure typically results. This is a trap many companies fall into. Lacking a holistic understanding of strategy, it is easy for an organization to focus overridingly on one or two strategy propositions to the exclusion of the other(s). For example, think of an organization that zealously focuses on getting the value or profit proposition right, but pays little heed to getting the people proposition aligned. Corporate graveyards are filled with such examples. This is a classic case of execution failure. Likewise, good strategy execution via a motivating-people proposition with poor strategy content as reflected in the value or profit proposition is also a path to poor performance.

In some situations, there may be more than one group of stakeholders that a strategy proposition must address. For example, if successful strategy execution rests on the buy-in of only employees, there is only a need for one people proposition. But when a company needs the support of a supply chain partner, for example, it must also give the potential partner a compelling reason to back the strategy. In that case, a company would be required to have a distinct people proposition for both employees and the supply chain partner. Similarly, in a business-to-business environment, there might have to be two value propositions: one for the business customer and another for the business customer's customers.

Strategic alignment is the responsibility of an organization's top executives versus those in charge of marketing, manufacturing, human resources, or other functions. Executives with a strong functional bias typically cannot successfully fulfill this important role because they tend to focus on a part, not the whole, of the three strategy propositions, hence missing the alignment. A manufacturing department, for example, might neglect buyer needs or treat people as a cost variable. Similarly, a marketing department might focus on the value proposition and pay insufficient heed to the other two propositions. However, when the three disparate strategy propositions that cut across an organization are fully developed and aligned, a high-performing and sustainable strategy is achieved.

Creating a full set of consistent strategy propositions is, of course, essential, whether a firm follows blue ocean or red ocean strategy. Where the two approaches really diverge is how organizations achieve alignment around the strategy propositions. Under red ocean strategy, an organization's three strategy propositions need to be aligned with the distinctive choice of pursuing *either* differentiation *or* low cost within given industry conditions. Here, differentiation and low cost represent alternative strategic positions in an industry.

In contrast, under blue ocean strategy, an organization achieves high performance when all three strategy propositions pursue *both* differentiation *and* low cost. It is this alignment in support of differentiation *and* low cost that ensures a successful blue ocean strategy that has sustainability. While one or two strategy propositions can be imitated, imitating all three is difficult, especially the people proposition because it is embedded in human relationships that take time to cultivate. When external stakeholders are involved and important, getting the people proposition right takes even more time and effort for potential imitators, hence typically prolonging the aligned strategy's sustainability.

## **Achieving Blue Ocean Strategic Alignment**

To understand how an organization achieves alignment to produce a high-performing and sustainable blue ocean strategy, let's look at Comic Relief, a UK fund-raising charity. Founded in 1985, Comic Relief leapfrogged existing UK fund-raising charities and emerged as one of the most distinctive charities in the UK that also enjoys the lowest costs. In an overcrowded industry that suffered rising costs, declining demand, and a public confused by the sheer number of fund-raising charities, Comic Relief rapidly achieved 96 percent national brand awareness and has raised over £950 million by inspiring everyone from traditional wealthy donors to previous nondonors to give. What's more, while UK charities get, on average, only 45 percent of their funds from the public—the rest coming from government grants and corporations—Comic Relief has raised 100 percent of its donations directly from the public and has done so with no paid marketing or mail solicitations. Now, nearly thirty years on, there are still no credible imitators in the blue ocean it created. Let's see how it has achieved this sustained high performance through alignment.

In the case of Comic Relief, customers are donors whom it needs to attract with a compelling value proposition. Its profit proposition is about the business model it built to maximize its "profit," which for Comic Relief is its revenue surplus over costs that can ultimately flow to charities. And its people proposition is about the positive incentives and motivations put in place for its employees and network of volunteer fund-raisers, corporate partners, and celebrities.

Consider the differences between Comic Relief and other UK charities' value, profit, and people propositions. As we go through these, you will see that when the three strategy propositions are aligned around differentiation and low cost, key factors from one proposition often support and reinforce the other two propositions, creating a strong, positive cycle. For example, organizations can leverage a compelling value proposition to strengthen its profit and people propositions or build on a

powerful people proposition to create a strong value proposition, which in turn strengthens the profit proposition, which makes imitation that much more difficult. Here's how Comic Relief's value, profit, and people propositions work.

### **The Value Proposition**

Traditional fund-raising charities in the UK use sad or shocking images in their campaigns, stimulating negative feelings of guilt and pity to trigger donations. Their focus is on securing and recognizing large gifts mainly from high-income, educated, older donors through year-round campaigns and solicitations of funds.

Comic Relief, in contrast, has eliminated pity and guilt. It uses a breakthrough new fund-raising approach, Red Nose Day, a double-whammy combination of a national day of whacky, community "fun"draising when people volunteer to perform zany antics to raise money, and a star-studded comedy telethon, *Red Nose Night*. Forget pity. It's all about doing something funny for money to change the world.

With Comic Relief, donors don't need to write a big check. Taking part is cheap, easy, and fun. People can contribute by buying a little plastic red nose that costs a £1, is sold everywhere, and can't help but make you smile. Over 66 million have been purchased so far; everyone wears them. Or you can donate by sponsoring the silly antics of friends, family, neighbors, or colleagues, thereby giving money while having a great laugh. For example, friends and colleagues sponsored a London travel agent with a reputation as a chatterbox to stay silent for twenty-four hours; they collectively donated over £500 in sponsorship while having a blast watching the chatterbox struggle to stay silent.

Comic Relief's unique use of community fund-raising not only leverages people's fondness to have fun. It's also personal. It is not some unknown person asking for donations as at most other charities. Rather it's a friend, loved one, or colleague who you care about and want to support.

Unlike traditional charities, Comic Relief values and recognizes even the tiniest donation, for example, when *Red Nose Night* explains that the generous donation of one little girl, who gave "all her pocket money" of £1.90, will feed seven children in Africa. People know their every cent counts and makes a difference. This opens the door for even the poorest and youngest person to realize that even he can make a major contribution and become part of a greater cause of personally contributing to "changing the world."

While traditional charities solicit funds from a regular base of supporters year-round and every year, Comic Relief focuses on creating this unique experience once every two years to avoid boredom and nagging. Instead of feeling donor fatigue, as with other charities' continuous solicitations, people actually look forward to the excitement of the next Red Nose Day, which has nearly become a national holiday in the UK.

Lastly, Comic Relief donates 100 percent of all funds raised with its golden pound promise that it spends none of the funds on its own overhead or operating costs, as the average UK charity does. This transparency is reassuring to people who often wonder what percent of funds actually makes its way to charity. The result is a value proposition that not only is fun, exciting, and clear but also allows donors to make a huge difference with a small donation. In other words, it is differentiated and low cost, affordable to everyone from the very young to the very old and from low to high income.

### **The Profit Proposition**

How does Comic Relief raise such extraordinary sums and support its operations while maintaining the golden pound promise? It has done so by complementing its compelling value proposition with an unbeatable profit proposition that simultaneously achieves a low-cost structure while generating funds in a differentiated way.

Traditional charities use a variety of methods to raise funds from several sources such as writing grant proposals to governments, trusts, and foundations; holding fund-raising galas for wealthy influential people and corporations; directly soliciting via mail and telemarketing; and operating charity shops. Almost all these activities entail significant overhead costs in staff, management, and administration as well as the possible renting or purchase of facilities.

Comic Relief, by contrast, eliminated all of these. It doesn't plow time and money into expensive fund-raising galas, it doesn't write grants to solicit funds from governments and foundations, and it doesn't have charity shops. Instead it leverages existing high street retail outlets from supermarkets to fashion stores to sell its little red noses. And because Comic Relief makes grants to other charities, rather than introducing competing programs into an already crowded market, the costs of administering the funds it raises are cut dramatically. By some estimates, Comic Relief has stripped away more than 75 percent of traditional fund-raising operations.

Comic Relief can afford to keep costs low due to the unique way it raises money. What Comic Relief understood is that with community "fun"draising, it is no longer the charity pushing the donor to make a contribution, but the cause pulling the donor in. And with people volunteering to do the bulk of fund-raising by engaging in silly antics that others sponsor, Comic Relief's staff costs stay very low. Whereas traditional charities' use of community fund-raising is completely accidental and infrequent, through Red Nose Day, Comic Relief focuses on community fund-raising, making it the systematic, dominant channel through which to get contributions.

While traditional fund-raising charities tend to focus on wealthy older donors, Red Nose Day is all about targeting the mass and raising funds via lots of small increments. On Red Nose Day, ordinary people do extraordinary things and raise huge amounts of money, from a large number of small contributions.

What's more *Red Nose Night*—the star-studded comedy extravaganza that makes people laugh to raise money for charity—doesn't cost a penny. Everyone gives his or her services for free (the network, the studios, the stars). Unlike traditional charities that engage in costly marketing to stand out in the overcrowded industry, Comic Relief avoids large advertising costs, thanks to the widespread media attention and free word-of-mouth advertising that all the excitement of Red Nose Day generates.

To help Comic Relief realize its golden pound promise, corporate partners cover its operating costs in cash or in kind. The overall result is that Comic Relief has not only a compelling value proposition, but a differentiated, low-cost profit proposition.

### **The People Proposition**

At Comic Relief, all the people involved win, not just those they help. With a small number of motivated staff members who are inspired by its value proposition, Comic Relief's people proposition focuses on inspiring volunteer fund-raisers, corporate sponsors, and celebrities whose buy-in is needed to make the value and profit propositions sustainable.

Toward this end, Comic Relief begins by creating a legitimate platform, Red Nose Day, for everyone to go a bit mad and have an outrageous time volunteering in order to raise money. Next, Comic Relief makes participating easy: its website offers all sorts of zany ideas to fire up your imagination for funny antics and tips on how to get people you know to easily sponsor you. By taking part and becoming an actor in fund-raising, people earn the respect of friends, family, and colleagues, while feeling a sense of pride that they are visibly part of a group working to better the world.

By offering people the opportunity to be actively involved in raising money through silly antics, not only are people having fun, but they become part of a greater cause of personally contributing to bettering the world. With Comic Relief, volunteers are the actors in fund-raising and part of a large one-day event where everyone is doing his or her share to positively change the world while having a great time.

All of this is achieved while conserving volunteers' most valuable resource, time; participating in Comic Relief doesn't take a lot as you only have to do something silly every other year. In this way, Comic Relief creates a compelling, low-cost people proposition that inspires people across the nation to volunteer and fund-raise on behalf of Comic Relief. Contrast this with traditional charities where volunteering can be a drag and people often silently feel they are sacrificing to help out.

Comic Relief's low-cost and differentiated people proposition extends to corporations and celebrities as well. Only in this case, in addition to the benefits that ordinary citizens get for volunteering, sponsoring corporations and participating celebrities get tremendous free publicity across the UK. That's because Comic Relief's differentiated, low-cost value proposition triggers enormous free press, including over two hundred hours of TV time, hundreds of hours of radio coverage, and over ten thousand press articles. The result is that Comic Relief does not have to beg corporate sponsors or

celebrities to take part. Instead it has corporate sponsors and celebrities eager to volunteer to help it realize its golden pound promise of giving 100 percent of donations to great causes, creating a win all around. As the Comic Relief case illustrates, the aligned value, profit, and people propositions around differentiation and low cost create powerful, reinforcing synergies and a win-win for all.

To produce a high-performing and sustainable blue ocean strategy, you need to ask the following questions. Are your three strategy propositions aligned in pursuit of differentiation and low cost? Have you identified all the key stakeholders, including external ones on which the effective execution of your blue ocean strategy will depend? Have you developed compelling people propositions for each of these to ensure they are motivated and behind the execution of your new idea? Do you have a holistic understanding of strategy? Has your new strategy fully developed and aligned the three strategy propositions for sustained success? The continuing success of your company's strategy depends on it.

*This article is adapted from the Harvard Business Review Press book [Blue Ocean Strategy, Expanded Edition: How to Create Uncontested Market Space and Make the Competition Irrelevant](#) (2015).*

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