

CREATING AN EDUCATIONAL BLUE OCEAN: THE ADAPTATIONS FROM THEORY TO PRACTICE IN CREATING A BUSINESS SCHOOL IN MUMBAI

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ABSTRACT

Blue Ocean Strategy¹ ranks amongst the most defining work put out in Strategic Management. The applications are industry agnostic and have a far reaching impact. Researchers of blue ocean strategy are convinced that the only way to win the competition is stop trying to win the competition! Instead of entering into a bloody competition of the Red Ocean, enter the infinite market space of the Blue Ocean and try to create new demands. The application of this master work in the education industry is explained here with particular reference to the management education in the city of Mumbai. The authors have personally experienced the strategic development of this from the conceptual stage and have seen the application and refining of the concept in successfully establishing and growing a Business School. The strategy canvas using the ERRC Model¹ proposed by Blue Ocean Strategy exponents was used in designing the model of FABS - Fazlani Altius Business School. The strategy canvas is a central diagnostic tool and an action framework developed by W. Chan Kim and Renée Mauborgne for getting clear on the current state of play and making your blue ocean move. It graphically captures, in one simple picture, the current strategic landscape and the future prospects for an organization. The value curve or strategic profile is the basic component of the strategy canvas. It is a graphic depiction of a company's relative performance across its industry's factors of competition. Having established the said Business School, the authors believe that the immense potential in such a model needs to be explored and the size of the Blue Ocean can be increased manifold. FABS has now acquired an image of an institute that works in myriad different ways to improve the student across all facets and delivers value.

Keywords : Blue Ocean, FABS, Strategic Management, Business School

BLUE OCEANS DEFINED BY THE AUTHORS

Blue Oceans denote all the industries not in existence today – the unknown market space, untainted by competition. In blue oceans, demand is created rather than fought over. There is ample opportunity for growth that is both profitable and rapid. In blue oceans, competition is irrelevant because the rules of the game are waiting to be set. Blue Ocean is an analogy to describe the wider, deeper potential of market space that is not yet explored. Like the - blue ocean, it is vast, deep, powerful in terms of profitable growth and infinite.

To quote the authors:

“We studied more than one hundred fifty strategic moves made from 1880 to 2000 in more than thirty industries, and we closely examined the relevant business players in each of these events. Industries ranged from hotels, the cinema, retail, airlines, energy, computers, broadcasting, and

construction to automobiles and steel. We analyzed not only winning business players who created blue oceans but also their less successful competitors. Study shows that the strategic move, and not the company or the industry, is the right unit of analysis for explaining the creation of blue oceans and sustained high performance.”¹

CREATING AND NURTURING A BLUE OCEAN: LITERATURE REVIEW

Throughout history, competition had been the dominant strategy of different businesses with the companies trying to gain a greater share of the existing market. It should be noted, however, that the fierce competition causes an oversupply. Also, gaining a greater share of the market does not necessarily mean increased profits. Researchers of blue ocean strategy are convinced that the only way to win the competition is stop trying to win the competition! Instead of entering into a bloody competition of the Red Ocean, enter

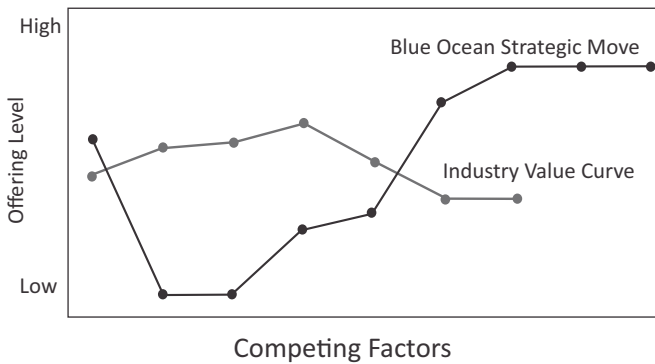
the infinite market space of the Blue Ocean and try to create new demands.

The creation of a blue ocean need not always be a thought or an idea out of this world. In fact, the very essence of the blue ocean strategy is to make the idea so simple that attracts the masses and thereby offers the basis for survival and growth. The simplest idea of shaving has seen a giant emerge from nowhere, as proven by Gillette.

THE STRATEGY CANVAS

The strategy canvas is a central diagnostic tool and an action framework developed by W. Chan Kim and Renée Mauborgne for getting clear on the current state of play and making your blue ocean move. It graphically captures, in one simple picture, the current strategic landscape and the future prospects for an organization.

THE STRATEGY CANVAS



Source: <https://www.blueoceanstrategy.com/tools/strategy-canvas/>

The strategy canvas serves two purposes:

- To capture the current state of play in the known market space, which allows users to clearly see the factors that the industry competes on and where the competition currently invests
- To propel users to action by reorienting their focus from competitors to alternatives and from customers to noncustomers of the industry

The horizontal axis on the strategy canvas captures the range of factors that an industry competes on and invests in, while the vertical axis captures the offering level that buyers receive across all of these key competing factors.

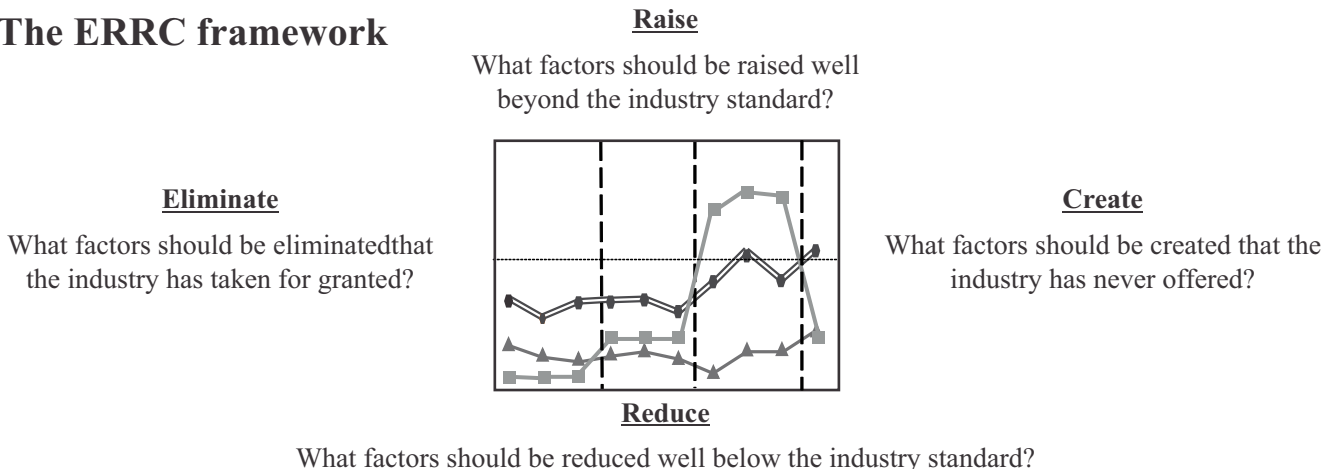
The value curve or strategic profile is the basic component of the strategy canvas. It is a graphic depiction of a company's relative performance across its industry's factors of competition.

THE ERRC FRAMEWORK

- Eliminate— what industry has taken for granted
- Reduce— what industry has taken as standard
- Raise— what industry takes as minimum deliverable
- Create— add something that industry has never seen before

The Four Actions Framework referred to as the ERRC framework developed by W. Chan Kim and Renée Mauborgne is used to reconstruct buyer value elements in crafting a new value curve or strategic profile. To break the trade-off between differentiation and low cost in creating a new value curve, the framework poses four key questions, shown in the diagram, to challenge an industry's strategic logic.

The ERRC framework



Source: <https://www.blueoceanstrategy.com/tools/errc-grid/>

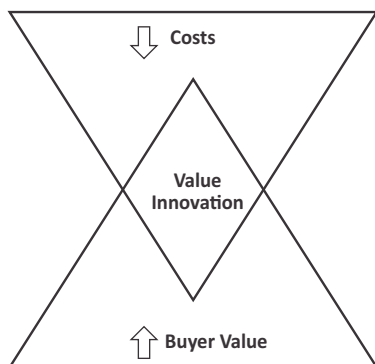
BREAKING THE VALUE – COST TRADEOFF

Creators of the blue ocean strategy believe that companies that are looking to create blue oceans, will be able to simultaneously follow both strategies: “cost reduction and differentiation” and therefore create “Value Innovation”.

VALUE INNOVATION

Cost savings are made by eliminating and reducing the factors an industry competes on. Buyer value is lifted 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. By offering unprecedented utility, Cirque du Soleil has created a blue ocean and has invented a new form of live entertainment, one that is markedly different from both traditional circus and theater. At the same time, by eliminating many of the most costly elements of the circus, it has dramatically reduced its cost structure, achieving both differentiation and low cost. Le Cirque strategically priced its tickets against those of the theater, lifting the price point of the circus industry by several multiples while still pricing its productions to capture the mass of adult customers, who were used to theater prices. As shown in figure below, the creation of blue oceans is about driving costs down while simultaneously driving value up for buyers. This is how a leap in value for both the company and its buyers is achieved. Because buyer value comes from the utility and price that the company offers to buyers and because the value to the company is generated from price and its cost structure, value innovation is achieved only when the whole system of the company's utility, price, and cost activities is properly aligned. It is this whole-system approach that makes the creation of blue oceans a sustainable strategy. Blue ocean strategy integrates the range of a firm's functional and operational activities.

Value Innovation



The Simultaneous Pursuit of Differentiation and Low Cost

Source: <https://www.blueoceanstrategy.com/tools/value-innovation/>

These two put together created the Blue Ocean resulting in highly profitable growth!

INCREASING THE SIZE OF THE BLUE OCEAN

The company now sets on to the growth pursuit once the Blue Ocean has been created and proven successful. An example of this is Gillette, which first created the Blue Ocean of disposable blades for shaving and then went in pursuit of growth with the launch of 'women only' razor – the Milady Décolleté!

FURTHER INCREASING THE SIZE OF THE BLUE OCEAN

True to the spirit of being unfathomable depth, the Blue Ocean has an unmatched potential, waiting to be explored. The example of Gillette again is apt. The World War 1 saw the use of the gas mask, which could fit the face if the soldier had shaved, making shaving imperative! Gillette partnered with the US army, selling 3.5 million razors and 32 million blades! These soldiers returned home triumphant and were hailed as heroes. Suddenly everyone wanted to emulate their clean shaven look! It thus became fashionable to be clean shaven.

Blue ocean strategy is a mix of concepts, theories and tools leading companies to think out of the box, move away from competition by creating a new market space where the company will fix the entire context, rules and where the competition will be irrelevant. Company will now be focus on the value of the customer rather than on the value of competitors. Value innovation is the key concept in blue ocean strategy, it provides the strategy framework. (Guillaume NICOLAS, The evolution of strategic thinking and practices: Blue Ocean Strategy, Linneaus University, 2011)

CREATING AND NURTURING A BLUE OCEAN : THE FAZLANI ALTIUS BUSINESS SCHOOL

Education in Indian economy has played a critical role over the years and the larger Indian population sees education as the fastest way of securing careers. While multiple education options exist, the demand for management education grew exponentially after opening of the Indian economy in early 1990's. However in the last half a decade, between 2012-2015 alone, 300 such management schools had to shut down. According to All India Council for technical education India had 3541 institutes offering management program in the year 2011-12 which has come down to 3217 by end 2015. A little deep dive on the key causes of this decline can be

attributed to: corporates viewing the mediocrity of the quality of education in the lower rung institutes, lack of academic – industry interface, lack of Practical exposure inbuilt into the existing curriculum design, access to worthy faculty, ever increasing fees of premier institutes, stakeholder involvement in curriculum design.

THE KEY COMPETING FACTORS

Consumers view Placements as a primary reason to choose a management school, while quality of faculty, Infrastructure, practical exposure act as additional reasons for a quality school.

While the major players do deliver on all these aspects well, and as such remain in ever demand; a larger portion of schools are unable to get close to these aspects and thereby management education is losing the sheen it had once created.

CUSTOMERS

- Graduates passing out, looking to enhance their prospects in the employment market.
- Early professionals with couple of years of experience but without formal PG Education.

THREE TIERS OF NON-CUSTOMERS

- **Financially unviable:** Significant lower middle class, with apparently no resources to invest in compelling education option that fits the bill
- **Non- impressed with others :** Due to the high rate of non-placements and concurrent negative feedback, larger set of students do not wish to take this route

Family businesses : Due to ongoing family business and need to join the family business, discourages this set of population

Driving factors that are keeping people away from management programs:

1. Low perceived ROI
2. Employer confidence
3. Employment readiness
4. Alternate career options
5. De-branding of Management education

FABS looked at this scenario in great detail and went to the drawing board trying to come up with something that addressed all these issues. Thereby embarking on creation of the Blue Ocean.

THE ERRC FRAMEWORK FOR FABS

Eliminate – what employers have taken for granted – absence of employment readiness

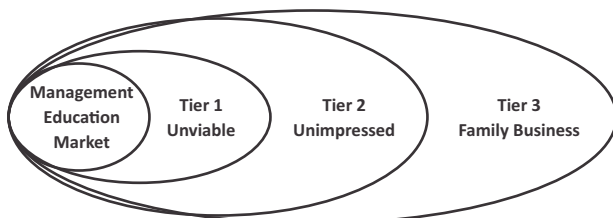
Reduce – what students have taken as standard –cost associated with Management education

Raise – what industry takes as minimum deliverable – a customized curriculum and involvement of all stake holders

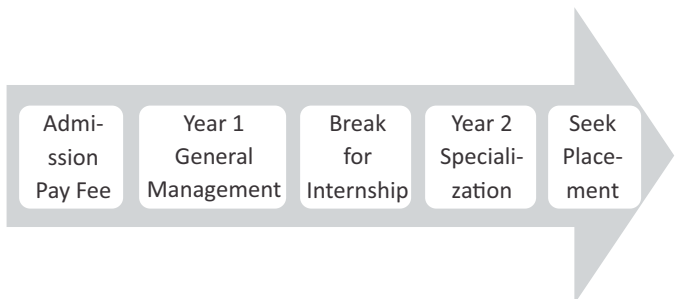
Create – add something that industry has never seen before – an intensive inbuilt practical program delivered by real time practitioners and stakeholders.

FABS'S STRATEGIC MOVE

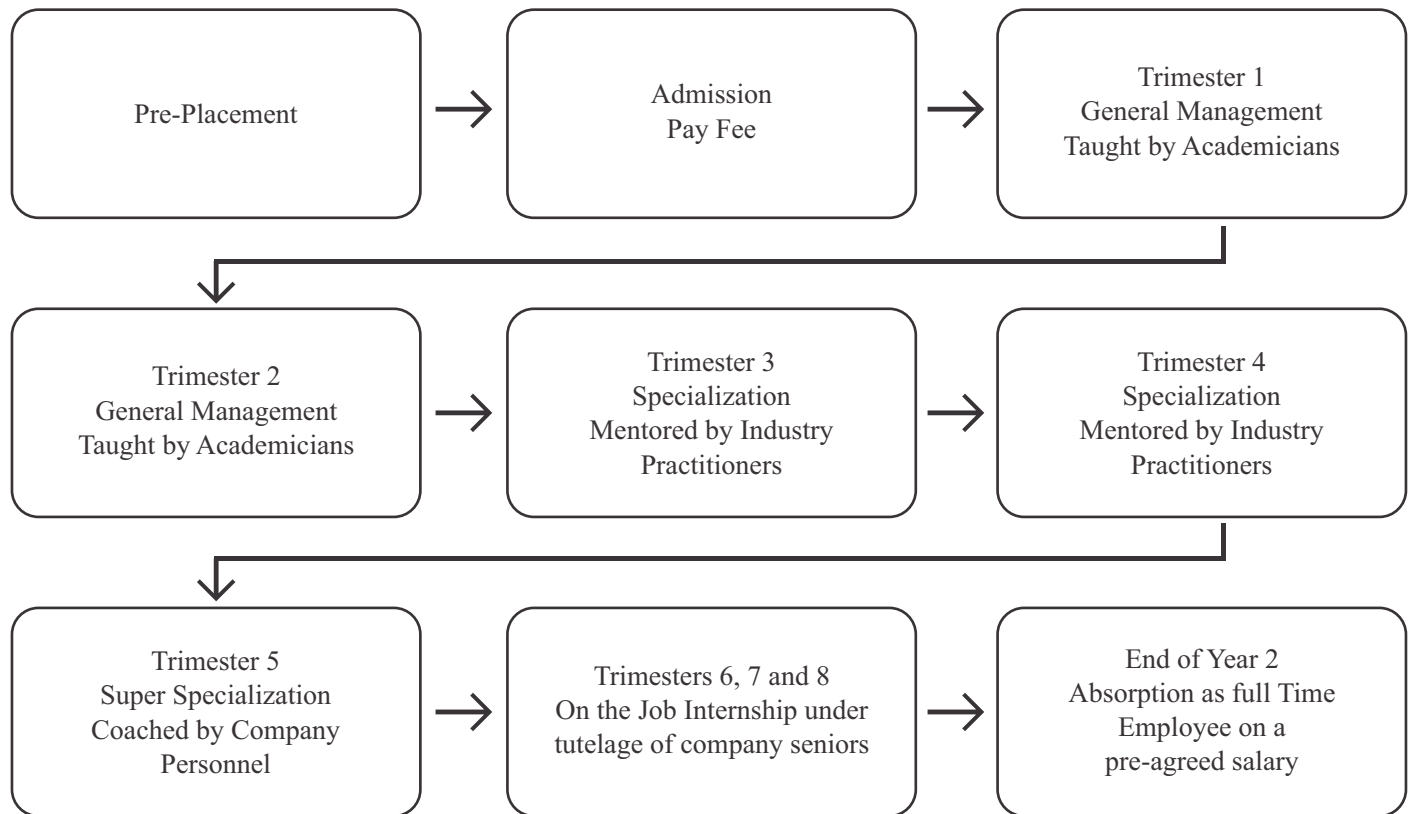
FABS created an entirely new model for the industry by introducing the concept of the Reverse Management education. This concept has been gaining ground through the past four years with the buy-in from both the industry as well as the student community. This also ensured a continuous flow of income through repeat requirements from the companies.



Conventional Model of Management Education in India



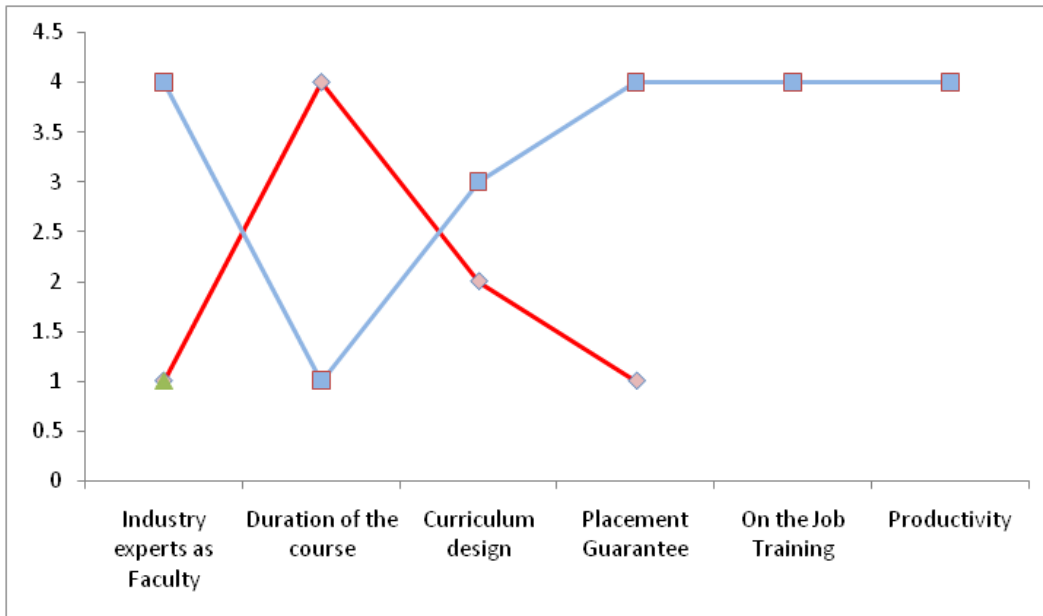
FABS Model Explained



Moving away from convention

From	To
High rate of unplaced students	Every student with a preplacement Letter of intent
Low corporate – academia interface	Customized curriculum by stake holders
Untrained fresh graduates	Company trained prospective resources
Limited practical exposure	Extensive on the Job internship
Regular faculty members	Academicians, Practitioners, as participating company itself as faculty
Unproductive resources for first 6 months of joining	Day 1 productive resources
Expensive course from good institute	Affordable program

The Strategy Canvas for FABS



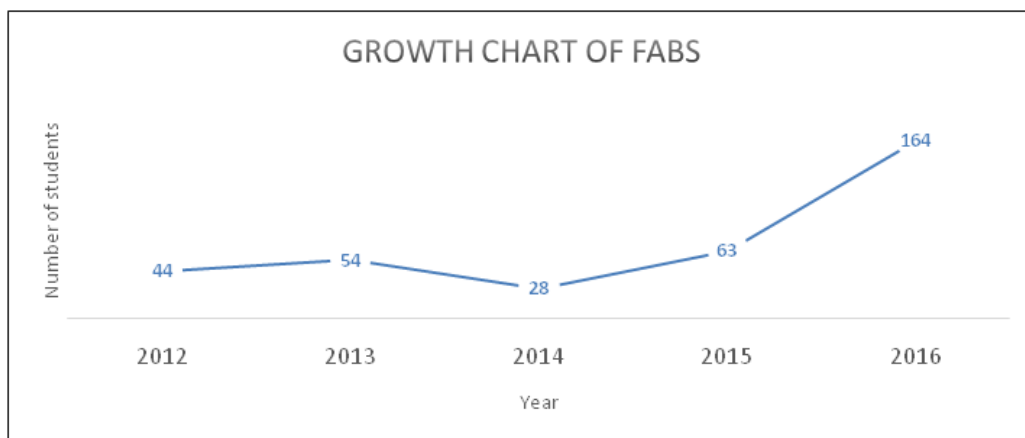
BREAKING THE VALUE-COST TRADE OFF

- **PAY ONLY IF YOU GET A JOB** - FABS created an economic model where students could see a meaningful ROI vis a vis peer institutes
- **Digitization** – e-books, Smart classes, video conference lectures, e learning helped additionally to regulate costs
- **Partnering with best to deliver best** – FABS partnered with companies like Dun & Bradstreet to deliver content related to finance

These cost savings resulted in a successful low cost strategy

VALUE DELIVERY

In 2015, a strategic decision was taken to scout for clients who will help move the average pay packet upwards, consequently enabling FABS to charge a premium and thus creating an image of a premier B-school that delivers! Results were immediately noticeable as the numbers moved up, both in terms of the pay packet as well as the intake. FABS has now acquired an image of an institute that works in myriad different ways to improve the student across all facets and delivers value!



INCREASING THE SIZE OF THE BLUE OCEAN

After embarking on a placement first model in management programs, FABS extended the value proposition in short term 6 month programs, with the same philosophy of placement first. Students would get high value jobs before they enter the institute and then the entire content will be delivered as per the design of the company that had selected the students and faculty will be aligned from Academics, practitioners and resources of the participating company itself

FURTHER INCREASING THE SIZE OF THE BLUE OCEAN

Looking at the outcome of the above two programs and a need for social / sustained development – FABS partnered with a leading media house Zee Media and created a short term 10 day program with same placement first model, to cater to greater masses. As we write this case, the output of this new activity that was started in Early 2017 is still not understood, and shall be treated for the sake of this case only as PROPOSED.

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