

NEW APPROACHES IN MEASURING AND ASSESSING VIABILITY OF BLUE OCEAN STRATEGY IN B2B SECTOR

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Abstract

Many case studies of Blue Ocean Strategies (BOS) implementation focus on B2C than B2B sector. The aim of this research is confirm the hypothesis that BOS is viable in the B2B sectors. The objects of research are two business entities: world's leading suppliers of construction chemicals and manufacturer of purification equipment. Unit of analysis is a Strategic Move. Type of research is descriptive, co-relational and non-contrived. Data collection methods: interviews and questionnaire.

Authors posed first research question is BOS a suitable within construction chemicals and purification equipment manufacturers' industries? Second research question was about how to evaluate acceptability of new strategic choice on BOS? Authors adopted a range of analytical models to test acceptability of new Strategy Canvas. Third research question was what type of innovation Blue Ocean Strategy underpins in B2B business: technologies push or markets pull? Research has confirmed that BOS can be viably applied in B2B sectors; modern studies suggest application of integrated models – combination of technology-push with markets-pull for value innovation creation in B2B sector. Future research will be connected with feasibility of BOS in B2B sector.

Key words: *B2B sector; Suitability, Acceptability and Feasibility of Strategic Option; Strategic Canvas; Utility Map; Blue Ocean Strategy Idea Index; Value Innovation.*

Scientific research areas: *Strategic Management; Strategy in Practice*

Introduction

Many success stories about Blue Ocean Strategies implementation focus much more on B2C (Cirque du Soleil; Body Shop; Callaway Golf) than B2B sectors, although most sales and marketing personnel is in the **B2B sector**. Blue Ocean Strategy concept also recommends using a range of analytical techniques to evaluate commercial viability of strategic option however there are no or very few examples how to apply it in practice.

The aim of this research is confirm the hypothesis that Blue Ocean Strategy is commercially viable in the B2B sectors as well as to use in practice most helpful analytical technique to evaluate a *suitability, acceptability and feasibility* (Johnson, 1999) of Blue Ocean Strategy.

The objects of this research are two real business entities from two different countries operating in two different fields in terms of technologies, industry life cycles and the natures of innovations, those companies working in production and distribution of construction chemicals (Switzerland) and in production and distribution of industrial purification equipments (Russia). As concerns **the basic unit of analysis**, the current research mainly concentrates on Strategic Move. *Strategic move* is the set of managerial action and decision involved in making a major market-creating business offering (Kim, Mauborgne).

The type of research is classified as descriptive (provides a description of organizational capabilities that need to be developed for successful implementation of blue ocean strategy within B2B sector), co-relational (identify multiple factors that influence value innovation creation in B2B sector), with minimal interference of researchers, non-contrived (conducted in the natural environment where organization's work proceeds normally). The time horizon of study is cross-sectional – data collections are done just once over short period of time (up to several months).

Data collection methods: interviews, questionnaire, and observation.

Description of research

The objects of this research were two real business entities from two different countries operating in two different fields. First company SIKA AG (Switzerland) is one of the world's

leading suppliers of construction chemicals presented globally in more than 70 countries. Second company ALEXANDRA PLUS LLC (Russia) is the B2B provider of new innovative purification technologies in industrial sector. The companies have been chosen taking in consideration different industries development stages: SIKA AG runs the business many years in mature construction chemicals industry and ALEXANDRA PLUS LLC represents business in emergent industry of innovative industrial purification technologies. Accordingly, **three research questions have been elaborated.** Having provided the hypothesis authors posed **first research question** is Blue Ocean Strategy is suitable within B2B sectors like construction chemicals and industrial purification equipment sectors? Suitability is concerned with whether a strategy addresses the key issues that have been identified in understanding the strategic position of the organisation. Broad literature review helped authors to analyze a range of classical models and techniques to test a suitability of strategic choices, however many of them are based on the concepts of Red Ocean Strategy. Authors have decided to apply the *Competitive Profile Matrix, Strategic Gaps Model, PMP Map, Four Actions Framework* and the *Strategy Canvas* to visualize a suitability of *Value Innovation* creation for two very different industries. Accordingly, **second research question** was appeared: what about the most helpful analytical technique to evaluate *an acceptability and feasibility* of Blue Ocean Strategy? Acceptability is concerned with the expected performance outcomes of a strategy. Feasibility is concerned with whether an organisation has the resources and competences to deliver a strategy. Authors adopted a set of models of Blue Ocean Strategy like *Buyer Utility Map* and *Blue Ocean Strategy Idea Index* to test acceptability and feasibility of new strategic canvas for two business entities. **Third research question** was formulated as follows: what type of innovation underpins Blue Ocean Strategy in B2B business: technologies push or markets pull? Investigation stage has included: firstly, the literature reviewed on commercial viability of strategic choices in Red and Blue Ocean strategy; secondly, the interviews and questionnaires are used in order to obtain information from the companies management, companies customers and non-customers; thirdly, the direct observations of the work environment and industry specifics are made; fourthly, the secondary data, such as statistics, publications and internal company reports are examined and finally, the data is analyzed and interpreted, on the basis of which the research question are answered.

Data analysis and interpretation

There are three key success criteria in strategic management which can be used to assess the viability of strategic option: *suitability, acceptability and feasibility*. (Johnson, Scholes, and Whittington, 2005). Suitability is concerned with whether a strategy addresses the key issues relating to the strategic position of the organisation. It is therefore concerned with the overall rational of strategy. This concept and frameworks are useful for screening choices (often qualitative) as are shown in Table 1.

Table 1: Suitability of strategic options in relation to strategic position (Johnson, Scholes, and Whittington, 2005).

Concept	Helps with understanding	Suitable strategies must addresses (example)
PESTEL	Key environment drivers Changes in industry structure	Major environment changes Industry cycles
Scenarios	Extent of uncertainty/risk Extent to which strategic options are mutually exclusive	Need for contingency plans or ‘low-cost’ probe
5-forces	Competitive forces Industry attractiveness	Reducing competitive intensity Developing barriers to new entrants

Strategic Groups	Attractiveness of groups Mobility barriers Strategic spaces	Need to reposition to a more attractive group or to an available strategic space
Core Competence	Industry threshold standards Basis of competitive advantage	Eliminating weaknesses Exploiting strengths
Value chain	Opportunities for vertical integration or outsourcing	Extent of vertical integration or possible outsourcing
Stakeholders	Power and interest of stakeholders	Which strategic options are likely to address the interest of which stakeholders
Cultural web	The link between organizational culture and the current strategy	The strategic options most alienated with the prevailing culture

There are number of tools that can be used to assess the suitability of strategic choice as well. These include: ranking as method of identifying strategic options, decision trees where options are “eliminated” and preferred options emerge and scenarios. However many of above mentioned concept are based on the concepts of Red Ocean Strategy (Kim, Mauborgne, 2005), they will not be able to test suitability of creation Blue Ocean Strategy and can not be applied in current research.

For answering first research question the object of research has been taken Switzerland Company “SIKA” operating in construction chemical industry.

Company name: “SIKA AG”, world’s leading suppliers of construction chemicals

Status of the company: Joint Stock Company

Date of registration 1910

Target markets: Presented globally in more than 70 countries

Target industries: Construction industry

Annual turnover: 4624.5 million CHR (2008)

Number of employees: 12900

Industry development stage: maturity stage

Company Profile: Construction chemicals

Construction chemicals are broad array of chemicals used in construction industry to reduce costs and/or to achieve necessary quality characteristics of final product (water resistant concrete, for instance). In current research the main focus is on the *chemicals used for concrete and cement production*. Having answered on first research question the study aim was to obtain information relevant to the group of people working within construction chemicals business and located in Scandinavian and Baltic countries. Judgments sampling involves the choice of individuals who are in the best position to provide the information required and represent a rich data source (Sekaran, 2010). In order to identify critical success factors **three top managers** having decade’s long experience within construction chemicals were asked during the phone interview from. The interviewees were offered to list factors they think are most important to be successful within construction chemicals industry in the form of *unstructured brainstorming* when the ideas are given as they come to mind (Brassard et al., 2002).

What do you think the most critical success factors within construction chemicals industry are? Please name 10-15 factors that come to your mind.

1. What additional offerings can be created for the customers that are still missing in construction chemicals industry?
2. Are there any *alternatives* available in other industries that company may start offering instead and thus make customers trade across alternatives?
3. Are there other *strategic groups* within construction chemicals industry that can be attracted by existing offerings?

4. Are there any overlooked groups of potential customers in *the chain of buyers* (user, influencer, purchaser)?
5. Is there a need for *complementary products and services* that is still not satisfied?
6. Is there a possibility to change *functional appeal* of construction chemicals industry into *emotional* one?
7. Are there stable and irreversible trend that can significantly change the business?
8. What *non-customers* can be attracted by construction chemicals industry offerings?

All the given ideas were grouped by identity as sometimes they meant the same with different wording. The final list generated served as the basic list of critical success factors for designing of questionnaire. Then, altogether *twelve individuals* were chosen as respondents who are directly involved with construction chemicals business and technologies, are highly experienced within the field of study (in some cases decades long), and represent the countries under investigation. In addition, these experts were readily available by phone and e-mail as are personally known by one of researcher which minimized access concerns that usually accompany judgment sampling approach. To determine the importance weight of each critical success factor, first, **all twelve respondents** were offered, in questionnaire to simply choose value from 1 to 5 (1 – low importance in the industry and 5 – high importance) in dropdown list in appropriate cell of excel spreadsheet. **Only nine of twelve** respondents (75 %) exercised it and sent the results back to the researcher. Afterwards, the absolute value chosen for each factor has been divided by total sum of absolute values of all factors in the list, giving the weight of certain factor from one respondent. The average weight of certain factor was then calculated from all responses. In addition, the results obtained from questionnaire have been used in practicing *Four Actions Framework* for SIKA AG and contribute to the suitability assessment of blue ocean strategy within construction chemicals business. Critical Success Factors and their importance weight has been summarised in Table 2.

Table 2: Critical Success Factors and their weight (9 respondents)

Critical success factor	Importance weight
· Advanced technology	0.085 (max)
· Quality	0.083
· Price	0.079
· Ease of use of product	0.078
· Geographic presence	0.075
· Fast delivery	0.074
· Tailor made solutions	0.073
· Skilled sales force	0.065
· Back-integration	0.056
· Commodity products	0.057
· Complete solutions	0.080
· Technical support	0.080
· Training of customers	0.060
· Complementary products	0.055 (min)
Total	1

Further, identification of competition offering level in the market (i.e. critical success factors competitors are investing in) was made by means of questionnaire, where the respondent were able to choose the offering level of critical success factors in construction chemicals industry for SIKA and two main competitors in the comparative scale from 1 to 5

(1 means low, 5 means high offering level). The questionnaire served in assessing SIKA's and competitors' offering level of the most important CSFs which have been identified on previous stage. Each respondent was asked to estimate each factor for SIKA and two main competitors. **Only ten out of twelve respondents** (83 %) filled in the questionnaire and delivered the answers to the researchers. **All ten** mentioned **BASF** as competitor number one, **six respondents** stated Mapei as competitor number two and **three** assessed the offering level of Rescon. All the answers were averaged and the results are presented in Table 3 using the framework of Competitive Profile Matrix. Most of the factors for SIKA showed higher score than of competitors (in the region under investigation – Scandinavian and Baltic countries), and resulted in the highest total score in competitive profile. On the other hand, the highest score is probably obtained due to answers received only from SIKA AG employees. If the questionnaire was filled in by representatives of competition and customers then the total scores would probably slightly change and represent less subjective results. However, according to the researchers' observations, the results obtained reveal comparatively real picture of the competitive profiles in the geographical area under study.

Table3: Competitive Profile Matrix of SIKA (10 respondents)

Critical success factors	Weight	SIKA		BASF		Mapei		Rescon	
		Rating	Score	Rating	Score	Rating	Score	Rating	Score
Price	0.079	3.7	0.291	4.1	0.323	4	0.315	4	0.315
Quality	0.083	4.1	0.34	3.8	0.316	3.3	0.274	2.7	0.224
Technical support	0.08	4.3	0.344	3.3	0.264	2.7	0.216	1.3	0.104
Training of customers	0.06	3.6	0.214	2.6	0.155	3.2	0.191	2.3	0.137
Skilled sales force	0.065	4.3	0.279	3.6	0.233	3.3	0.214	2.7	0.175
Advanced technology	0.085	4	0.34	3.7	0.315	3.3	0.281	2.7	0.23
Tailor made solutions	0.073	4.1	0.301	3.1	0.227	3.5	0.257	3	0.22
Ease of use of product	0.078	3.7	0.287	3.5	0.272	3.5	0.272	3	0.233
Complementary products	0.055	3.4	0.188	3.1	0.171	3.5	0.194	3	0.166
Complete solutions	0.08	3.9	0.312	3.7	0.296	3.3	0.264	3	0.24
Fast delivery	0.074	4.2	0.309	3.6	0.265	4	0.295	3.5	0.258
Commodity products	0.057	3	0.172	3.2	0.183	3.3	0.189	2.7	0.154
Geographic presence	0.075	4	0.301	4	0.301	3	0.226	1	0.075
Back-integration	0.056	3	0.169	5	0.282	4	0.226	3	0.169
Total	1		3.848		3.603		3.411		2.7

Based on the results of CPM the *Strategy Canvas* of SIKA and competitors offerings in construction chemicals industry was built and depicted in Figure 1. Again, from Figure 1 it is seen that SIKA's value curve is slightly above the competitors that means higher investments in almost all CSFs. The value curves of main players in the industry (Rescon is not taken much into account as it is mainly local player operating in Sweden) stand very close to each other – no significant divergence. Comparatively big difference, however, can be noticed in factors such as *technical support*, *training of customers*, *skilled sales force*, *tailor made solutions* and *back-integration*. Anyway, it was clear that changes in the value curve of SIKA should be done in order to increase profitability, diverge more from the competition and thus achieve a leap in value for customers and the company. The most important CSFs in construction chemicals industry are *advanced technology*, *quality*, *technical support*, *complete solutions*, *price* and *ease of use of product*. SIKA AG should either increase or keep these factors at the same level. The least important CSFs are *complementary products*, *commodity products* and *back-integration*. These factors can be reduced or even eliminated. It's been concluded that certain actions have to be undertaken by SIKA to change its value curve in

order to increase profitability, diverge more from the competition and thus achieve a leap in value for customers and the company. Blue oceans are *strategic gaps* in the market, opportunities that are not being fully exploited by competitors (Johnson, 2008). To break out of red oceans and to open up blue oceans (*strategic gap*), companies need to look across *alternative* industries, across *strategic groups*, across *buyer groups*, across *complementary product* and service offerings, across the *functional-emotional orientation* of an industry. This gives companies keen insight into how to reconstruct market realities. That why the interviewees were asked whether there are any *alternatives* available in other industries that company may start offering instead and thus make customers trade across alternatives. There have been several ideas expressed by managers. The affordable alternative here is the use of grinding aids (chemicals in liquid form) that improve the grindability of clinker during cement production. SIKA actually entered this market recently with its products that are used as concrete plasticizers in construction industry (SIKA, 2009b). The ideas of providing similar *alternatives* for grinding of coal, iron ore, sand, and blast furnace slag have been pronounced as well. Another good example of *alternative* is the use of color pigments in production of concrete elements instead of painting ordinary concrete surfaces. SIKA already offers its customers different pigments but they are from third party producers and are based mainly on iron oxides (SIKA, 2009b). The idea was to start elaborating new type of pigments based on organic or semi-organic chemical composition which would provide brighter and more diverse colors, and in liquid form to ease the dosing (most of pigments used nowadays are in powders which creates difficulties in precise dosing). So, it looks like all possible *strategic groups* are covered and none of the respondents came up with new ideas. By responding on the question whether there are any overlooked *strategic groups* that can be attracted by the company's offerings all the respondents concluded that SIKA actually covered all possible groups. During the discussion with interviewees about what type of customers in *the chain of buyers* the company is actually focusing on it's been concluded that the main focus is on *purchasers*, partially *users*, and *influencers* are mainly overlooked. The only *users* that are within the scope of company's attention are contractors that are using SIKA's products on construction sites and objects. Private persons who buy the products from distribution chains are overlooked. Many of them are not aware of SIKA brand at all. *Influencers* comprising architects and designers are a very important group in *the chain of buyers* as they can significantly influence buying decisions of *users* and *purchasers* in construction business.

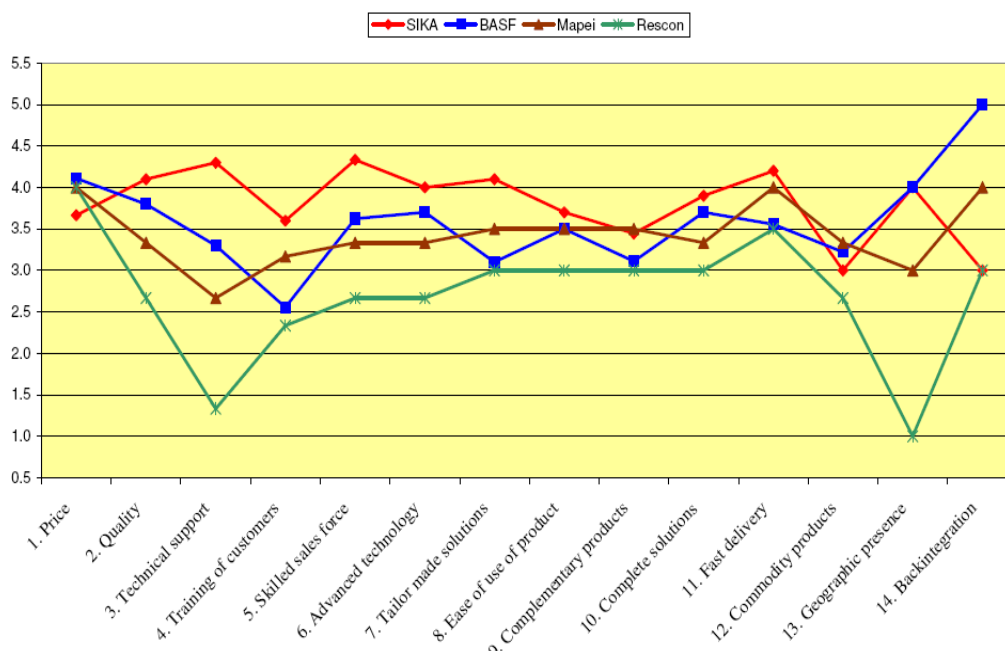


Figure 1: Strategy Canvas of SIKA and competitors.

All interviewees agreed that special training and workshops should be provided for this group as they have to be especially aware of the company's products properties and uses. When looking for on about the need of *complementary products and services* it's been explained to the respondents that the key here is to define total solutions that customers seek by looking at what happens before, during and after the product or service is used. Some ideas expressed were related to SIKAs current experience in providing to customers total solutions such as additional equipment for shotcrete technology (sprayed concrete used in tunnelling and mining construction stabilization) and small tools that are sold along with repairing pastes and sealing components to ease their use. Another idea was about supplying grinding aids to cement producers together with dosing systems and storage tanks. All these approaches are actually implemented by main competitors too, and it seems to be more like head-to-head competition rather than blue ocean creation. This question probably needs more thoughtful investigation to be carried out in order to find truly blue ocean ideas. It's been very hard for respondent to provide ideas on whether *functional appeal* of construction chemicals business can be changed into *emotional* one. Some thoughts, however, about the importance of creating and maintaining friendly relationships with customers, which pertains more emotional attributes, have been stated.

During the assessment of CSFs' importance within construction chemicals market the following factors have been weighted as *the least important* (see Table 1): *complementary products, commodity products, back-integration* and *training of customers*. *Advanced technology, quality, technical support, complete solutions, price* and *ease of use of product* are among *highly rated factors*. The rest (*skilled sales force, tailor made solutions, fast delivery* and *geographic presence*) are somewhere in the *middle*. To reconstruct buyer value elements in crafting a new value curve, researchers have developed the four actions framework as shown in Figure 2. *Complementary products* provided by respondent are more imitations of competitors' moves and thus can be reduced to the minimum to lower the costs. *Commodity products* are still cash generators and cannot be eliminated until *pioneers* become profitable. Anyway sooner or later SIKAs should give up on *commodities* completely. *Tailor made solutions* have middle importance weight and also stand comparatively high in the value curve. This factor is more about *differentiation* and *focus* strategies that are mainly pursued in competitive red oceans. Blue ocean strategy on contrary looks for commonalities. Therefore, it makes sense to significantly reduce it in order to cut costs. *Price* is of high importance within construction chemicals industry, and has reversed influence (the higher the price the less attractive is the offering). It can be slightly reduced due to the cost reduction moves discussed above to make the offering even more attractive.

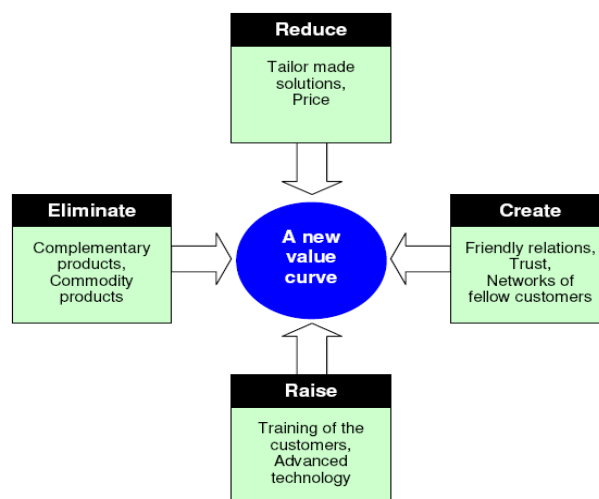


Figure 2: Four action framework of SIKAs new value curve.

Training of the customers should be even raised in spite of low importance weight as it's been concluded that some of customers in *the chain of buyers* have been overlooked. *Advanced technology* is the most important CSF according to the rating and is directly related with the capabilities of the company to innovate. Idea of *trust* was building from customers towards company's offerings. This is achieved not only with factors like consistent *quality* and *skilled sales force* that can provide fast and professional *technical support*, but also with honest and ethical attitude which should be greatly advertised and respected within the company. An interesting idea about creation of *networks of fellow customers* has been provided by one of the respondents. There are certain business relations between, for instance, cement and concrete producers, concrete producers and contractors. All these businesses are SIKA's customers and by building some kind of mutually beneficial associations or networks may raise the loyalty of those and prevent from competition penetration. All the points described above about elimination, reduction, raising and creation of company's offerings in the market are depicted in Figure 2. Also the new value curve for SIKA has been built based on that information and is presented in Figure 3 along with the main competition averaged value curve. Effective blue ocean strategy has to have three complementary qualities: focus, divergence, and a compelling tagline. Without these qualities, a company's strategy will likely be muddled, undifferentiated, and hard to communicate with a high cost structure (Kim; Mauborne 2005). Now a clear *divergence* from competition and *focus* on certain factors can be observed on the new *Strategy Canvas* of SIKA AG.

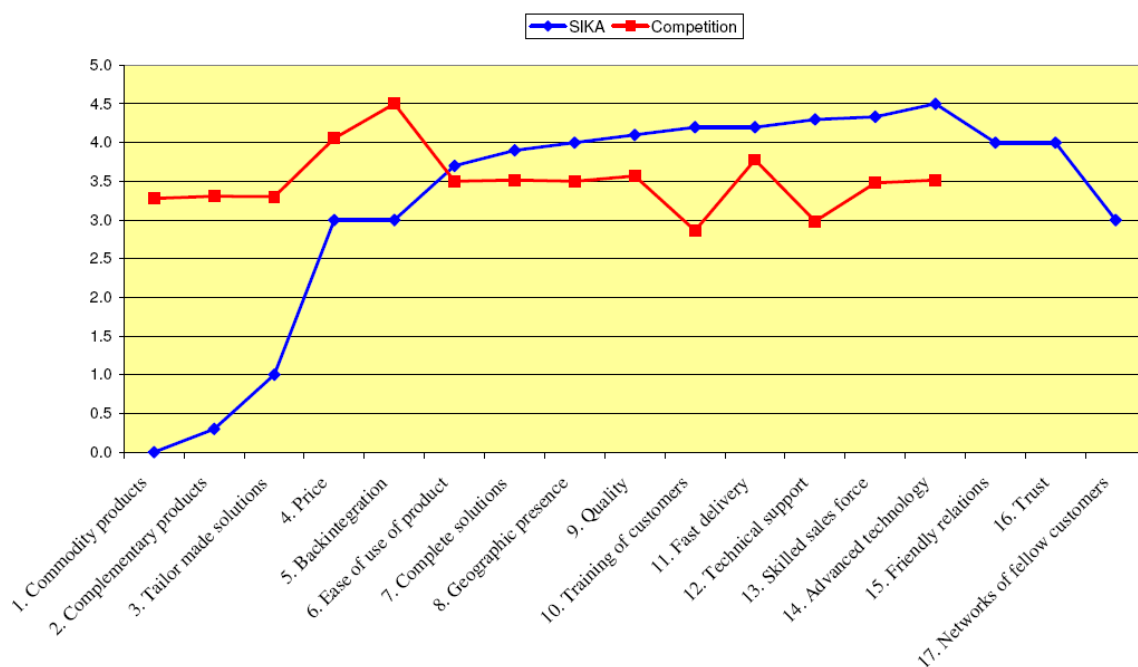


Figure 3: New strategic Canvas of SIKA versus competition

The compelling tagline of new strategy can be pronounced as follows: “*More innovation to our customers with friendly and honest attitude!*” Based on these three attributes in can be concluded that initial litmus test of commercial viability in terms of *suitability* of presented blue ocean ideas is passed. Thus, it can be concluded that blue ocean ideas are suitable within construction chemicals industry, but of course more detailed investigation of each criteria is still necessary. Finally, for visualizing the strategic path of SIKA the *Pioneer-Migrator-Settler map* was built and depicted in Figure 4. The balance of tomorrow's portfolio is shifted towards *pioneers* that are mainly represented by new demand creation ideas discussed before. The visualization of SIKA's further strategic moves by means of *PMS map* showed a clear shift of businesses portfolio towards *pioneers*. The strategic move is related with *European Union CO2 emissions reduction incentives* that impacts energy-intensive

industry like cement production (Cembureau, 2009). Reductions of CO2 below limits are tradable and cement manufacturers can reduce CO2 emissions and thus gain additional financial benefits from using grinding aids that allow higher replacement of clinker with cementitious materials (blast furnace slag, pozzolana, limestone, fly ash) in cement. In addition, cementitious materials such as slag and fly ash are wastes from other industries that should be recycled (Cembureau, 2009). That's why the *idea of focusing on elaboration of grinding aids that give more clinker replacement capabilities has been provided. Asphalt manufacturers* were put into the third tier of *non-customers* as they never considered using products from construction chemicals industry. According to the information received from one of the interviewees R&D of SIKA has successfully tested some of the polymers to reduce the temperatures of mixing, laydown and compaction of asphalt. Technology patenting process is already on the way and new products for asphalt industry will soon be released. Recent publication (Chang, 2009) support the idea of keeping workability of asphalt mixes at lower temperatures by introducing chemical additives. *The benefits are lower cost due to lower energy consumption and lower CO2 and other greenhouse gases emissions.*

	Today	Tomorrow
Pioneer Value Innovation	Grinding aids for cement, Chemicals for gypsum board	Grinding aids for coal, sand, limestone, ores and other milling processes, Cement quality improvers, Asphalt additives, Biodegradable lubricants
Migrator Value Improvements	Complete solutions, Tailor made solutions	Own colour pigments on a new chemical base, Complete solutions
Settler Value Imitation	Complementary products, Commodity products, Third party colour pigments	

Figure 4: PMS map of SIKA's today and future businesses

The difference between the current and the desired industry performance level in terms of its Critical Success Factors was representing the direction of the Buyer Value Innovation creation in search of the Blue Ocean strategy and makes the strategic choice as a suitable one in B2B sectors.

Second research objective was Russian Company LLC Alexandra Plus.

Company name: "ALEXANDRA PLUS"

Status of the company: LLC

Date of registration 2000

Target markets: Russia Ukraine, Kazakhstan, Byelorussia, Latvia, Lithuania,

Macedonia, Mongolia

Joint Project: China, South Africa

Target industries: Real ways, Metallurgy, Public Utilities

Number of employees: 36

Number of clients: 300

Industry development stage: growing

Company Profile: Industrial purification equipments

The direct observations of the work environment of manufacturers of industrial purification equipments specifics are made by researchers; the secondary data, such as

statistics, publications, videos and internal company reports of ALEXANDRA PLUS LLC are examined. Having manufactured and supplied purification equipment for railway industries, company has started to produce purification equipment for metallurgy, medicine, and even for water industrial purification equipment based on ultrasonic waves technologies. These newer technologies based on ultrasonic ways were opening up new market opportunities for ALEXANDRA PLUS, also raised fresh challenges in further strategic choices. This was a key component of achieving value innovation: *reach beyond existing demand*. The challenge of management was how does company maximize the size of the blue ocean it was creating? Using three tier's logic LLC ALEXANDRA PLUS went for the biggest catchments. Company has successfully diversified in sector of metallurgy producing industrial purification equipment based on ultrasonic wave's technologies. Simultaneously, the company deployed a technology-delineating exercise, which involved investing in separate business unit NOVOTEH MEDPROM LLC, its ultrasonic products even for *medicine purification* needs. Company built its blue ocean strategy on the basis added the newest ultrasonic technology. **Blue Ocean** has been created in 2004, when after careful market research; ALEXANDRA PLUS launched a new daughter company producer of water purification equipment, LLC NOVOTECH EKO. There are traditionally three kinds of impurities in water: physical, chemical and bacterial, each presenting a different challenge in terms of consequences for human health as well as technologies and feasibility of removal. Although numerous technologies existed, the water purification market was dominated by three primary product categories: ultraviolet (UV), reverse osmosis (RO) and resin. A UV purifier irradiated water using UV rays, eliminating bacterial micro-organism. It was convenient to use and had instantaneous impact; however, it also posed some practical challengers. UV equipment needed reliable running water and power and seeks out after-sales service when exhausted consumables like UV lamps needed replacement. Reverse Osmosis (RO) used the medium of semi-permeable membrane to remove chemical impurities from water. However a high water pressure was required in the RO process, thus necessitating electricity, which put pricing out, the process rejected a lot of water and was quite inefficient. There was a high cost of after-sales maintenance because the membrane had to be replaced.

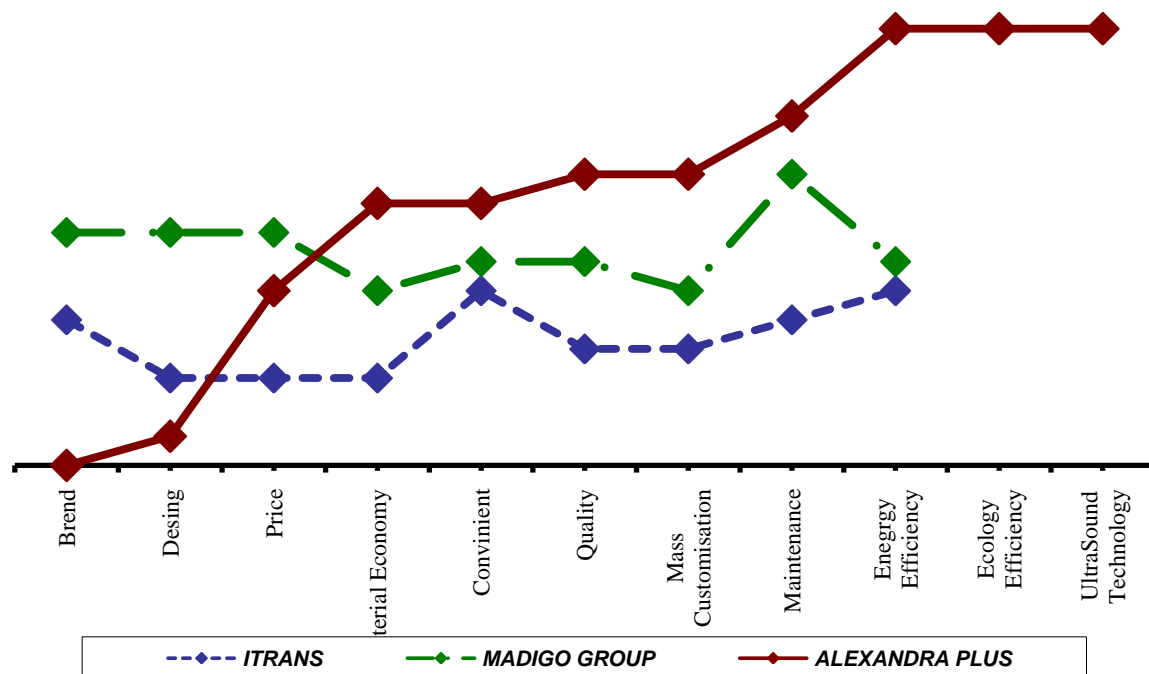


Figure 5: Strategic Canvas of manufacturers of industrial purification equipment (20 respondents: 10 customers and 10 non-customers)

Resin, the newest of the three technologies was targeted at removing microbial contaminants as well as some type of chemical (e.g. iron). The technology amounted to releasing certain types of chemicals called resins into water in a controlled fashion, letting them dwell in the water for a period of time – disinfecting the water – softening resins did involve extensive replacement requirements (every few weeks or months), and thus involved higher total costs of ownership (R. Chandrasekhar, 2010). When it comes to ultrasonic purification equipments produced by NOVOTECH EKO, the efficiency of ultrasonic clearance (US) is based on high-frequency oscillations which are the cause of strong cavitations in liquids. Microscopic cavitations bubble explodes in liquid removing grease and other kinds of impurities quickly and efficiently. NOVOTECH EKO LLC Company has created unique water purification technology in the world combining ultrasonic waves with UV rays for eliminating bacterial micro-organism till 100%! The benefits of ultrasonic waves plus UV rays technology were quite obvious e.g. minimal maintenance costs, long class life of equipments, high level of ecology and energy efficiencies and short payback period. It gave sound example of viability of Blue Ocean Strategy in B2B sector. Strategy canvases for producers of industrial purification equipment, particularly, new Strategy Canvas for LLC Alexandra Plus have been built in comparisons with Russian purification equipment producers LLC ITRANS and Italian competitor MADIGO Group S.r.l as presented in Figure 5. The strategic canvas of purification technological equipment evidenced about suitability of Blue Ocean Strategy of LCC ALEXANDRA PLUS. Company maximized the scale of his blue ocean strategy beyond existing demand to noncustomers and desegmentation opportunities for future strategies as presented in Figure 6.

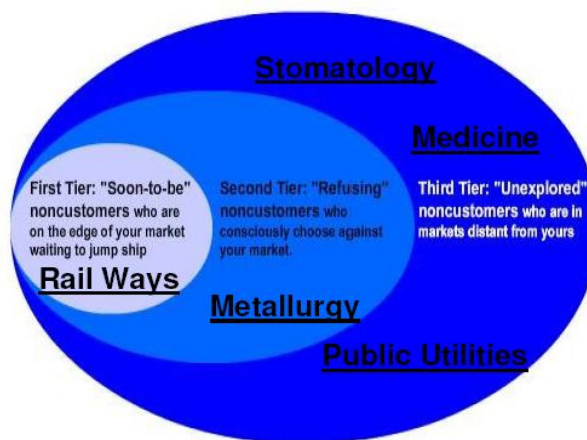


Figure 6: The three tiers of Non-customers of LCC ALEXANDRA PLUS

Thus, authors applied strategy canvas to visualize value innovation creation for two very different industries. New Strategy Canvas has been elaborated for both industries and **answer on the first research** question was given in **confirmation manner**, namely, Blue Ocean Strategy is suitable within B2B sectors. The *concepts and frameworks* already applied in current research can be especially helpful in understanding suitability of Blue Ocean Strategy in B2B sector.

Having answered first research question the outcomes of research have been summarized in table 4. Accordingly, **second research question** was appeared: what about the most helpful analytical technique to evaluate an acceptability and feasibility of Blue Ocean Strategy? It is very important to get strategic sequence right to insure acceptability of blue ocean idea. The first step is to check whether there is an exceptional *buyer utility* of the idea. Secondly the strategic *price* should be chose correctly to attract the mass of customer’s right from the start. Third step is about insuring *target cost* that allows earning a healthy profit margin. And, finally, *adoption* hurdles should be addressed up front by educating the main stakeholders and whole organization.

Table 4: Suitability of strategic option in relation to Blue Ocean Strategy in B2B sector

Concepts	Helps with understanding	Suitable BOS strategies must addresses (example)
Competitive Profile Matrix	Critical Success Factors that are particularly valued by a group of customers	Where organisation must excel to outperform competition
Strategic Gaps	Searching for or creating wide open spaces free from existing competition	Defining opportunities in: substitute industries; other strategic group (or strategic spaces); buyer value chain (purchasers, users, influencers); complementary products (or services); new market segment (functional/emotional appeals); over time (first mover advantages)
Strategic Canvas	The extent to which the offering of different providers address the factors valued by customer	Enables companies to see the future in the present
Four Action Framework	To break the trade-off between differentiation and low cost and to create a new value curve	Get a revealing new look at old perceived truths.
The Eliminate-Reduce-Raise-Create Grid	Supplementary analytic tool to the four actions framework: how to <i>act</i> on all four to create a new value curve	Offering customer and company leap in value
Model of three qualities: focus, divergence, and a compelling tagline.	Too complex business model in implementation and execution Strategic contradictions An internally driven company Litmus test of strategy	Commercial viability of ideas
PMS map	To plot the company's current and planned portfolios on a <i>pioneer-migrator-settler</i>	Providing a useful way of talking about the growth potential of current and future businesses
The Three Tiers of Non-customers	Keen insight into who noncustomers are and how to unlock them	To converting huge latent demand into real demand in the form of thriving new customers

		The six stages of Buyer experience cycle					
		Purchase	Delivery	Use	Supplements	Maintenance	Disposal
The six Utility levers	Customer productivity			Advanced technology, Quality	Training of customers	Technical support	
	Simlicity			Advanced technology, Ease of use			
	Convenience	Geographical presence	Fast delivery				
	Risk		Fast delivery	Quality		Technical support, Skilled sales force	
	Fun & Image	Networks of fellow customers			Trust, Friendship	Trust	
	Environmental friendliness						Advanced technology

Figure 7: Buyer utility map of SIKa after implementation of BOS

The assessment of viability in terms of *acceptability* of blue ocean strategy within construction chemicals industry and in industrial purification equipment has been conducted based on the answers to first research questions. The collected information will serve as an input for new *Buyer Utility Map* for SIKA and ALEXANDRA PLUS and checking *BO Index* for both companies. Strategic moves described above allow drawing new *Buyer utility map* of SIKA offerings (Figure 7) where factors depicted in blue color represent blue ocean strategy and the ones in red color are the factors where SIKA is still competing on in the industry. CSFs' that have been significantly reduced or eliminated are not shown at all. Strategic moves described above allow drawing new Buyer utility map of ALEXANDRA PLUS offerings (Figure 8) where cells depicted in blue color represent blue ocean strategy. The researchers received evidences that their offering unlock exceptional buyers' utility. There are compelling reasons for the mass buyers to buy it. In order to assess acceptability of presented blue ocean ideas they must be checked not only utility but through all other steps as *price*, *cost* and *adoption* of strategic sequence and give a positive answer to the questions asked in each step. Thus next step was right strategic price. The *price corridor of the mass of SIKA* will be representing the largest groups representing concrete plasticizers and grinding aids for cement producers. The first group has similar form and low degree of legal and resource protection. Therefore the strategic price for that group should be at lower-level in order to attract big mass of customers.

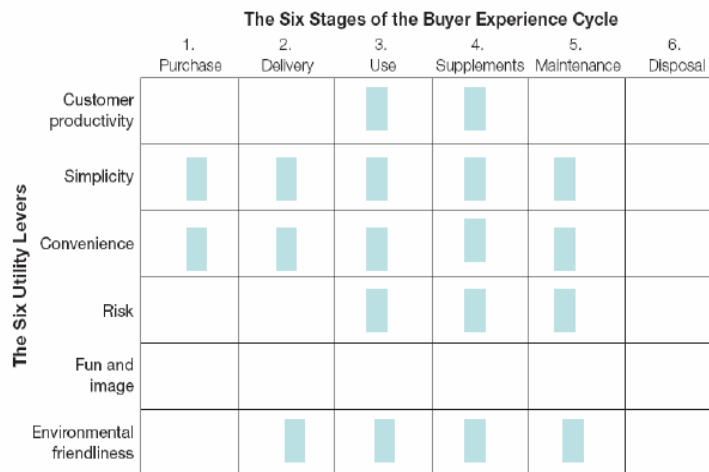


Figure 8: Buyer utility map of ALEXANDRA PLUS after implementation of BOS

The second group, however, can represent two product alternatives: different form, same function; and, different form and function, same objective. These groups have some degree of legal protection (patents), and thus the price should be in the middle range. In overall, the price offering of SIKA in construction chemicals market may be slightly lower than average market price as presented in *Strategy Canvas*. Price corridor of the mass of ALEXANDRA PLUS is already in the middle range as well as has legal protection by patents. Then it was necessary to check if companies produced their offering at the target cost and still earned a healthy profit margin? Could company profit at the strategic price – the price easy available to the mass or target buyers? Cost reduction issues are partially resolved by new strategic profile of SIKA (see Figure 3) where strong focus on eliminating and reducing low-value factors can be observed. In addition, cost reductions are achieved by means of streamlining operations and partnering. The example of former approach can be seen in changing production of polymers, used for further preparation of final products, from powders into flakes which is much more cost efficient (SIKA, 2009b). The latter option is usually implemented by acquisitions. Six major acquisitions were made by SIKA since 2008 (SIKA, 2009a). Regarding ALEXANDRA PLUS LLC, the company already receives an operating profit margin on the average level 10% per year. Commercial success of blue ocean

idea can be threatened by fear and resistance from company’s main stakeholders (employees, business partners and general public) in spite of having robust business model (Kim & Mauborgne, 2005a). Already for 100 years SIKA has positioned itself as innovative company always striving for introducing something new into the market. For instance, invention rate (percentage of sales with products invented within the previous five years) is 34 % (SIKA, 2009a). So, business partners and public in general are already used to new and innovative things introduced by SIKA, and sometimes are even waiting for something new to be released. Small issues, however, can be observed inside the company. The research revealed the *spread* activity as one of the weakest in the company SIKA.

Table 5: BOS Index of blue ocean ideas in construction chemical industries for SIKA and in industrial purification technologies for ALEXANDRA PLUS

Criteria	Question	Criteria met? SIKA	Criteria met? ALEXANDRA PLUS
Utility	Is there exceptional utility? Are there compelling reasons to buy the offerings?	+	+
Price	Is the price easily accessible to the mass of buyers?	+	+
Cost	Does the cost structure meet the target cost?	+	+
Adoption	Have the adoption hurdles been addressed upfront?	+/-	+/-

By addressing the problems related to the *spread* of new ideas throughout the company adoption hurdles raised by employees can be easily tackled. The water purification equipment that promoted NOVOTECH EKO help economizes a sufficient resource that is not in interest of state-owned organizations (Naiden, 2009). At present NOVOTECH EKO delivers water purification ultrasonic based technologies equipment for small cottages, sanatoriums, and private water-canal as well as for sewage tanks. BOI index (Table 5) visualizes whether each criterion throughout strategic sequence towards commercially viable blue ocean idea has been met. It can be concluded that blue ocean ideas are commercially viable within B2B sector at least in construction chemicals industry and water purification sector, but of course more detailed investigation of each criteria is still necessary.

Third research question was formulated as follows: What type of innovation underpins Blue Ocean Strategy in B2B business: technologies push or market pull? The creation of blue oceans was not about technology innovation per se. Sometimes leading edge technology was present, but often it was not a defining feature of blue oceans. The key defining feature of blue oceans was value innovation—innovation that was linked to what buyers value. Both, value and innovation are equally important (Kim & Mauborgne, 2005a). Value without innovation leads only to incremental improvements in products or services and it is not sufficient to stand out of the competition. Innovation without value is seen as technology-driven, market pioneering or futuristic, and customers are often not ready to accept it and pay for it. There are different definitions to innovation that can be found in the literature. Some authors describe it as commercial exploitation of ideas (Bruce & Birchall, 2009), the others see it as new stuff that is made useful (McKeown, 2008). But the most important thing about innovation, emphasized throughout different studies, is its usefulness or

value in the eyes of the user (Anonymous, 2007; Johnson, 2001; Kim & Mauborgne, 2005a; McKeown, 2008; Wijnberg, 2004). Throughout business literature and studies another two major groups of innovation are distinguished (Ottosson, 2004, Traill & Grunert, 1997), technology-pushed innovation and market-pulled one. The first one is closely related to technological change which is mainly the result of Research and Development (R&D) activities. The second one is linked with identification and fulfillment of potential customer needs that are not satisfied. Some authors (Brady *et al.*, 2005) claim that it is important in nowadays business to be able to combine innovation push with specific needs of the customer and provision of integrated solutions in order to retain competitive advantage. Trott (2002) has defined this approach as *simultaneous coupling model of innovation* and has suggested further development of this idea into *interactive model* which is the result of interaction of marketplace, technology and organization's capabilities. Is there really a difference between innovation and value innovation? It seems like nobody today thinks of innovation as something that is made just for innovation sake. It is about usefulness and value in the eyes of customer first of all (Anonymous, 2007; Johnson, 2001; Kim & Mauborgne, 2005a; McKeown, 2008; Wijnberg, 2004). The barriers on the way towards successful implementation of innovation, such as lack of focus, poor screening, organizational resistance, lack of funding, non-systemic approach, creativity and thinking out of the box, inexistence of innovative culture in an organization etc., are as well, in one or the other way, reflected in the study describing the process of value innovation creation (Kim & Mauborgne, 2005a). In addition, conceptual similarities with BOS can be found in the book about innovation by McKeown (2008). The author also suggests ending up fighting for the same market space and deliver something different, thus allowing to innovate in peace. On the other hand, the technology-push type of innovation where the main focus is on supply side (Traill & Grunert, 1997) may be considered as being different from value innovation as the latter one is oriented on demand side (Kim & Mauborgne, 2005a). Anyway, modern studies (Brady *et al.*, 2005; Trott, 2002) suggest application of *integrated models – combination of technology-push with demand-pull*. To sum up, there are too many similarities between the notions of innovation and value innovation, and factors affecting innovation process may similarly influence value innovation creation. The answer on **third research question** was as follows: it seems like there is no big difference between innovation and value innovation notions, technology – push and markets pull unless innovation is purely technology driven. *All factors affecting innovation process may similarly influence value innovation creation*. The main message from both notions is identical – customer value.

Summary and conclusion

Research has confirmed the hypothesis that Blue Ocean Strategy can be viable and successfully applied in B2B sectors. The answer to the questions on the viability (suitability and acceptability) of Blue Ocean within construction chemicals industry for SIKA AG and within industrial purification technologies for ALEXANDRA PLUS LLC, which was the main aim of the research, was found. Furthermore, the elements of blue ocean strategy in currently undertaken strategic steps of SIKA AG and ALEXANDRA PLUS LLC have been revealed. When it comes to limitation of the research paper the time constraints imposed the most limiting influence on the research. Additional analytical tools and strategic models would certainly provide more detailed picture on strategy formulation approaches and allow analyzing provided ideas from other points of view. The scope of research is also restricted geographically as the information was mainly collected from managers in Scandinavian and Baltic countries for SIKA AG and in Russia and Latvia for ALEXANDRA PLUS LLC. The findings, therefore, are not generalized to the all markets as the values and needs of customers, for instance, in China or India may differ significantly. *Next researches* in this area will be connected with investigation on *feasibility* of Blue Ocean Strategy in B2B

sectors. How to re-direct limited organizational resources from cold spots to hot spots to execute Blue Ocean Strategy and to overcome key organizational hurdles on practice?

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