

Value Innovation for Business Leaders

INSEAD Professors W. Chan Kim and Renée Mauborgne did the business world a great service when they published “Value Innovation – *The Strategic Logic of High Growth*” (Harvard Business Review; October-November 1997).

They provided a recipe for strategic success: deliver **unprecedented utility** to a **mass of buyers**, at an **accessible price** and with a **profitable business model**.

In their 2005 international bestseller: “Blue Ocean Strategy – *How to create Uncontested Market Space and Make the Competition Irrelevant*”, Kim and Mauborgne updated, refined and elaborated on the tools and the analytical framework of Value Innovation – i.e. “The Cornerstone of Blue Ocean Strategy”.

Few would argue with the merits of the Value Innovation (VI) recipe for success. That elegantly simple statement of four necessary and sufficient conditions provides an extremely effective basis for accomplishing a leap in value for both the enterprise and its customers.

The recipe analogy proves particularly apt as both the “search for ingredients” and the “means of preparation and presentation” do present challenges. Nevertheless, VI practitioners know that the recipe works for any company, in any industry, at any time, with or without “invention” or “technological breakthrough”.

Moreover, when expressed as “The Sequence of Blue Ocean Strategy”, the recipe not only focuses attentions and accelerates results, but also conserves resources and sheds risks.

The sequence requires: first demonstrate that the business idea does offer exceptional buyer utility (otherwise rethink); next show that the strategic price is easily accessible to the mass of buyers (otherwise rethink); then demonstrate the ability to attain a target cost that yields healthy profits at the strategic price.

Businesses can often satisfy these first three essential steps with rather modest investigations, analyses, experiments and/or proof of concept prototypes. Without clear showings that attest to meeting the necessary conditions, ideas must not advance. Conversely, ideas that do advance will have earned the organization’s commitment of commercialization resources to deal first with the adoption hurdles and then with the market actualization of the idea.

Highly successful Value Innovations may involve products, services, distribution, experiences, and/or business models, among other possibilities. VI may create strong appeals with existing customers or with new customers, one or more steps removed from a company’s traditional base. Often, there is something that the company already does, or knows how to do, that either breaks the cost/value trade-off or pinpoints high-value initiatives among yet-to-be customers, or both.

Value Innovation and Blue Ocean Strategy give business leaders the tools and techniques necessary to systematically drive enterprise health and value through innovation. Create uncontested market space. Then do it again.