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# COLLABORATION HEALTH CARE

## ALIGNING IDEAS WITH EXECUTION TO IMPROVE HEALTH CARE TODAY



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## Exploring Blue Oceans in 2008

We wish you much success and growth in the year ahead.

Last year a friend of ours introduced us to the “Blue Ocean” way of thinking. We always try to help clients think out of the box as they develop their strategies in a changing marketplace, but *Blue Ocean Strategy; How to Create Uncontested Market Space and Make the Competition Irrelevant* presented the idea in a different perspective, especially as it applies to our healthcare system of today.

In this issue, we’ll introduce you to the Blue Ocean way of thinking as you look for new markets, innovations, and opportunities for growth in the year ahead. You’ll find (as we did) that Blue Ocean thinking is not rocket-science, but just a different way to look at the same challenges you are facing today.

Deciding on whether you want to explore Blue Oceans or keep trying to compete in the traditional Red Ocean mindset may tell a lot about how you approach these challenges in the year ahead.

## Sailing In Blue Oceans

In their book, *Blue Ocean Strategy; How to Create Uncontested Market Space and Make the Competition Irrelevant* the authors, Chan Kim and Renee Mauborgne, present a compelling way of viewing the marketplace and how to compete in it. They introduce two separate and distinct ways of approaching growth and innovation in the marketplace; one- by competing for existing market-share with multiple competitors which ends up focusing on the lowest price (Red Ocean), or two- by creating new markets where they didn’t exist before and creating new opportunities for growth and profitability.

The authors suggest that most organizations (whether they realize it or not) currently operate in a Red Ocean mindset. In Red Oceans, the boundaries of an industry are already defined and the competitive

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## Principles of a Blue Ocean Strategy

W. Chan Kim and Renee Mauborgne provide organizations with a new perspective on how to view the challenges of innovation. A Blue Ocean Strategy includes the following principles:

- Reconstruct your market boundaries- look for markets beyond your traditional customers
- Focus on the big picture, not the numbers- take into consideration all aspects of your own strategy map
- Reach Beyond Existing Demand- Create it from “non-customers”
- Get the Strategic Sequencing Right- It won’t work if you don’t focus on the basics
- Overcoming Key Organizational Hurdles- Change doesn’t come easy
- Build Execution into Strategy- As Thomas Edison said “vision without execution is a hallucination.”

Wishing you clear Blue Ocean sailing in the year ahead!

## Sailing in Blue Oceans (con't)

rules are already known, accepted, and won't change. Companies (new and old) try to outperform their rivals and simply try to grab a greater share of the demand that already exists. As the market space becomes more crowded, profits and growth opportunities start to decline. Suddenly, your products are commodities and the focus of attention becomes solely on price.

Our country's current health care delivery model is a perfect example of a red ocean scenario.

Managed care organizations, self-funded employers, provider groups, and the rest of the participants continue to try to talk about "value" and "transparency" as new buzz-words to differentiate themselves in the market but in the end the marketplace still ends-up focusing on the price. Whether it's the cost of a benefit plan, the price of a stay at the hospital, or the price of a chiropractic manipulation, health care industry participants continuously bid against one another to deliver the lowest price to the market- regardless of the actual cost. For better or for worse, our health care delivery system (despite all of its advances) has evolved into a commodity-driven (price-driven) system.

Blue oceans, on the other hand, are defined by searching and finding untapped market space, by creating demand where there wasn't demand before, and adjusting your business approaches in search of new business opportunities that you may not have noticed in the red ocean mindset.

Starbucks is a good example of a company that capitalized on blue ocean thinking. They recognized early-on that they were in the business to sell more than coffee. They were in the business of selling the "coffee-drinking experience". While there were many coffee shops, there were few competitors selling a "convenient coffee-drinking experience" (including music, comfortable environment, variety of beverages, etc.). The rest is history.

In health care, more provider groups and individual providers are evaluating the economics of continuing to participate in the price-driven contracting processes that exist in the delivery system today. These providers are starting to focus more on the quality, the relationships, and the overall health care experience of the patient- moving beyond simply the patient flow delivered for a lower price through insurance arrangements. These providers are looking for new patients through other channels that have

traditionally existed and are starting the own Blue Ocean journey.

Executing a Blue Ocean strategy isn't easy. It sometimes requires a mindset change of an entire organization. Chan and Mauborgne state,

*"A company is everyone from the top to the front lines. And it is only when all the members of an organization are aligned around a strategy and support it, for better or for worse, that a company stands apart as a great and consistent executor."*

Blue Ocean thinking requires leadership, creativity, and innovation. It also requires taking a certain amount of risk. But, it's also a way to explore new opportunities to reach the goals you establish.

Since we've been introduced to Blue Ocean thinking we've tended to evaluate businesses and opportunities from a Blue Ocean/Red Ocean perspective. When you're looking for it, the traits are easy to identify. We believe the true growth and success of organizations will continue to be focused on searching and executing Blue Ocean opportunities to new or expanded markets. We also know that (unfortunately) most organizations will continue to operate in a Red Ocean mindset as they address the challenges ahead- because that's what they know.

Which ocean will you sail in during 2008?

*Blue Ocean Strategy; How to Create Uncontested Market Space and Make the Competition Irrelevant.; W. Chan Kim, Renee Mauborgne; Harvard Business School Press 2006 Harvard Business School Publishing Corporation*

### Think About It:

*To accomplish great things, we must not only act, but also dream; not only plan, but also believe."*  
Anatole France

*Not everything that counts can be counted, and, not everthing that can be counted, counts.*  
Albert Einstein

*Passion is the most important element of personal leadership.*  
Louis Gerstner