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Utilizing Blue Ocean Strategy in High Status Companies

Prompt: Would a ‘high status’ or ‘middle status’ company be more likely to successfully implement a Blue Ocean strategy? Explain. (Be sure to define Blue Ocean strategy, ‘high status’, and ‘middle status’ in your response.)

Blue ocean strategy, outlined by Kim and Mauborgne in their text, is the strategic thinking that gives rise to companies that either compete in a completely new industry or alter the boundaries of an existing industry to compete more competitively. Blue ocean strategy is characterized by the notions that boundaries are undefined, organizations can exist in unknown market space, and the potential for “untainted by competition” (Kim, 77) wherein “demand is created rather than fought over” (Kim, 77).

Sociologist Joel Podolny defines status as “the perceived quality of that producer’s products in relation to the perceived quality of that producer's competitor's products,” (Podolny, 830). Status often signals the “underlying quality of a firms products” (Flatt) and largely affects how organizations and their actions are perceived in the market. Status is also useful in times of uncertainty over products or services wherein the perceived status of an organization can inform consumers or businesses on their decisions.

Status and Blue Ocean strategy are highly intertwined such that different measures of status define which organizations are more likely or prepared to implement Blue Ocean strategy techniques. What appears to be the most logical and common effect is that higher status companies are much more likely to successfully implement Blue Ocean strategies. This is due to many factors. One essential element is that high status companies have more “survival-enhancing opportunities” (Flatt). These opportunities include access to greater financial capital and greater share of recognition (Flatt) that position high-status organizations to enter into new markets without going bankrupt. Higher status organizations are also afforded a higher sense of security such that they are able to deviate from accepted norms in their field without being penalized. This is a crucial element of Blue Ocean strategy where deviation is the crux of the business plan.

Middle-status companies, on the other hand, are those that cannot charge as much for their products and do not have as much prestige in their field as high-status companies. Middle-status companies are therefore much less likely to succeed with the Blue Ocean strategy and more often than not tend toward what Phillips and Zuckerman call "middle-status conformity". Conformity among middle-status companies is more strategic due to their more prominent need to prove legitimacy than high-status companies. Sociologist DiMaggio and Powell also stress the need for organizations to tend toward conformity in order to maintain avoid legitimacy scrutiny. These legitimacy constraints make trying completely new business models that break the status quo more difficult for middle-status companies and they are more successful it they instead "conform to expectations in order to avoid risking their standing" (Flatt).

In conclusion, high-status companies are more likely to enter into unknown markets, or Blue Oceans, due to their better financial positioning, higher sense of security, and lack of a need to prove legitimacy.

Works Cited

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