Blue Ocean Strategy & The Problem Statement (Part Two)

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Part one of this series can be read here .

Now given the examples of the problem statement in part one, I need to point out a few principles in part two before I can address how to leverage Blue Ocean Strategy concepts in part three. One thing's for sure, given a sample of market evidence, there are many different problem statements that could be written. In fact, some have criticized the problem statement process because it's not repeatable. In other words, given two product management teams, you're likely to get at least two different sets of problems from the same market evidence.

I'm going to show you one reason why this is true right now. It comes from the different levels a team uses to address a problem. It's true – we don't write elements of the solution (other than the desired state) in a problem statement, but we do consider some solution constraints. I like to refer to the five levels of innovation used with Theory of Inventive Problem Solving (TRIZ) tools.

LEVEL 1 - Routine design problems solved by methods that are well-known within the specialty. Usually no invention needed. You should be managing a portfolio of solutions. Even though it's not a one-to-one correspondence, you will normally constrain 60% of your Problem Statements to Level 1 and Level 2 types of innovation.

I would write the Problem Statement under a Level 1 constraint as follows: **'*IF I pay for posting a job with two or more credit cards THEN I can use cards with lower available credit, BUT only one credit card can be associated with a job posting request*'.**
I have stated the problem as a routine design problem.

LEVEL 2 - Minor improvements to an existing system using methods known within the industry. Level 1 & Level 2 Problem Statements are typically placed in a Maintenance & Utility portfolio leading to 60% of the solutions being Maintenance & Utility. As more control is imposed on your innovation process, you'll want to reduce this percentage.

I would write the Problem Statement under a Level 2 constraint as follows: ***'IF I pay for posting a job with two or more credit cards THEN I can use cards with lower available credit, BUT I don't want multiple invoices for posting the same job on your site***
'.
Level 1 type of problems tend to be the closest to stating a solution within the problem statement without actually stating it. Notice that the Level 2 problem is more in terms of the user than the Level 1 problem is. This isn't always the case, but it's a good indicator that your constraint is going past routine design problems.

LEVEL 3 - Fundamental improvement to an existing system using methods known outside the industry. Within the problem portfolio, 30% of your problems typically should lead to Level 2 and Level 3 solutions and are placed in an Enhancement & Improvement portfolio.

I would write the Problem Statement under a Level 3 constraint as follows: ***'IF I pay for posting a job with two or more credit cards THEN I can use cards with lower available credit, BUT then I have to keep updating my profile indicating what cards to use for billing'.***

LEVEL 4 - A new generation of a system that entails a new principle for performing the system's primary functions. Solutions are found more often in science than in technology. Within the problem portfolio, 10% of your problems typically should lead to Level 4 solutions and are placed in the Transformational portfolio.

I would write the Problem Statement under a Level 4 constraint as follows: ***'IF I pay for posting a job with two or more credit cards THEN I can use cards with lower available credit, BUT this spreads out my rewards program on each of the cards and I don't get as much back from my purchases'.***

By addressing this bigger issue, my product management team has an opportunity to transform my offering into something different than all my competitions.

LEVEL 5 - A rare scientific discovery or pioneering invention of an essentially new system. These types of solutions are always outside of the existing product charter, and not part of the normal product management process.

I would write the Problem Statement under a Level 5 constraint only if I had been given a specific charter to do something radical and not part of the normal Product Management process. In that case my problem statement might look like: ***'IF I pay for posting a job with two or more credit cards THEN I can use cards with lower available credit, BUT managing multiple credit card balances is time consuming, finding the cards with the least acceptable balance makes it not worth the effort'.***

Now that you know how to manipulate the problem statement to generate various levels of innovation, and how to use portfolio management principles to manage the overall levels of innovation, the question becomes how can they be used in creating blue or at least bluer oceans depending on your constraints.

Let's take a look at Barnes & Noble and Borders superstores in the U.S. They redefined the scope of the services they offer. Instead of focusing solely on the moment a customer purchases a book – as the hundreds of bookstores were doing – they asked, what do customers do before, during, and after purchasing a book? They found that often before purchasing books, buyers want to sit and browse through several selections before making a choice, yet traditional bookstores did not offer a place to do so – in fact they discouraged the practice. Then they observed that often after purchasing books or magazines, customers went to a coffee shop to spend some time alone reading. With these insights they transformed the product they sell from the book itself into the pleasure of reading and intellectual exploration, adding lounges, knowledgeable staff, and coffee bars to create an environment that celebrates reading and learning.

In less than six years, B&N and Borders emerged as the two largest bookstore chains in the United States, with more than one thousand three hundred superstores between them. They went to bluer oceans. I'm not entirely sure, but the Problem Statement could have looked like, ***'I F I buy books at the mall bookstore or on-line THEN its fast and convenient, BUT sometimes I don't know exactly what I'm looking for, or I need to look over a few options and perhaps get some direction'.***
This problem statement would be calling for a Level 3 or maybe a small Level 4 solution because it would involve fundamental changes to an existing system or a new generation

system. I wrote it with the intent of it producing a Level 3 solution. As the team progresses, they may identify additional problems that would require Level 5 solutions. Organizational constraints are important factors in the innovation process, and would dictate what the problem statement looked like for real.

Now that we've pointed out some background in the problem statement in part one, and addressed controlling levels on innovation in this part two, we're ready to look at some Blue Ocean examples in part three.

Tags: Tagged in: Blue Ocean Problem statement