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PS Aithal
Srinivas Institute of
Management Studies,
Pandeshwar, Mangalore –
575001, India

VT Shailashree
Srinivas Institute of
Management Studies,
Pandeshwar, Mangalore –
575001, India

PM Suresh Kumar
Srinivas Institute of
Management Studies,
Pandeshwar, Mangalore - 575
001, India

Correspondence
P S Aithal
Srinivas Institute of
Management Studies,
Pandeshwar, Mangalore –
575001, India

Application of ABCD Analysis Model for Black Ocean Strategy

PS Aithal, VT Shailashree, PM Suresh Kumar

Abstract

Strategic planning and decision making has an important role in organizational development and sustainability. Various types of strategies are used in strategic management such as Red ocean strategy, Blue ocean strategy, Green ocean strategy and Purple ocean strategy. These strategies are used in organizations by top level executive managers for long term sustainability of organization and to face or avoid the competition. Based on organizational analysis, it is observed that some of the organizations and individuals especially in developing countries use a new type of strategy for sustainability or survival at least for short term to overcome their intense problem and to get quick relief from the problems called black ocean strategy. The details of black ocean strategy including the concept development, definition, characteristics and procedure are discussed in a recently published paper entitled "Black Ocean Strategy - A probe into new type of strategy used for organizational strategies". In this paper, we have analysed various features of "Black ocean strategy" using our recently developed business model & concept analyzing framework called ABCD technique. The characteristics of the strategy is evaluated based on identifying and analyzing the advantages, benefits, constraints, and disadvantages under various organizational issues, affecting factors and critical constituent elements. The results support the logic of using ABCD analyzing technique in any system/concept performance evaluation.

Keywords: ABCD analysis framework, Black ocean strategy, Factors affecting black ocean strategy, Critical constituent elements.

1. Introduction

A strategy is a long-term plan for the whole organisation or for an individual. Corporate strategy may be defined as "The positioning and relating of the firm/organisation to its environment in a way which will assure its continued success and make it sure from surprises" ^[1]. A variety of factors drive organizations to adopt strategies in order to emerge successful. Such for instance is growth, stability, profitability and efficiency. Strategy can be seen to exist at 3 main levels namely corporate, business, and functional. At the highest or corporate level the strategy provides long range guidance for the whole organization as to what business or businesses the firm should be in. It relates the future formula and structure of the company and the business in which it intends to compete. For example, Racial Electronics' decision to float off Vodafone as a separate company. At Business Level the concern is with the products and services that should be offered in the market defined at the corporate level – How do we compete in this business. Business Level strategy is also sometimes called competitive strategy. The term that is often used in relation to business strategy is Strategic Business Unit (SBU). SBU means a unit within the overall corporate entity for which there is an external market for its goods and services which is distinct from that of another SBU.

At Functional level of the business (e.g. operations, marketing, finance) long-range plans are made which support the competitive advantage being pursued by the business strategy, - How does the function contribute to the corporate and business strategy. This is also called operational Strategy. Apart from above, strategies of an organization are divided into another class as (1) competitive strategies also called Red ocean strategies ^[2], (2) monopoly strategy called Blue ocean strategy ^[3], (3) sustainable strategy called Green ocean strategy ^[4], and (4) a mix of Blue and Green called Purple ocean strategy ^[5].

Red oceans represent all the industries in existence today in the known market space. Here companies try to outperform their rivals in order to grab a greater share of existing demand. In order to compete in existing market space, beat the competition, exploit existing demand, the whole system of a company's activities are diverted to the strategic choice of product differentiation or low cost [6]. Blue oceans denote all the unknown market space, untainted by competition and demand is created rather than fought over. Green Ocean Strategy is a recent strategic option with two different types of schools of thought. According to first school of thought, it is a strategy to gauge the impact of environmental footprint on human lives. According to second, it is a hybrid mechanism which combines the best things that characterize Blue ocean and Red ocean strategies [7, 8].

Recently a new type of Strategy used for Organizational Success called Black ocean strategy is identified and studied systematically by Aithal and Suresh Kumar [9]. Black ocean strategy is a kind of survival strategy to foresee the organizational problems and solve them successfully to continue in its business market by means of a kind of black magic may be legally or illegally, ethically or unethically. Black ocean strategy is used by many firms for their survival especially in the countries where such environment exists. A comparative picture of the three strategies in relation to business arena, scope and output is provided in the figure 1. The inner circle in figure 1 represents activities related to Black ocean strategy, the next circle represents the activities related to Blue ocean strategy and the outer circle represents the activities related to Red ocean strategy.

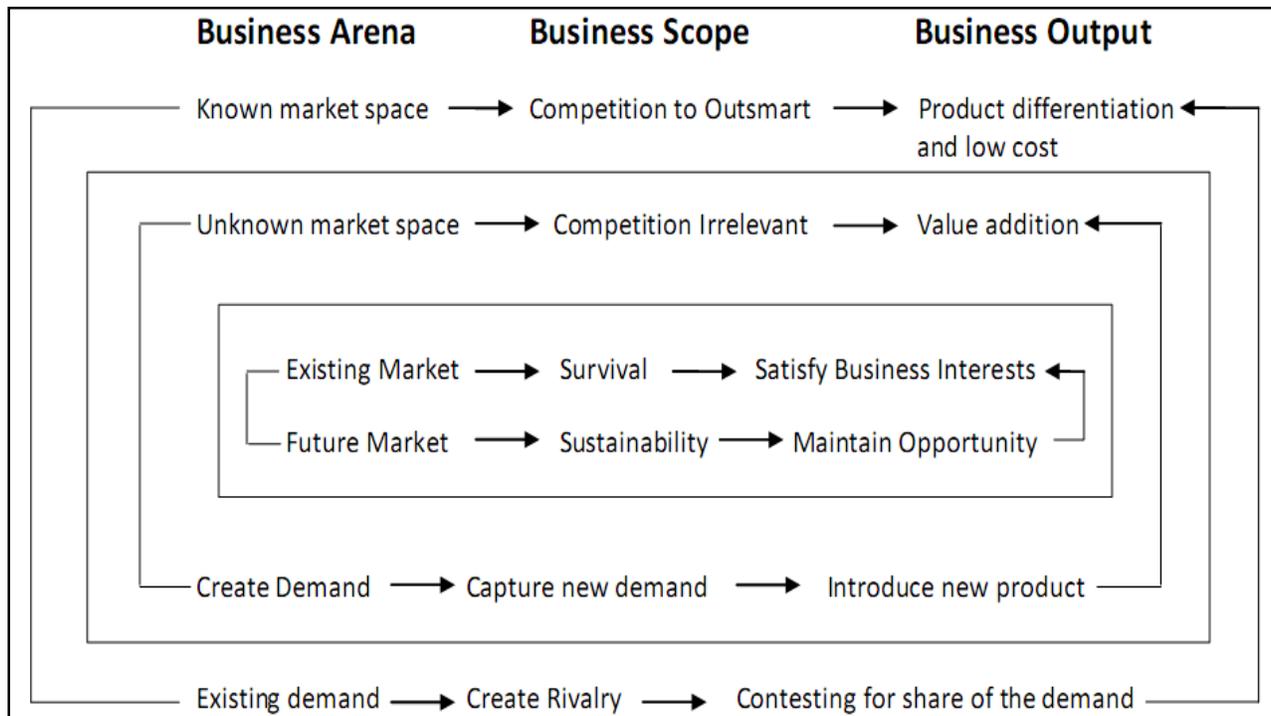


Fig 1: Overview of three strategies.

The scope of the business in a competitive environment is usually to outsmart the rivals. But there is yet another choice to defuse the competition making it irrelevant by taking on a new track with diversity of products which are greater acceptable and add value - which the two leading strategies envisage. Black ocean strategy is sustainability centered and survival oriented in scope to business interest and maintain all existing and future opportunities.

Based on the observation and focus group study, Aithal and Suresh Kumar [9] have developed this concept systematically and studied the conditions and characteristics of Black ocean strategy model of decision-making. They have studied the reasons why certain firms at their helm follow Black ocean strategy while making decision for survival and consequences of such strategic decisions through investment/perceived Risk Matrix. They have also compared Red ocean strategy & Black ocean strategy, Blue ocean strategy & Black ocean strategy, and Green ocean strategy & Black ocean strategy used in organizations. The conditions to plan and implement Black ocean strategy in an organization is divided into necessary and sufficient conditions. The

necessary conditions for Black ocean strategy to be implemented in an organization are:

1. Challenge for survival.
2. Huge investment going to be waste.
3. Organization facing severe problem.
4. Existence of enormous and unusual opportunity.

The sufficient conditions for Black ocean strategy (BOS) to be implemented in an organization are:

1. The internal structure and conditions of organization should support BOS.
2. The environment should be such that there should be an opportunity to use BOS.
3. BOS is the last option to solve the problem.
4. The organization is capable to digest the consequence of BOS.

Some of the important characteristics of black ocean strategy identified are [9]:

1. Black ocean strategy is a short cut plan to win the game through alternative way by changing the rules of the game.
2. This strategy is used by organizations when they realize

that the organization failed to achieve its stated goal due to things going out of their control and affects heavily on its business.

3. Black ocean strategy contains set of practices which are considered as unethical in common business practice.
4. Black ocean strategy will not improve organizations efficiency or operational effectiveness.
5. It will help the organization to survive in disasters through different set of activities/practices which otherwise will not be used in regular practice in normal routine.
6. Black ocean strategy is not an alternative to red ocean, blue ocean and green ocean strategies but it is complementary to them as it supports the organization at times of disaster.
7. Black ocean strategy is a complement to other strategies such that it can provide winning edge in red ocean or provide support to make competition irrelevant in blue ocean by modifying internal policies and external regulations for individual organizations benefit.
8. Black ocean strategy is not used to position the company against competitive forces but it provides unique position against uncertainty due to un-accepted dangers resulting from organizational mistakes or due to un-supportive environmental situations.
9. Influence on Government or other statutory controlling/directing bodies to make the rule according to their requirement.
10. Generally suited to put influence or pressure on international permissions, collaborations and technology transfer.
11. Lobbying and influencing is also a form of Black ocean strategy to do organizations work and to retain or expand their market share.
12. Organizations are lobbying and influencing to save tax to be paid to the local government so that they can enhance profit and transfer such profits to other countries as investment to expand business.
13. Black ocean strategy aims to change the rules of the game according to organizational wish to en-cash better opportunities, or to solve serious problems, or to modify/create new policies & regulations.
14. This strategy is used only for temporary relax from the problems and should not be repeated due to greediness or continued benefit.
15. Black ocean strategy also include the strategy to kill the competitors by changing the rules of the game.
16. Black ocean strategy can also be used to create uncontested market/monopoly for at least short time by modifying the rules of the game.
17. Black ocean strategy can be used at corporate, business, and functional level depending upon the nature of problem to be solved at that level.

The different Strategy models can be analysed based on Porter's five forces framework [6] SWOT analysis, TOWS matrix, BCG (Boston Consulting Group) Growth Share matrix etc. Black ocean strategy can be analysed effectively by our recently developed ABCD analysis frame work [10]. ABCD is an acronym that stands for Advantages, Benefits, Constraints, and Disadvantages. Application of ABCD analysis results in an organized list of a business advantages, benefits, constraints, and disadvantages in a systematic matrix. The entire framework is divided under various issues/area of focus and various business deployment factors

affecting the business/concept can be identified and analyzed under each issues by identifying suitable critical effective element. This analyzing technique being simple, gives guideline to identify and analyze the effectiveness of any business model and new concepts developed.

2. Literature Review on ABCD Analysis

Recently Aithal *et. al.* [10] developed ABCD analyzing framework to analyze any business model/concept and to study its effectiveness in providing value to its stake holders and sustainable profit through expected revenue generation. Application of ABCD analysis results in an organized list of a business advantages, benefits, constraints, and disadvantages in a systematic matrix. The entire framework is designed under various issues/area of focus and various business deployment factors affecting the business/concept and each issue is assessed by identifying suitable critical effective element. This analyzing technique being simple, gives guideline to identify and analyze the effectiveness of any business model and new concepts developed.

Reshma *et. al.* [11], have analysed the characteristics of "Working from Home" e-business model using 'ABCD Analysis Technique'. Based on various factors which decides the Working from Home system, a model of various factors and their constituent critical elements affecting under organizational objectives, employer's point of view, employee's point of view, customers/students point of view, environmental/societal point of view and system requirements are derived by a qualitative data collection instrument namely focus group method. It is found that the factors supporting advantages and benefits are more effective compared to constraints and disadvantages of this model, so that working from home model may become more popular from the prospective of employers and employees in the organization in the future.

3. ABCD Analysis of Black Ocean Strategy

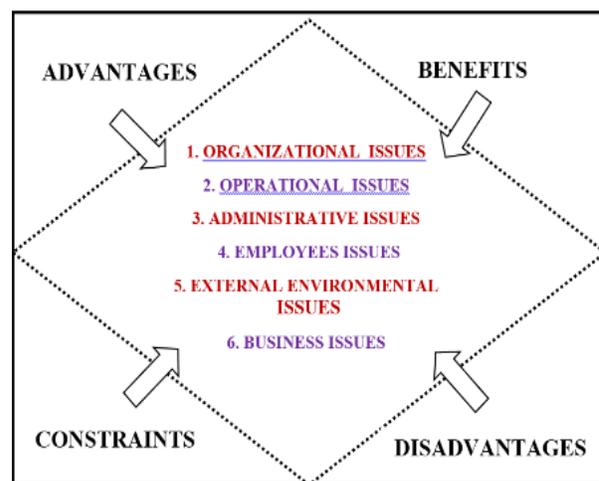


Fig 2: Block diagram of issues affecting the Black ocean strategy as per ABCD framework.

As per this analysis technique [10], the effectiveness of a business model/concept/system can be studied by identifying and analyzing the advantages, benefits, constraints, and disadvantages considering various issues like organizational objectives employers and employees perspective, customer perspective and environmental/social perspective as in the

block diagram of issues affecting the Black ocean strategy and is shown in figure 2. The various factors identified under the four constructs like advantages, benefits, constraints, and disadvantages are derived by a qualitative data collection instrument namely focus group method ^[12] and the constituent critical elements supporting these factors are identified. Factors affecting Black ocean strategy are (1)

Factors relating to organizational objectives, (2) Factors relating to administrative perspective, (3) Factors relating to employees issues, (4) Factors relating to business issues, (5) Factors relating to external environment issues and (6) Factors relating to operations of the organization. Table 1 shows the framework of ABCD model in terms of advantages, benefits, constraints and disadvantages ^[10].

Table 1: Analysis of Black Ocean Strategy using ABCD framework.

Particulars	Advantages	Benefits	Constraints	Disadvantages
Organizational Issues	Situational decision	Sudden success	Risk of failure	Blacklisted
	Readiness to change	Fast return	Dynamic or rigid Environment	Bankrupt
	Revenue generation	Rejuvenation	Not suited for all business	Business shut down
	Vibrant Leadership	Quick Results	Unethical means	Legal consequences
Administrative Issues	Net working with influential people	Face to face interaction	Political pressure groups	Under the table dealings
	Informality	Ad hoc decisions	Secrecy	Relatively costly
	Informal communication	Reduced administrative procedures	Middlemen	Unaccountability
	Speedy results	No record keeping	Gossip /grapevine communication	No proper records
Employee Issues	Risk taking Behaviour encouraged	Mutuality in distrust	Noninvolvement of staff	Disowns activities
	Establishes employer brand	Individual development	Affects Values /ethics of employees	Loss of job
	Financially rewarding	Career growth	Labour unions	Loss of employer image
	Positive organization culture	Team work towards the goal	Organizations' structures and protocol	Frustration
Business Issues	Business growth and sustainability	Flexible	Business ethics/value	Unlawful activities
	Change Management	Respond to situations	Corporate governance	Centralized decision making
External Issues	Employment generation	Livelihood for many	Law of land	Against social norms and values
	Disaster management	Customer choice of service/goods	Politics and political connections	Success many not be repetitive
Operational Issues	Short term plans	Time duration short	Coordination difficult	Expensive
	Informal communication	Handle emergencies	Disconnectedness	Crime

As per ABCD technique we have to identify and analyze various factors and critical constituent elements under (a), (b), (c), (d), (e).

Advantages: (a) Advantages from Organizations point of view, (b) Administrative Point of View, (c) Employees point of view, (d) Business point of view, (e) External environment point of view, (f) Operational point of view.

Benefits: (a) Benefits from Organizations point of view, (b) Administrative Point of view, (c) Employees point of View (d) Business point of view, (e) External environment point of view (f) Operational point of view.

Constraints: (a) Constraints from Organizations point of view, (b) Administrative Point of view, (c) Employees Point of View,(d) Business point of view, (e) External environment point of view, (f) Operational point of view.

Disadvantages: (a) Disadvantages from Organizations point of view, (b) Administrative Point of view, (c) Employees Point of View, (d) Business point of view, (e) External environment point of view (f) Operational point of view.

(1) Organizational Issues:

Advantages of black ocean strategy based on organizational point of view are situational decision, readiness to change,

revenue generation and vibrant Leadership. The various benefits are sudden success, fast return, rejuvenation and quick results. The organizational constraints are risk of failure, dynamic or rigid environment, not suited for all business and unethical means. The organizational disadvantages include Blacklisting of the company, bankruptcy, business shut down and legal consequences

(2) Administrative Issues:

The advantages of black ocean strategy in terms of administrative issues like network of influential people, informality, informal communication and speedy results. The benefits on administrative issues of black ocean strategy include face to face interaction, ad hoc decisions, Reduced administrative procedure and no proper records. The administrative constraints are Political leadership, secrecy, middlemen and Gossip /grapevine communication. The administrative disadvantages include under the table dealings, relatively costly, unaccountability and no proper records.

(3) Employees Issues:

The advantages of black ocean strategy include risk taking behavior encouraged, employer brand establishment, financial rewards and positive organization culture. The benefits include mutuality in distrust, Individual

development, career growth and team work towards the goal. The various constraints include noninvolvement of staff, affects values /ethics of employees Labor unions and Organization structures and protocol. The disadvantages of the black ocean strategy include disowns activities, loss of job, loss of employer image and frustration.

(4) Business Issues

The advantages of business issues using black ocean strategy include Business growth and sustainability and Change Management. The various benefits in business point of view are Flexible, respond to situations. The constraints of black ocean strategy include difficult to generate interest, business ethics/value and corporate governance. The disadvantages include unlawful activities and centralized decision making.

(5) External Issues

The advantages of black ocean strategy for other stakeholders include employment generation if successful and disaster management. The benefits of black ocean strategy are livelihood for many and customer has choice of service/goods. The constraints for external issues are law of

land, politics and political connections The disadvantages of black ocean strategy for other stakeholders include going against social norms and values and success many not be repetitive

(6) Operational Issues

The black ocean strategy provides advantages in operational issues like short term plans and informal communication. The various benefits are time duration is short and can handle emergencies. The operative constraints of black ocean strategy are coordination difficulty and Disconnectedness. The disadvantages of black ocean strategy from operational point of view include the act being expensive and crime.

4. Critical Constituent Elements as per ABCD model

As per ABCD framework [10 - 11] for Black ocean strategy analysis, the factors affecting under organizational, Administrative, Employees, Business, External and Operative issues are identified. The critical constituent elements of these factors are listed under the four constructs - advantages, benefits, constraints and disadvantages of the ABCD technique and tabulated in tables 2 to 5.

Table 2: Advantages of Black ocean strategy

Sl. No.	Issue	Factors affecting	Critical Constituent Elements
1	Organizational Issues	Situational decision	Decision making
		Readiness to change	Dynamic environment
		Revenue generation	Investment
		Vibrant Leadership	Leadership style
2	Administrative Issues	Network of influential people	Public relations
		Informality	Organizational structure
		Informal communication	Communication channels
		Speedy results	Aggressive Planning, Organizing
3.	Employee Issues	Risk taking Behaviour encouraged	Innovation and creativity
		Establishes Employer brand	Employer image
		Positive organization culture	Organizational culture
		Financial rewards	Financial unaccountability
4.	Business Issues	Business growth and sustainability	Corporate strategy
		Change Management	Ever changing environment
5.	External Issues	Employment generation	Means of living
		Disaster management	Challenging environment
6.	Operational Issues	Short term plans	Planning and organizing
		Informal communication	Power politics

Table 3: Benefits of Black ocean strategy

Sl. No.	Issue	Factors affecting	Critical Constituent Elements
1	Organizational Issues	Sudden success	Planning and organizing[Ad hoc]
		Fast return	Financial investments
		Rejuvenation	Change management
		Quick Results	Short cuts to success/Means to succeed
2.	Administrative Issues	Face to face interaction	Channels of communication
		Ad hoc decisions	Decision making authority
		Reduced administrative procedure	Administrative staff
		No record keeping	Policies and procedures
3.	Employee Issues	Mutuality in times of distrust	Working with teams
		Individual development	Learning culture
		Career growth	Organisational and individual development
		Team work towards the goal	Group dynamics
4.	Business Issues	Flexible	Work systems
		Respond to situations	Creation of opportunities
5.	External Issues	Livelihood for many	Contribution to the society
		Customer has choice of service/goods	Variety of products and services
6.	Operational Issues	Time duration short	Span of time
		Handle emergencies	Critical decisions

Table 4: Constraints of Black ocean strategy

Sl. No.	Issue	Factors affecting	Critical Constituent Elements
1.	Organizational Issues	Risk of failure	Business and functional strategy
		Dynamic /rigid Environment	Role conflict
		Not suited for all business	Type of business
		Unethical means	Path to success
2.	Administrative Issues	Political pressure groups	Political contact
		Secrecy	Information age
		Middlemen	Organizational hierarchy /Line and staff relationships
		Gossip /grapevine communication	Forms of communication
3.	Employee Issues	Noninvolvement of staff	Employee engagement
		Affects Values /ethics of employees	Individual values and culture
		Labor unions	Collective bargaining
		Organization structure and protocol	Whistle blowing
4.	Business Issues	Business ethics/value	Corporate social responsibility
		Transparency	Corporate governance
5.	External Issues	Law of land	Legal environment
		Politics and political connections	External environment
6.	Operational Issues	Difficulty in Coordination	Psychological and spiritual quotient
		Disconnectedness	Social media, Internet age

Table 5: Disadvantages of Black ocean strategy

Sl. No.	Issue	Factors affecting	Critical Constituent Elements
1.	Organizational Issues	Blacklisted	Business sustainability
		Bankrupt	Image
		Business shut down	Long /short term consequences
		Legal consequences	Powerful judiciary
2.	Administrative Issues	Under the table dealings	Secrecy and shroud
		Relatively costly	Financial stability
		Unaccountability	Readiness to face any consequences
		No proper records	Policies and procedures
3.	Employee Issues	Disowns activities	Responsibility and accountability
		Loss of job	Fear of the unknown
		Loss of employer image	Employee loyalty lost
		Frustration	Retention problem
4.	Business Issues	Unlawful activities	High risk
		Centralized decision making	Control mechanism
5.	External Issues	Against social norms and values	Ethical vs. non-ethical issues
		Success many not be repetitive	Luck Factor
6.	Operational Issues	Expensive	Sources of fund
		Crime	Right vs. wrong decisions

5. Conclusion

Based on the principles of ABCD analysis, the various issues of a new the strategy called Black ocean strategy is identified. The various factors affecting the issues of the system are identified and analysed under four identified constructs and listed in table 1 and the constituent critical elements of these factors are also identified based on analysis and listed in tables 2 to 5. It is found that the factors supporting advantages and benefits are more effective compared to constraints and disadvantages of the system based on specific environmental conditions and nature of regulatory policies, so that Black ocean strategy may become more popular from the perspective of the administration and organization. Based on the analysis of constituent critical elements in each affecting factors, it can be argued that careful handling of specific type of problems is possible with specific environmental conditions using black ocean strategy. The advantages and benefits outweigh the constraints and disadvantages, provided organizational managers use the strategy carefully with an objective of solving the problem instead of using it for quick and large profit due to greediness. The strategy, even though is un-ethical, supports

the business progress with appropriate intervention based on careful handling of the situations.

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