



BLUE OCEAN SOLUTIONS

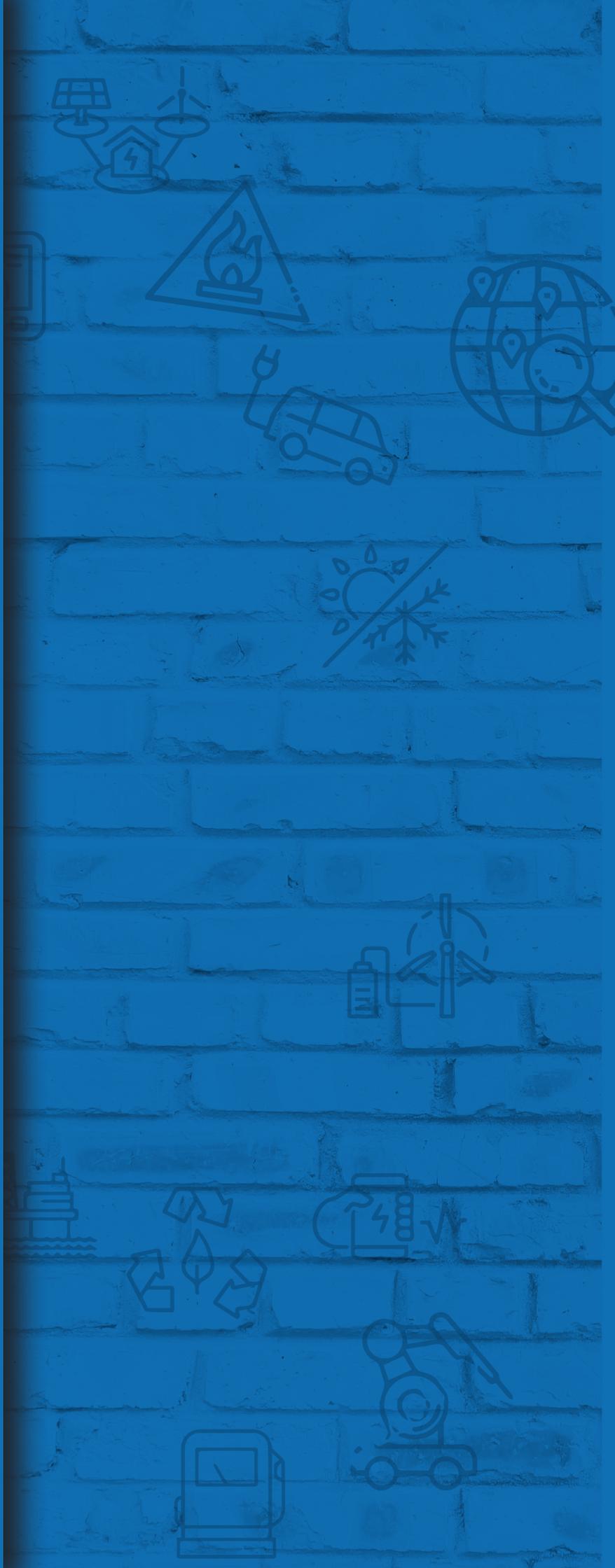
MAKING THE PUBLIC SECTOR MORE CUSTOMER CENTRIC



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MAKING THE PUBLIC SECTOR MORE CUSTOMER CENTRIC



Blue Ocean Solutions

Making the Public Sector More Customer Centric

Datuk Dr. John Antony Xavier served as the author.

Dr. Jose Elvinia was the research coordinator of this publication.

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FOREWORD

This publication was inspired by the work of Professors W. Chan Kim and Renée Mauborgne, at the Institut Européen d'Administration des Affaires (European Institution of Business Administration), who popularized the blue ocean strategy (BOS) in their book of the same name published in 2004. Their model has encouraged many marketing strategies for gaining a competitive advantage with the main argument that if any organization or company wants to earn more than its competitors, it must move out of the red-ocean market of bloody competition. As the cornerstone of the BOS, value innovation lets customers enjoy superior, differentiated products at lower cost, contrary to traditional management thinking under which improving quality or adding features to a product or service comes at additional cost.

How is the BOS applicable to the public sector, especially in enhancing its productivity? The BOS in the public sector was inspired by the paradigm of new public management (NPM), through which reforms in governments worldwide were associated with significant improvements in public services. The BOS is a reform agenda of the post-NPM era and seeks to pursue value innovation in service delivery. There are six requirements for a service delivery approach to qualify as a BOS: offering a leap in value and benefit for citizens; providing innovative services at lower cost; allowing cross-agency collaboration including the breaking down of silos to permit multiagency approaches and strategic partnerships; ensuring rapid execution by the government; sustaining initiatives including replicability across public services; and targeting currently underserved or unserved groups for innovative service provision. As an example, APO member Malaysia has successfully pursued the BOS and reaped significant benefits in terms of improved public services and productivity of numerous government agencies.

This publication focuses on public-sector leadership to gain insights on how to apply the BOS model in developing solutions to the myriad day-to-day challenges in improving public services. We hope that readers will find this publication useful and meaningful in enhancing the productivity of the public sector, especially during its transformation in an environment filled with volatility, uncertainty, complexity, and ambiguity.

The APO wishes to thank Professor John Antony Xavier of the Graduate School of Business, National University of Malaysia, for sharing his valuable knowledge through this publication.



Dr. Santhi Kanoktanaporn
Secretary-General
Tokyo
February 2019

Introduction

In an age of fiscal restraint, public sectors around the world are hard pressed to deliver better-quality public services that offer a “leap in value” to citizens but at less cost to government. Increased consumerism compounds such fiscal pressures. Additionally, globalization and the attendant heightened competition among nations for international trade and investment have added further impetus to the imperative that the public sector should “work better yet cost less” [1].

Meeting this imperative requires productivity improvement through innovation in service delivery. Kim and Mauborgne, in their 2005 [2] best-seller of the same name (and greatly expanded in their second book, *The Blue Ocean Shift* in 2017), championed the blue ocean strategy (BOS) as a means to enhance productivity. The BOS offers a series of analytical tools for businesses to offer a jump in value in their product or service offerings at relatively lower cost.

Since 2009, the Malaysian public sector has adapted the private-sector BOS method to create a similar spike in value through a customer centric approach without an increase in costs. This method has come to replace the “red ocean” of complex department-centric service delivery that invariably costs more.

Malaysia is not alone in such adaptation although it is the one that expressly applies the term BOS. Other jurisdictions have applied a similar idea to enhance service delivery at lower cost. However, those jurisdictions have not expressly used the term BOS. For example, in 2012, the New South Wales (NSW), Australia, government, inspired by BOS ideas, started Service NSW as a one-stop shop for delivering public services. The Centrelink of Australia and Service Canada are two other jurisdictions that offer citizens integrated, accessible, personalized services [3].

Objectives

This report:

1. Highlights the central features of the BOS as espoused by Kim and Mauborgne;
2. Identifies the features of the BOS as adapted in the Malaysian public sector and elsewhere;
3. Shows how the BOS can be developed in the public sector; and
4. Explains the prerequisites for successful implementation of the BOS for improving public services.

The BOS as a Private-sector Concept

Popularized by Kim and Mauborgne [2], the BOS has inspired many marketing strategies for gaining competitive advantage. After studying over 150 blue ocean creations in 30 industries, Kim and Mauborgne argued that if a company wants to earn more than its competitors, it has to move out of the red ocean market of bloody competition. Instead of focusing on battling competitors head-on in the existing market, a company should shift to a blue or “unbloodied” ocean of a new market space where is no competition. To do that, a business has to seek out underserved or unserved customers so that it can offer them a leap in value at lower cost. Kim and Mauborgne termed this product or service offering “value innovation.”

Traditional management literature asserts that differentiating a product offering by improving its quality or adding more features will create value for customers. However, such innovation comes at an additional cost: the cost of R&D and differentiation. This increased cost will invariably be passed on to customers through higher prices. However, value innovation, which is the cornerstone of the BOS, suggests that customers can still enjoy superior, differentiated products at lower cost.

To facilitate the creation of value innovation, the BOS advances the need to see the big picture rather than being mired in operational details. To help see the big picture, the BOS advances the four-action framework of eliminate, reduce, raise, and create (ERRC). This requires businesses to consider:

1. Factors that can be *eliminated*, which the industry has long taken for granted;
2. Factors that should be *reduced* below the industry standard (answers obtained from considering these factors will enable a business to reduce costs);
3. Factors that should be *raised* above the industry standard; and
4. Factors that industry has never offered and hence should be *created* (the latter two considerations will determine the extent of value creation).

For example, Malaysia's AirAsia has been able to establish itself as one of the most successful low-cost airlines in the world. AirAsia came into being in 1990, well before Kim and Mauborgne's book. Notwithstanding, its business model incorporates the answers prompted by the ERRC framework. It drastically reduced costs by eliminating unnecessary inflight services and baggage handling, thereby reducing the price of air travel. AirAsia raised the quality of services by introducing booking and check-in services online. And it created a perception that everyone can fly through the provision of cheaper tickets.

Rationale for BOS Adaptation in the Public Sector

Since the 1980s, much of public-service transformation around the world has been inspired by the dominant paradigm of new public management (NPM). Many reforms associated with NPM have brought significant improvements to public services. Among others, NPM has increased the outsourcing or even privatization of public services. It advocates a corporate style of public management, chiefly through the use of key performance indicators, performance scorecards, and contractual appointments, especially those of CEOs [4].

Although NPM initiated public management improvement, it produced unintended consequences such as the fragmentation of public services. Distributed governance, as in Margaret Thatcher's Next Steps' agencies, is emblematic of such fragmentation. The negative impact of distributed governance has been dampened. Greater influence is now increasingly exercised from the center of government. For example, Tony Blair eclipsed the Next Steps initiative by concentrating power back into the prime minister's office and ministries [5].

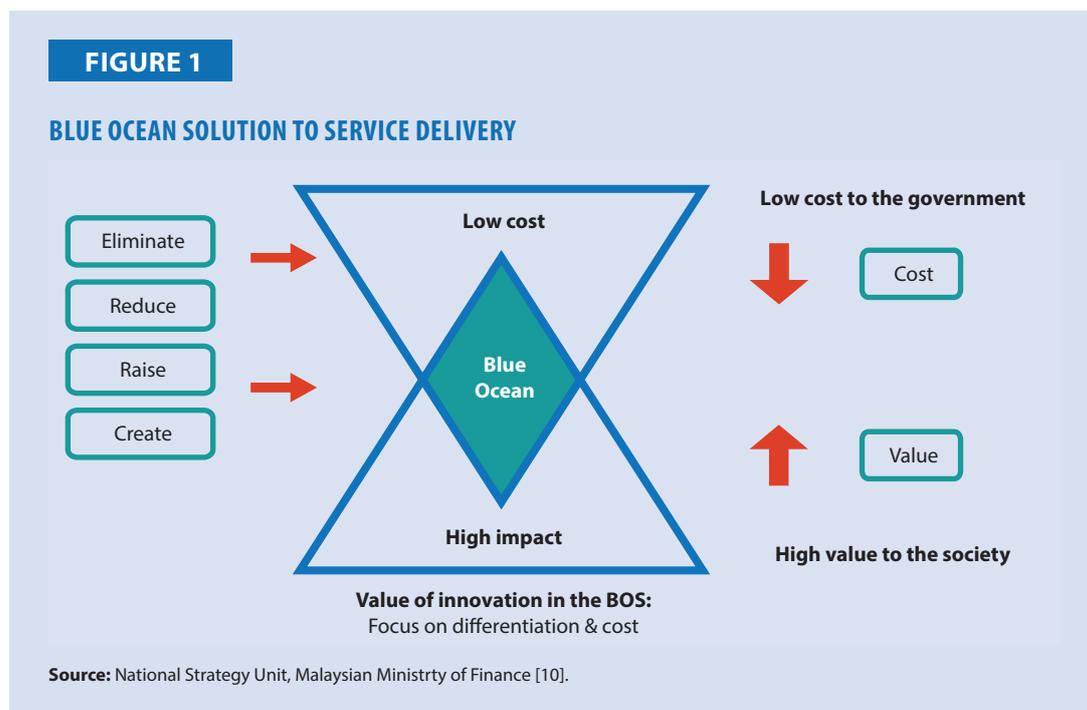
The sluggish progress in service delivery improvement under the NPM paradigm has forced modern governments to experiment with novel approaches to governance and service delivery. Horizontal or networked government, whole-of-government, collaborative governance, and digital

governance are among approaches that have received much attention in the post-NPM era. A common thread in all these approaches is that they highlight increased collaboration to raise the productivity and problem-solving capacity of the public sector. In seeking to provide greater value in public services, these approaches also sought to inject greater responsiveness to citizens' needs [6, 7]. Malaysia's BOS represents one such alternative solution to improve public services to achieve better outcomes for citizens.

Like other countries, Malaysia faced problems of fiscal restraint amid an ever-burgeoning population. An increasingly cantankerous citizenry wanted better, quicker, more affordable public services. Malaysia also faced issues of national competitiveness as a result of globalization. Unique to Malaysia were the results of the 2008 general elections. The then-ruling national coalition received a thumping blow at the ballot box. It lost its two-thirds majority in parliament. Najib Razak, then deputy premier, took over the political leadership. His first duty was to restore citizens' trust in government, since they had grown skeptical of the government's ability to deliver public services efficiently [8].

Also, at the turn of the century, Malaysia was at a crossroads. It was stuck in the so-called middle-income trap. It faced differentiation challenges from advanced countries like the USA and Japan while warding off low-cost challenges from emerging countries like PR China, India, and Vietnam. The government wanted to move the country out of this red ocean trap. It considered that a BOS might provide a platform to catapult to developed-nation status and achieve greater public well-being. Departments were also working in silos bereft of the synergy that they could secure through interagency collaboration [9].

The BOS offered that platform to deliver a huge benefit to the public at lesser cost to the government. Adapting Kim and Mauborgne's [2] ideas, the BOS has become a leading strategy for improved public services in Malaysia. Figure 1 illustrates the twin goals of BOS service delivery: massive benefit to the public without the attendant increase in costs.



By breaking down silos and encouraging interagency collaboration, the National BOS (NBOS) seeks to reconstruct the conventional boundaries that exist across public and private organizations in service delivery. It seeks to reduce costs of service delivery by pooling resources among related agencies and deploying those resources to where they are required the most and where the impact of their utilization is higher (the hotspots) ([www. NBOS.gov.my](http://www.NBOS.gov.my)).

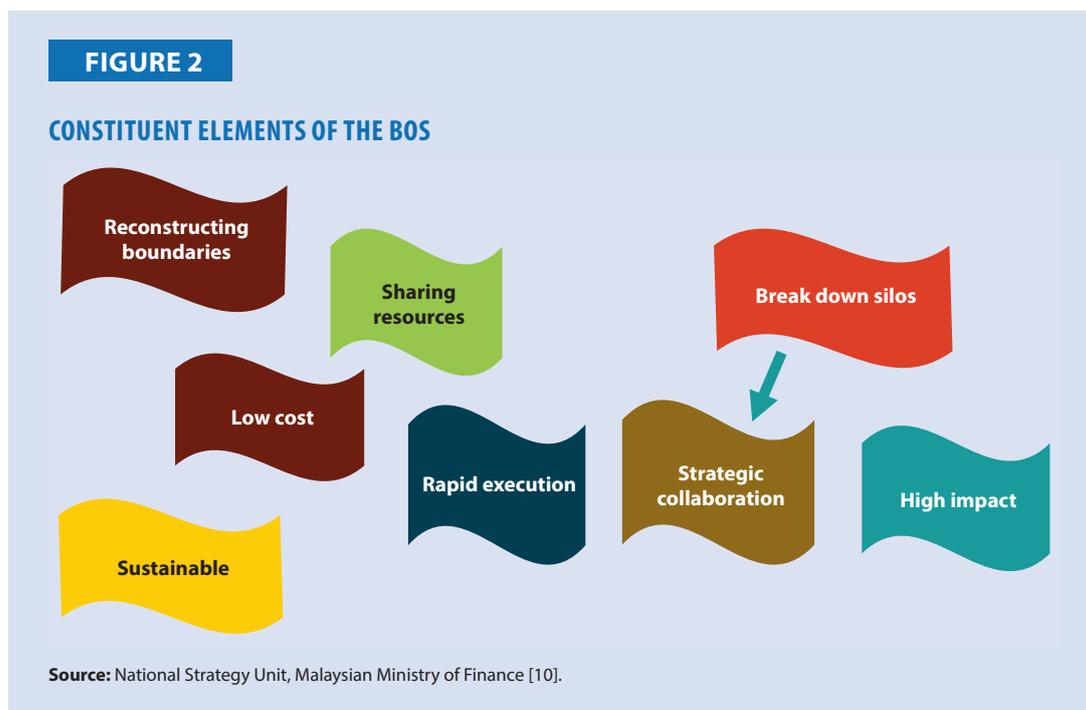
Over the last two decades of implementation, the BOS has produced a range of projects which helps tackle issues of public-sector productivity. Appendix 1 offers a snapshot of some key BOS initiatives pioneered by the Malaysian government. During 2010 to April 2018, the Malaysian government carried out 118 projects in 80 agencies.

The next section explores the BOS as implemented by Malaysia as an innovative approach to public-sector reform.

BOS: The Public-sector Model for Productivity Improvement

As Figure 2 shows, for a particular service-delivery approach in Malaysia to qualify as a BOS, it must fulfill the following requirements:

1. Offer a leap in value for citizens. That is, the project should bring substantial benefit to citizens.
2. Deliver an innovative service at lower cost.
3. Allow cross-agency collaboration. Such collaboration will break down silos. This is essential where some services cannot be effectively undertaken by just one agency. For example, crime control requires a multiagency approach, from schools to community policing, and from law enforcement to judicial adjudication. Collaboration will also enable the pooling of resources. The related agencies are those that pursue common policies. One agency may have a good idea



but might not have adequate resources to execute it. Another related agency that has surplus resources (land, human, and financial) can become a strategic partner in delivering on a common objective. This overcomes the conventional mindset of asking for additional resources each time a new activity is pursued. Collaboration across related agencies will optimize their collective resources to ensure better outcomes in service provision [11].

4. Be rapidly executable between three and six months. Rapid execution is necessary given government notoriety for dilatory implementation.
5. Offer sustainability. BOS initiatives should be replicable across the public service. They should also result in a change in work culture.
6. The target group for the innovative service provision should be those who are currently underserved or unserved [9].
7. Observe the principles of fair process, i.e., engagement, explanation, and clarity of expectations. Fair process involves recognizing the intellectual and emotional worth of employees. At the intellectual level, employees seek recognition for their ideas, while emotional recognition is about recognizing the worth of an employee. Fair process therefore is about engaging employees by asking for their inputs on how services can be improved. It is also about providing space for debate among them on the ideas expressed. Employees require clear explanations of how the novel service provision is to be carried out and their role in its execution. Everyone should understand the rationale for change. The consequences in terms of rewards and punishment should they meet or not meet these expectations should also be spelled out [2].

Based on the Malaysian experience, the next section explains the process of identifying a BOS project for improving public services.

How to Identify a BOS

This section explains the mechanics of identifying a BOS solution for improving public services. It includes the development of a strategy canvas. Using the ERRC framework, existing and new value curves that depict the existing and new levels of service offerings, respectively, are plotted on the strategy canvas to determine a BOS.

Step One: Set up an Innovation Team

The first step is to choose an innovation team. This team will identify or verify problems in service delivery. Framing the problem is important to arrive at the right solution. The service-delivery problem can be a nationwide issue, in which case it would most likely cut across agencies. If so, finding an innovative solution will require an interagency team to determine the exact scope and nature of the problem before a solution can be found. Or it can be a departmental service-delivery problem unique to a particular department. Here, the team can be constituted of that department's representatives.

It is important that the key players are involved in arriving at an innovative solution. Otherwise, the ownership of the BOS will not be there and turf wars may stymie any innovative solution. For example, if the problem is crime control or the low perception of safety among the populace, then

obviously a cross-agency team will be required. This is because crime control is a complex problem and many agencies are invariably involved in it. Accordingly, this multiagency team will include the Ministry of Interior, police, prison authorities, Community Development Ministry, and Ministry of Education.

An ideal composition of the team should be between 10 and 15 so that it is not so unwieldy as to cause incessant arguments. The numbers should be enough to reflect the viewpoints of the key players involved in resolving a service-delivery issue. This cross-sectional representation is crucial to ensure that all those involved have a say and buy into any proposed solution to be developed. The collaborative team should be headed by the agency that is the main stakeholder in resolving the problem. In the absence of a supra-organization, this lead agency is best placed to determine the composition of the team. Ideally, the members should command respect and credibility in their respective organizations. They should be good listeners and team players who are committed to finding novel solutions to the problem(s) at hand. To avoid group-think, it would be beneficial to include those who can play the devil's advocate. Such people can challenge the team's views to ensure that it digs deeper for a lasting solution.

In the case of Malaysia, there are some 30 agencies involved in crime control, either directly or indirectly. Not all of them need to be on the innovation team. However, they ought to be consulted in developing a BOS to control crime.

In seeking a novel solution, the innovation team will have to focus on citizens who are underserved or unserved. This is where the leap in value will arise by meeting the needs of these segments of the population. For example, if crime control focuses on the major crimes of burglary, armed robbery, rape, and murder, the underserved segment of the population may include those who are vulnerable to street crime, snatch theft, petty theft, and pickpocketing.

The innovation team should also be able to focus on the future. It should ask questions that catalyze an innovative solution. To qualify as a BOS approach to service delivery, the team should seek solutions that offer immense benefit to the population with no attendant increase in cost.

The innovation team must command the attention of the bureaucratic leadership as well. It is even better if the political leadership is behind the team's efforts in arriving at novel solutions for service delivery.

Step Two: See the Big Picture to Understand the Current State of Service Delivery

To arrive at a BOS solution, the team should not focus on operational details of service delivery. Rather, it should see the big picture in terms of the key factors of the current service offering and how greater value can be offered to customers without any increase in cost to government. This will help the team and the organization to have a clear, shared understanding of the current level of service offering. Once such an understanding is forged, the team will be inspired to act to improve the service.

The Strategy Canvas

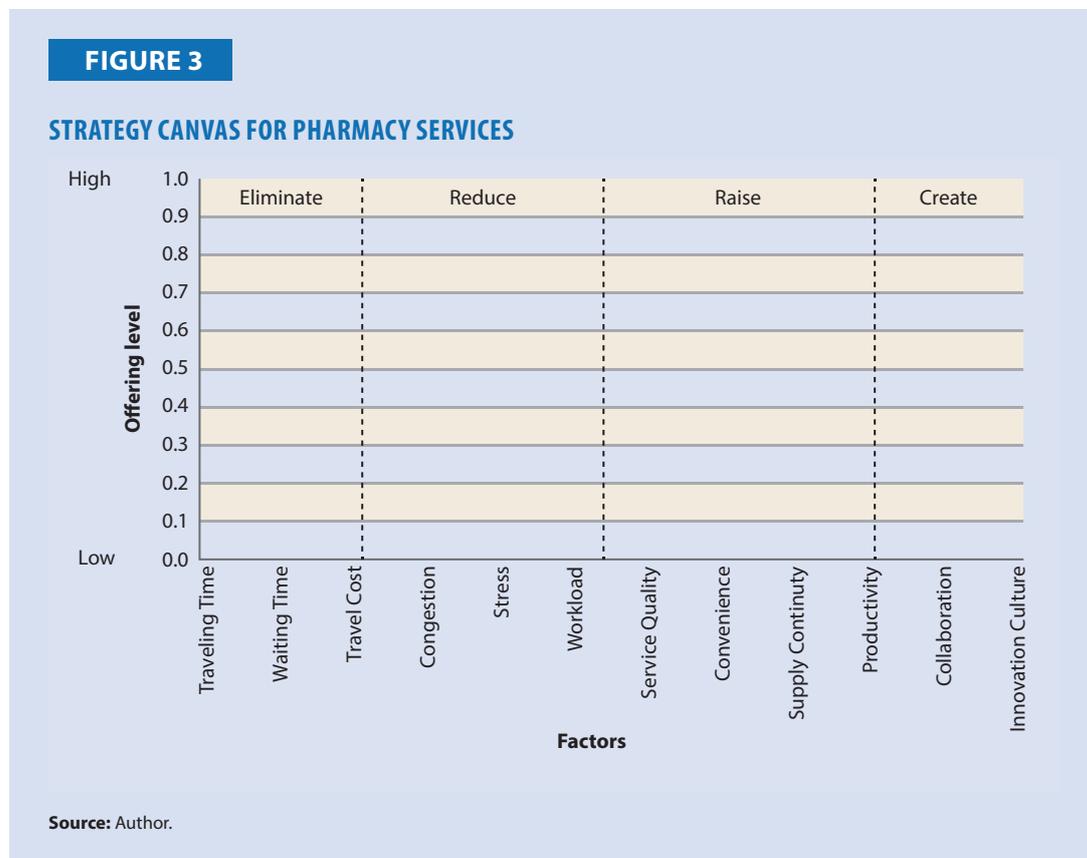
To enable a grasp of the big picture, the team should craft a strategy canvas. The ERRRC framework will aid in this exercise. The strategy canvas is a one-page visual representation of the current state of play in service provision. This visual representation is essentially a graph that highlights the features of the service and the level of offering against each feature. Figures 3, 4, and 5 depict

strategy canvases for the pharmacy services of the Ministry of Health, Malaysia. The canvas could easily represent pharmacy services in other countries as well.

On the x-axis are plotted the features of the service, including activities undertaken in delivering it. These factors will mirror those where time, effort, and investment are expended. (See the x-axis in Figures 3, 4, and 5 for the factors for pharmacy services.) On the y-axis is the level of offering (high, medium, low) against which each feature of the service will be assessed. A coordinate is then plotted for each factor. (A free download of a strategy canvas is available for use at www.Blueoceanshift.com/ExerciseTemplates.)

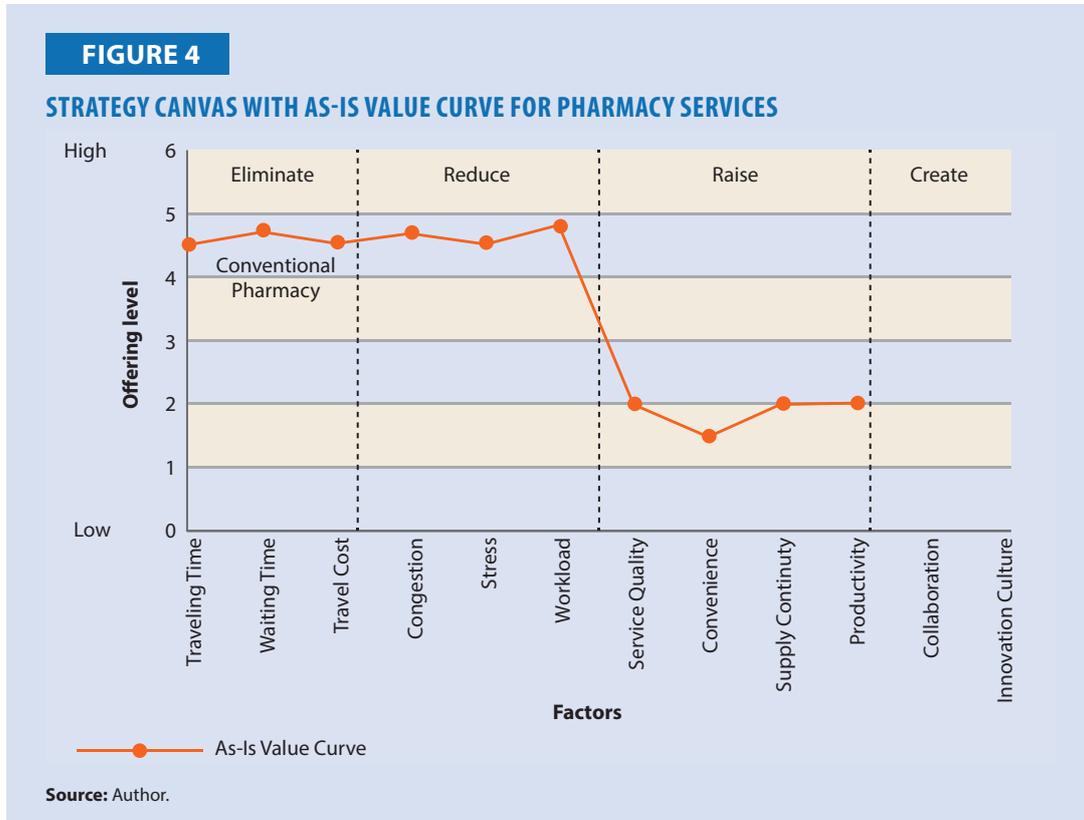
The team should identify between five and 12 key factors that currently reflect a particular service provision. Identifying more than 12 factors may make seeing the big picture too complicated. Any fewer than five may make the big picture slightly oversimplified. As far as possible, jargon should be avoided and the factors should be identified from the standpoint of the citizens consuming the service or those who are being targeted, that is, what citizens consider to be the key factors of a particular service offering. Factors that consumers do not experience, such as leadership, IT systems, or culture, should be eliminated unless they can be directly related to customer experience as, for example, customer service or online delivery.

Levels of offering on the y-axis should be rated on a Likert-type scale, with 1 being low and the opposite end of the scale representing a high level of offering. A simple low-medium-high rating could also suffice to identify the level of offering for each factor identified. Again, this assessment must be from the consuming public's perspective. It would be even better if they were asked for their opinions and the average score of their perspective could be obtained for each of the factors.



The “As-Is” Strategy Curve

Once the plots (coordinates for the various factors) are connected, the “as-is” curve that is drawn reflects the current state of service delivery. This as-is curve for pharmacy services before the development of a BOS is shown in Figure 4.



To ensure that the as-is value curve is not zig-zaggy, it may be prudent to group factors with similar offering levels together. Otherwise, it may be difficult to make sense of the as-is value curve.

Once the as-is value curve is drawn, the team can see for itself the nature of the current public-service offering. They can then identify the pain points or grievances that the public has in relation to the service offering and the opportunities to improve services. In the case of pharmacy services, the obvious pain points are waiting time, time and expense for travel, service quality, and stress.

Based on the big picture, the team can then deliberate on the BOS opportunity or how the current service can be improved so that there is an immense benefit to citizens without an attendant increase in cost. This can be done by reducing the ratings for the factors that are high and jacking up those with low ratings. This raising and reducing should give insights into a BOS. For example, if waiting time is high or rather long, then a BOS should reduce waiting time. Similarly, if the stress level is high, then the proposed BOS should reduce stress levels.

Step Three: Draw the New or “To-Be” Value Curve

In seeking to position the service to achieve value innovation, the team can ask questions (examples are listed below) to draft the ERRC grid. The grid will then be the basis to draw the new or to-be value curve. Table 1 illustrates an ERRC grid, and Figure 5 highlights the questions to be asked in the development of the ERRC grid.

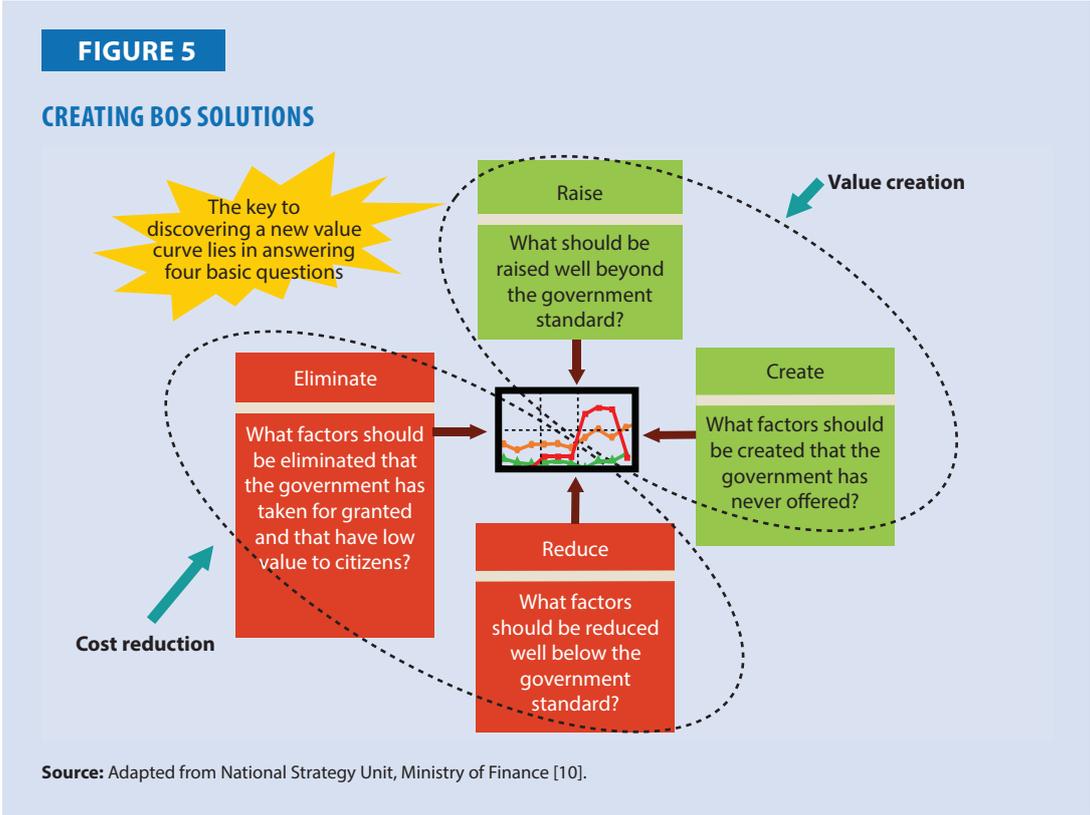


TABLE 1

THE ERRC FRAMEWORK FOR PHARMACY SERVICES

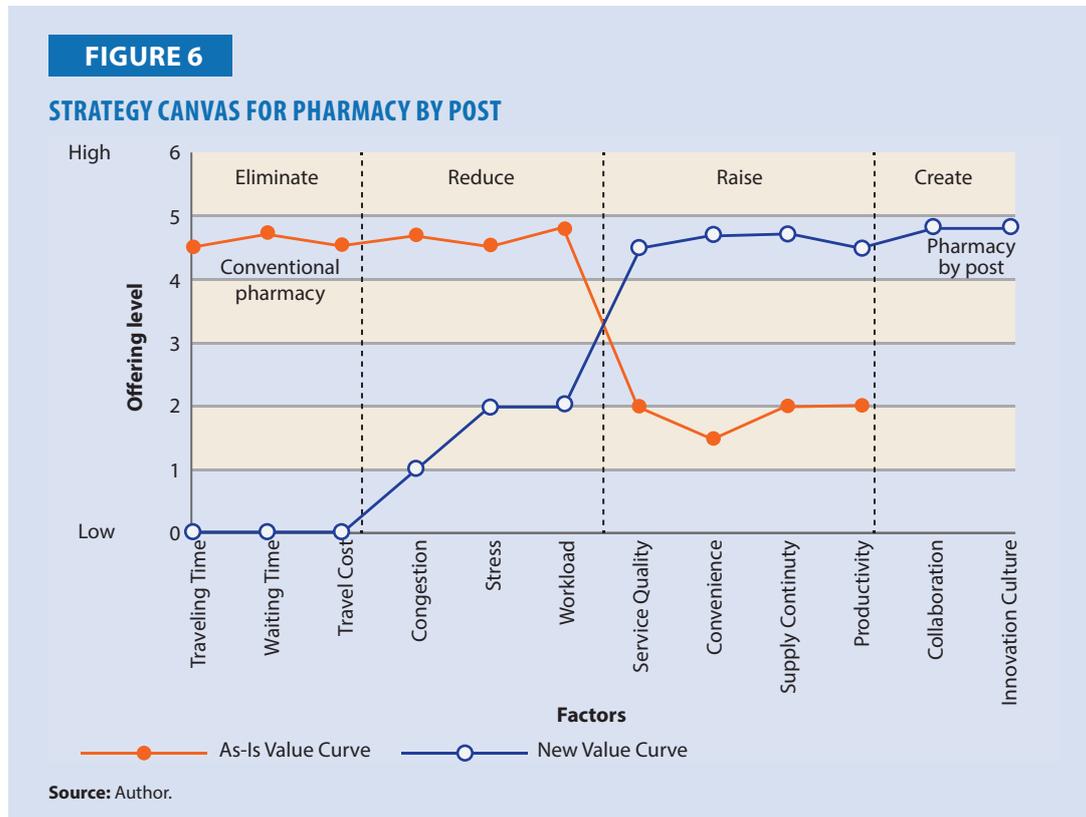
Eliminate	Raise
1. Waiting time	1. Service quality
2. Travel time	2. Convenience
3. Travel costs	3. Supply quality
	4. Productivity
Reduce	Create
1. Congestion at pharmacy	1. Public-private collaboration
2. Workload of pharmacists	2. Innovation culture
3. Stress on pharmacists	

The ERRC grid for pharmacy services is developed by answering the questions in Figure 5 above. The questions are adapted from the private-sector questioning championed by Kim and Mauborgne [2, 9]:

1. What factors should be eliminated which the government has taken for granted and have low value to its citizens?
2. What factors should be reduced well below the government standard?
3. What factors should be raised well above the government standard?
4. What factors should be created which the government has never offered?

Based on the ERRC grid, a new value curve can be plotted on the strategy canvas. Figure 6 juxtaposes both curves for the new strategy of pharmacy by post. The greater the divergence between the to-be and as-is value curves, the more novel and greater the value innovation in the new service.

It would also be helpful if a compelling tagline for the proposed BOS could be drafted. This tagline should encapsulate the essence of the proposed BOS based on the new value curve. It will act as motivation for employees while informing citizens of the gist of the new service offering.



Step Four: Hold a BOS Fair

The strategy canvas that has been developed by the innovation team could be refined by holding a BOS fair. What is meant by “a fair” is the assembly of the innovation team and the organization’s leaders in a specific place where the strategy canvas is circulated to the leaders. When there is interagency collaboration in the development of the BOS, the leaders of the related organizations should also be part of the leadership team.

The innovation team briefs the leaders on the background of the project and the rationale for the strategy canvas. The purpose of the briefing is to help the leaders understand the thinking of the innovation team and the logic behind its development of the strategy canvas. Discussions between the organizational leadership and innovation team could lead to a refinement of the value curves or even the development of an alternative new value curve. In this fair, the consuming and nonconsuming public can be consulted and their feedback can be dovetailed with the alternative option(s). The organizational leaders can ask the following questions at the fair [9]:

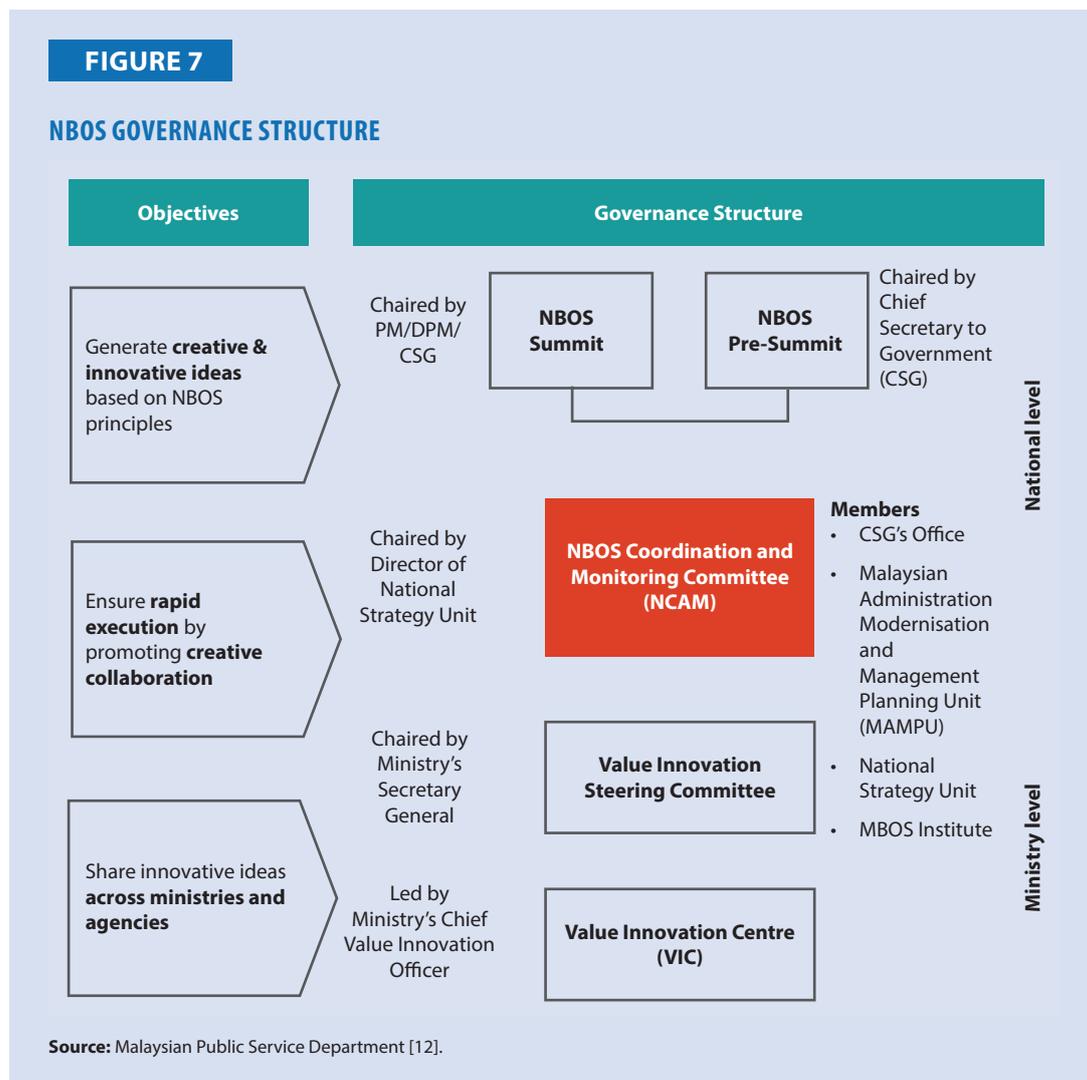
1. Should any of the factors represented on the to-be value curve be revised to multiply citizens’ utility from a particular service?

2. Does the new option sufficiently eliminate or reduce factors to ensure that costs are driven down further?
3. Can the proposed offering further raise or create factors without jacking up the costs?
4. Is the proposed option executable?

Eventually, the organizational leadership will have to decide on the best course of action based on the extent of value innovation desired and the executability of the new option. The chosen or refined new value curve then becomes the basis for crafting the BOS for execution. Depending on the governance structure for public-sector reform, further approvals may be required from the bureaucratic and political leadership before execution is possible.

Governance Structure

For the effective formulation and implementation of a reform initiative, there should exist a governance structure helmed preferably by the political leadership. The governance structure as instituted by the Malaysian government for the NBOS is illustrated in Figure 7.



Established in 2009 under the leadership of the prime minister, the NBOS Summit drives the BOS in Malaysia. The summit sets directions for reform and reviews the progress of the BOS in its regular meetings. Its composition includes top national leaders, secretaries-general of ministries, top officers from the security sector, and selected captains of industry. The Malaysian Blue Ocean Strategy Institute (MBOSI), a nonprofit research center, offers consultancy to the summit.

The silo mentality and turf battles stymie policy formulation and execution. To foster interagency collaboration, the summit created two platforms to support its agenda, the pre-summit and the offsite. The chief secretary to the government chairs the pre-summit involving public-sector leaders. The pre-summit works under the broad guidance of the summit in setting the latter's agenda. It monitors the execution of blue ocean initiatives and resolves interagency disputes that occur during implementation.

The BOS process starts with the monthly meetings of the summit. These meetings identify priority issues that will benefit from blue ocean solutions. The two supporting platforms then develop detailed initiatives to solve those problems. The pre-summit sets the scope, team members, and strategic direction for the new initiatives before handing them over to the offsite. The latter comprises working-level teams in various agencies, or in value innovation centers, charged with crafting and implementing detailed action plans with clear timelines. Team leaders are also members of the pre-summit. As such, their work is well aligned with the hierarchy above [9].

The National Strategy Unit of the Ministry of Finance (NSU) acts as the national secretariat of the BOS initiative. Its director chairs the BOS Coordination and Monitoring Committee (NCAM). The committee comprises representatives from the chief secretary's office, Malaysian Administrative Modernisation and Management Planning Unit of the Prime Minister's Department (the key reform agency), MBOS, and NSU.

This committee sieves through the progress of and proposals for BOS projects before submitting them to the pre-summit and summit. BOS proposals come from Ministry of Finance Value Innovation Centres.¹ These centers are charged with coordinating and helping departments under the ministry to devise novel solutions for public service provision. After the proposals have been vetted by the ministry's Steering Committee on Value Innovation, they are then despatched for the consideration of the NCAM.

To ensure alignment and that all are on the same page, agencies are meant to develop novel solutions to public-service problems using blue ocean analytics such as the strategy canvas and the ERRC grid. To pass muster for approval, each proposal must have a lead agency that will take overall responsibility for the project. Support agencies collaborate to share resources for the success of the project [4, 13].

Critical Success Factors for BOS Implementation

Unlike the incremental approach to public-sector reform, the BOS approach in service delivery creates novel, radical solutions from the standpoint of the consuming public. Prerequisites for the implementation of BOS projects need to be in place to sustain reforms. This section discusses the

¹Upon the change of government on 9 May 2018, Value Innovation Centres were dismantled and staff were redeployed elsewhere in the ministry. BOS reform is under review.

key critical success factors for sustained execution of BOS reforms. Among others, these are political leadership, implementation machinery, collaborative governance, resources, and mindset change.

Political Leadership

For any reform initiative, political leadership is vital. The political leadership should champion the reform. The bureaucracy will then take the signal that this reform is important not only for improved services but also for survival of the political leadership at the ballot box. In Malaysia, the then-prime minister initiated the BOS project. However, such reforms run the risk that when the political leadership changes, priorities might change and the reforms might not be championed to the extent they were by the previous leadership. Notwithstanding the risk of the negative consequences on reform efforts of a change in leadership, it is a prerequisite that BOS projects obtain approval from the highest authority. This will ensure that the BOS concept will become embedded in the fabric of the public sector faster, which in itself acts as a bulwark against any attempt to unseat it for political reasons.

Implementation Machinery

A governance structure such as that of the Malaysian government discussed in the previous section should be in place. Otherwise, the BOS will be undertaken on a piecemeal basis without a central coordinating mechanism. Without implementation and coordinating machinery, reform initiatives cannot be systematized across the public sector. The reform then runs the risk that it might pale into insignificance when another new initiative is introduced. Tight monitoring and follow-up by a high-level steering committee, chaired preferably by the political leadership, will ensure the sustainability of the reform effort.

Additionally, a BOS implementation unit should be created in the ministries to spearhead projects. In keeping with the BOS ideal of not increasing costs, this unit can be formed by consolidating the existing implementation units of other reforms or from existing resources within an organization.

Collaborative Governance and the Breaking of Silos

The BOS requires the pooling of resources across the public sector. An organization with one type of resource, such as land, can team up with another with financial resources to pioneer a project that is of mutual interest in achieving their common goals. The BOS also requires the movement of resources from “coldspots” to “hotspots.” The value gained from resources expended in the hotspots will be greater than otherwise.

To undertake such shifts in resources, the breaking of silos and the promotion of collaborative governance are essential. Also, complex and especially “wicked” problems that require interagency involvement make collaborative governance an imperative. Such collaboration may also include strategic partnerships with the private sector and the public.

Adequate Resources

Former US Secretary of State General Colin Powell promulgated the Powell Doctrine of overwhelming force. The doctrine advocates the shunting of disproportionate resources to a project so that it can be permanently embedded and eliminate resisting forces completely. Likewise, for a BOS project to succeed, it too should attract sufficient resources so that it can be permanently embedded in the public sector. Expenditures are required to set up the governing structures. For example, Malaysia spent USD100 million in 2015 to entrench the BOS into the innovation culture of the public sector.

Employees at all levels must be trained in the mechanics of creating blue ocean solutions so that they do not have to rely on top management to initiate ideas.

Changes in Mindsets

As with the break-up of physical silos through collaborative governance, mental silos must also be torn down. Employees have to change their mindsets to accept innovative approaches to service delivery. For example, pursuing a new project should be done without the previous mindset of asking for additional resources. Employees must also adapt to new working arrangements. This is especially the case in Malaysia's Urban Transformation Centres (see Appendix 1), which operate over weekends and late into the night.

Conclusion

The BOS is a reform agenda of the post-NPM era. It seeks to pursue value innovation in service delivery. The NPM paradigm advocated developing greater value for customers but remained silent on the ensuing cost. To ensure its proper institutionalization in the public sector, there should be a systematic governance structure enveloping the top echelon of political leadership and ministries. Adequate resources should be devoted to institutionalizing the reform effort, and employees must be trained in the mechanics of developing blue ocean solutions. Collaborative governance is the buttress of the BOS. This is essential to break up silos to enable the sharing of resources across related ministries with a common set of goals.

Malaysia has successfully pursued the BOS and has reaped significant benefits in terms of improved public services. Other countries should not have problems in implementing the BOS on the basis of Malaysia's and other public-sector and private-sector experience elsewhere.

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APPENDIX

Selected Malaysian BOS Service-delivery Approaches

This appendix highlights some key initiatives developed through the BOS by the Malaysian government. These include the Urban and Rural Transformation Centres (UTCs and RTCs) and interagency and government–private-sector collaboration initiatives.

1. Malaysia Customer Service of Civil Servants (ISERVE)

The Malaysia Customer Service of Civil Servants (ISERVE) BOS initiative seeks to improve public services. ISERVE centers create a high-impact customer-service program by partnering with the private sector. This partnership is designed to impart expertise in exceptional customer service. It applies a three-pronged approach:

1. Reinforce customer-service skill sets of front-liner providers;
2. Consolidate processes and strengthen technology integration to share data sets across related organizations; and
3. Ensure the sustainability of the program.

The tagline adopted is “With Passion We Serve, Let’s Make a Difference.” ISERVE front-liners are trained and enabled to perform multiple tasks that help deliver various services. In dedicated centers, especially in UTCs, ISERVE officers from the Immigration Department, Road Transport Department, and Registration Department handle applications for the services of all three agencies at the front office. This is akin to the “no wrong door” policy of the government, meaning that a citizen can transact any business relating to these agencies at any counter in ISERVE centers [14].

Urban Transformation Centres (UTCs)

The UTC is a classic BOS approach of offering underserved citizens immense benefit in service provision at lower cost. They are citizens who wish to transact multiple businesses with the government. However, to do so they will have to go from one department after another. These offices are not located near centers of population density.

In operation since 2012, the UTCs make available a variety of government and private-sector services under a single roof. Open seven days a week from 8:30 to 22:00, UTCs represent an innovation in public-service provision as they offer an array of government services, such as passport renewals, registration of births and deaths, licenses, legal permits, police outposts, and registration forms for skill-training programs.

Developed along the lines of a one-stop service-provider model, UTCs house some 40 different agencies. These include core government departments and agencies, private banks, and commercial enterprises of various kinds. UTCs utilize existing buildings that have been empty or underutilized (for example, shopping arcades, bus terminals). They are located in strategic areas of population

density, with good transportation and communication facilities. Citizens need not visit multiple offices and contend with traffic snarls in the process [15].

UTCs are hugely popular. As of 2017, UTCs had attracted more than 50 million visits to their government services since inauguration [16]. As UTCs help dissipate the clientele for a particular service from departmental branches, waiting times are significantly reduced all around, which enhances citizens' convenience and satisfaction [17, 18].

UTCs have saved the government billions of dollars since ministries and agencies no longer need to own their city offices. As a result, the cost savings accrued per center is USD25 million, which works out to an overall savings of USD500 million for 20 centers. It would have cost the government USD28 million if it had erected a new building for a UTC, compared with only USD2.3 million to renovate an existing building.

An ERRC framework can be constructed to justify this BOS approach, as shown in Appendix Table 1.

APPENDIX TABLE 1

ERRC FRAMEWORK FOR THE BOS APPROACH

Eliminate	Raise
1. Service provision at different offices and buildings	1. No. of days of service
2. Building new buildings as branches for agencies	2. Length of time of service in a day
3. Renting private premises for service delivery	3. Service delivery at strategic locations
Reduce	Create
1. Time and expense to select location and subsequent renovation	1. One-stop shop for a myriad of public and private services
2. No. of administrative and maintenance personnel	2. Provision of supermarkets and wet-market facilities
	3. Utilizing unused or abandoned buildings

Rural Transformation Centres (RTCs)

In a model similar to UTCs, RTCs operate in rural areas. Numbering nine large and 200 mini-RTCs, they provide new economic, social, and educational opportunities that contribute to higher incomes and quality of life for the rural populace. Rural people previously were underserved and required to travel to town centers to conduct government transactions.

RTCs offer skill training, microcredit and health services, and opportunities to take part in high value-added agricultural activities. RTCs are equipped with Internet facilities. Rural people can use these facilities to access public services. Cost savings of USD200 million were achieved from renovating existing underutilized government facilities rather than building new centers between 2012 and 2016 [14].

Interagency Collaboration

This subsection collates some of the collaboration initiatives developed through the BOS approach.

Blue Ocean Policing

Another BOS initiative that has enhanced productivity in policing is the collaboration between the military and police to reduce crime, an area in which the public had previously been underserved. This is evident from the high perception of fear of becoming a victim of crime.

Previously unheard of, this collaboration takes several forms. Military training camps are utilized to fast-track training of police personnel. Additionally, the army has taken over the role of patrolling the borders, which was traditionally a role of the police. This allows the latter to concentrate on combating crime in society. Joint patrols by the military and police were introduced, which has helped reduce crime in urban areas. An important aspect of strategic collaboration between the two agencies is enhanced intelligence sharing, which complements the operations of both.

Collaboration across agencies to move resources from coldspots to hotspots even extended to the public service department (PSD) and the attorney-general. Once the attorney-general gave the green light, the PSD moved 4,000 clerical staff to the Police Department. These staff relieved 7,400 police personnel who were then doing administrative duties for beat duty. Compared with the red ocean approach of recruiting new police personnel, the blue ocean solution saved the government USD500 million in recruitment and building of police-training depots.

This strategic collaboration caused the street-crime rate to fall by 35% from 2009 to 2010, the start of the year of collaboration. Crime-index cases (largely serious crimes) also fell by 53% during 2010–2017 [9, 16]. The perception of safety has improved. Before the BOS approach in 2010, the public perceived their chance of becoming a victim of crime as 70%. As of 2017, that perception had almost halved to 40% [16].

1Malaysia Biodiversity Enforcement Operation Network

Under the 1Malaysia Biodiversity Enforcement Operation Network (1MBEON), the military, police, and wildlife and forestry rangers of the Ministry of Natural Resources and Environment are part of the enforcement operations network to prevent the loss of the country's biodiversity. They conduct joint patrols to curb forestry and wildlife crimes and improve the safety and security of local and indigenous communities living in and around surrounding forests. The network also provides a cover of authority for some of these agencies that otherwise do not have enforcement powers under the Wildlife Conservation Act 2010.

The 1MBEON initiative takes a low-cost approach through collaboration and sharing of resources of multiple agencies while protecting the wildlife heritage of the nation.

Blue Ocean Community Rehabilitation

The military, police, and prison departments collaborated to pioneer the Community Rehabilitation Programme (CRP) in 2013. The CRP is designed to rehabilitate petty criminals, an underserved segment of criminals, who constitute the largest proportion. Previously, petty criminals were locked up with hardened ones, with deleterious effects on the former. Now petty criminals are housed on unused land in army camps, away from conventional prisons. There they are taught skills like farming and are paid for their farm produce. Since the start of the CRP, the recidivism rate has plunged. Families are happier, and society is safer.

As for cost, a CRP center is cheaper by 85% compared with the cost of building a conventional prison. It costs USD1.25 million for a center compared with building a 1,700-inmate prison at around USD60–75 million. It is also 58% percent cheaper to run the centers, which saves USD5 per day per inmate. Total operating savings between 2012 and 2017 were USD50 million. It is estimated that the CRP will deliver over USD1 billion in reduced costs and social benefits in the first 10 years of its operation

Most important is that the CRP allows former inmates to transform their lives. It also gives them hope, dignity, and the skills to become productive members of society upon their release. Six CRP centers had been opened and 10,000 inmates rehabilitated from 2013 to 2017 [9]. The ERRC framework that was the basis for the development of the CRP is summarized in Appendix Table 2. The corresponding strategy canvas is illustrated in Appendix Figure 1.

APPENDIX TABLE 2

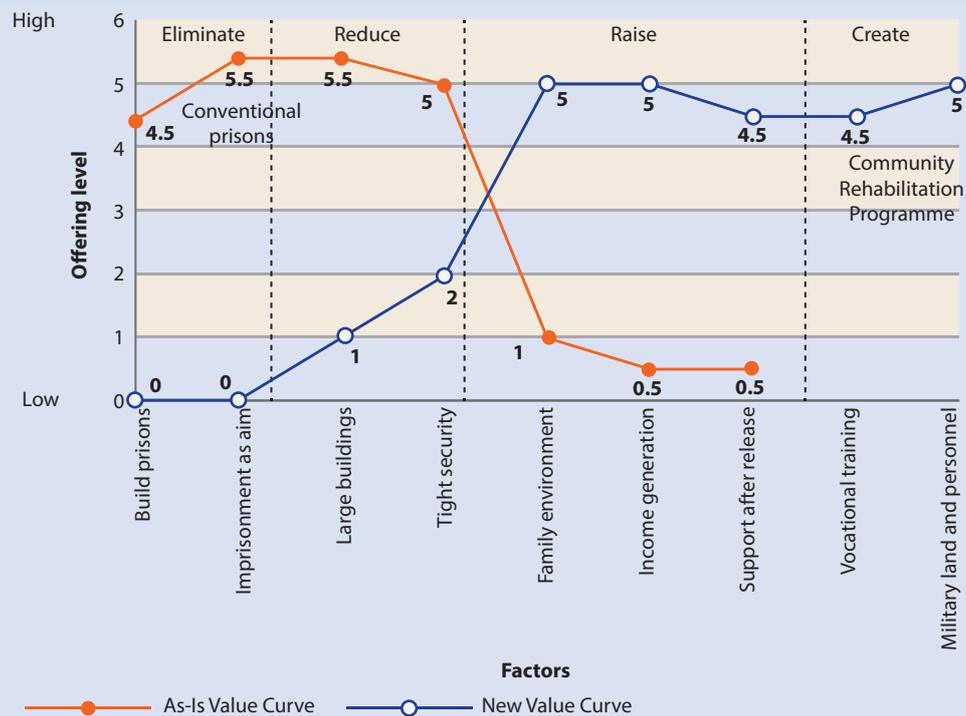
ERRC FRAMEWORK FOR THE DEVELOPMENT OF THE CRP

Eliminate	Raise
1. Building new traditional prisons to ease congestion	1. Conducive environment for close family contact
2. Considering imprisonment as the primary aim	2. Income-generating productive activity
	3. Support after release
Reduce	Create
1. Reduce large, rigid building structures	1. High-impact vocational training
2. Tight security systems	2. Deployment of military land and personnel

Source: Kim and Mauborgne [9].

APPENDIX FIGURE 1

STRATEGY CANVAS FOR THE CRP COMPARED WITH THE CONVENTIONAL PRISON SYSTEM



Source: Adapted with permission from Kim and Mauborgne [9].

Public-private Collaboration for a Creative Malaysia

The Malaysian Global Innovation and Creativity Centre (MaGIC) forges partnerships with the private sector, finance providers, universities, and government agencies to provide end-to-end

support to entrepreneurs. MaGIC creates a leap in value by organizing with these parties an entrepreneurial ecosystem in Malaysia through a one-stop center that offers entrepreneurs hands-on training. This includes training in blue ocean tools and methods, mentoring, co-working spaces, and tailored support. MaGIC enables Malaysia to attract creative local and international entrepreneurial talent to help launch high-growth startups and position Malaysia as the regional hub of entrepreneurial activity.

Blue Ocean Solutions in Delivering Health Services

The Ministry of Health collaborates with Post Malaysia to send medicines to patients who would otherwise need to visit its pharmacies to collect them periodically. Patients only pay USD1.2 as postal charges. In return, patients save time, expense, and the frustration of driving through traffic and looking for suitable parking spaces. This initiative also relieves stress among pharmacists in otherwise congested pharmacies.

Since 2012, the Ministry of Health has also collaborated with the Federal Territories Religious Council in providing low-risk birth centers in community halls in Putrajaya. Expectant mothers who are certified as likely to have low-risk pregnancies and births are admitted to renovated centers in community halls located very close to their homes.

Such a partnership relieves crowding in the Obstetrics Unit of Putrajaya Hospital. The hospital now only treats high-risk cases, while those cared for at the community halls can deliver in the comfort of knowing that their families are close by. Since its operation, there has been a reduction of up to 20% of low-risk cases at the parent hospital. It also reduces the need to transfer patients to nearby hospitals. Such transfers carry a risk of deliveries enroute without a physician in attendance. Patients have access to first-class facilities for a small charge and with earlier discharge.

Similarly, since 2012 in partnership with the Federal Territories Religious Council, the Ministry of Health handles one-stop daycare cataract surgeries without any compromise in service provision. The council has renovated a shop lot near Selayang Hospital for this purpose. The queue is much shorter, and surgery and postsurgical care are provided away from the congested eye clinic of the hospital. This saves cost and time for the patients and relieves crowding in the parent hospital. Charges are affordable. The poor and pensioners are given free treatment. Moreover, it spares patients the high cost of private care and long waits for treatment at the government hospital. The waiting time for cataract surgery has been reduced from four to six months to only one or two weeks. All cataract appointments are with a specialist.

Collaboration between the Ministry of Tourism and Culture and the Private Sector

Before the NBOS, the Ministry of Tourism was promoting tourism although it had no products of its own. The promotion was on behalf of private tourism agencies. As such, there was a mismatch between the assurances made during promotion and the actual products delivered to tourists on arrival by the private agencies. With the collaboration forged under the NBOS, there is better tourist satisfaction, and the ministry has been able to meet its tourist arrival and revenue targets.

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