



BLUE OCEAN STRATEGY AS A PREDICTOR FOR EFFECTIVE PERFORMANCE OF THE MEDIUM-SIZED AND LARGE BUSINESSES

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Abstract

Constant new value innovations to create new values and improve the features of existing products and services are a prerequisite for effective performance in the increasingly competitive South African marketplace. This research study used a case study evaluation of the effectiveness of the application of Blue Ocean strategies by medium-sized and large businesses in Pretoria. The motive of the study was to identify major inhibitors and suitable remedial business strategies that can be adopted to improve the application of Blue Ocean strategies. The study was qualitative, using a sample of 20 participants comprising of managers drawn from medium-sized and large businesses in Pretoria. Thematic analysis of the findings revealed that some of the motivators for the application of the Blue Ocean strategy are often linked to market saturation and the need to reduce costs. To enhance the effective use of Blue Ocean strategy, it was recommended that executives consider using remedial strategies that include; development and nurturing a culture of research and innovation, constant environmental analysis, identification of gaps and opportunities, effective marketing of new Blue Ocean ventures, and strategic control and modifications to improve Blue Ocean ventures.

Keywords: Corporate strategy; divesture; reconstructionism; oligopoly; utility cycle.

1. INTRODUCTION

Effective use of the Blue Ocean strategy is a prerequisite for a firm's sustainable performance in the contemporary volatile global business landscape. Blue ocean strategies enhance the identification of new ventures and the outwitting of competition by only focusing on new terrains. It therefore drives down costs often linked to the operation in more competitive perfect markets. This titivates a firm's ability to leverage customer values, and in turn attain the desired level of profitability and returns on shareholders' values. Blue ocean strategies also spawn the improvement of a firm's growth potential. As enterprises engage in successive successful Blue Ocean investments, it speeds an

enterprise's level of diversification. In a contemporary, uncertain and unpredictable marketplace, divestiture provides firms with unique business values of spreading risks across different product portfolios, markets or industries. Unfortunately, since articulation on the concept of a Blue Ocean strategy, its successful application is the notion that not only most of the South African enterprises are still grappling with, but also different businesses across the globe. Yet, as most of the firms underuse Blue Ocean strategies, studies reveal that the rising levels of competition tides in the contemporary South African markets still poses significant challenges to the survival and sustainability of most of the local South Africa business enterprises (Barnardt, 2014:1; du Toit & Skymoene, 2016:6; Van Themaat, Schutte, Lutters & Kennon, 2013:190). Although much has been written about the high failure rates of Small and Medium-size Enterprises (SME), it is increasingly evident that some of medium-sized enterprises and large businesses are not exceptional to such rising failure rates. The declining performance of businesses across different South African sectors is attributable to the rising level of competition resulting from the post-1994 de-regulation, and economic and political liberalisations. Such changes instigated the increasing proliferation of multinational firms and several overseas as well as the mushrooming of several local medium-sized businesses. To survive, firms need not only be ahead of rivals by devising and applying strategies to effectively compete in the existing markets, but also avoid the costly competition by constantly exploring and establishing Blue Ocean ventures. This research study used a case study evaluation of the effectiveness of the application of the Blue Ocean strategies by the medium-sized and large businesses in Pretoria. The motive of the research is to identify major inhibitors and suitable remedial strategies that can be adopted to improve the application of Blue Ocean strategies, not only by the medium-sized and large businesses in Pretoria, but also other businesses in South Africa.

1.1 Research background

In South Africa, the categories of businesses are defined in the National Small Business Amendment Act (26 of 2003) according to the standard industrial sector, subsector classification, size of class, equivalent of paid employees, turnover, and the asset values that exclude fixed property. However, the analysis of Appendix 1 of the National Small Business Amendment Act (26 of 2003) indicates that small businesses refer to the businesses that employ about 50 people with a turnover of about three million per annum. The medium-sized business is defined as the enterprise employing about 100 to 200 people and earning a minimum turnover of five million per annum. The focus of this research was to evaluate the extent to which these businesses apply Blue Ocean strategies to avoid competition and explore opportunities for growth and profitability in new alternative markets. Such a view is attributable to the fact that the business landscape in South Africa remains largely competitive and volatile due to three main reasons. Firstly, the de-regulation and economic liberalisation following the 1994 democratic dispensation led to the integration of South Africa as part of the global economies and markets. Considering the increasing market saturation in Europe, Asia and North America, South Africa immediately became the newly lucrative market for global operators of all categories to expand. This has contributed to increasing the number of industry players and the degree of competition that the local South African businesses face. Thirdly, economic liberalisation also led to the unlocking of larger sections of the population that were previously locked out. Such freedom signified that as the increase in the population turned into the sources of new markets, it also provided opportunities for new businesses to emerge, and impact on the degree of rivalry in the South African business landscape. To survive and operate more sustainably South African businesses have to engage in costly ventures such as aggressive advertisements, constant research and innovation to drive down costs, and improve competitiveness on the basis of differentiation. Unfortunately, the

application of such competition strategies has often turned quite expensive for certain firms. As much as some of them are able to survive, a number of the businesses are found to struggle and exit the industry. All forms of businesses are sources of revenues and employment as well as stimulants for economic growth and development. High failure rates or poor performance of most of the businesses may therefore affect the performance of the entire South African economy. It is on that basis that this research explored from a strategic management perspective the extent to which instead of engaging in the competition improvement strategies in the Red Oceans, the South African businesses should apply the Blue Ocean strategy to enable them find new markets that they define the rules of the game. In a book titled: *“Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant”*, Kim and Mauborgne (2015) highlights that although the Blue Ocean strategy is not just analogous to innovation, its foundation strongly resides on research and innovation. There is lack of sufficient evidence of the application of the Blue Ocean strategies in South African markets. However, empirical facts indicate that significant successful research and innovations are largely undertaken by individuals rather than businesses in different areas. There are impressive cases of successful innovation leading to the development of new products and services and the breakthrough of Blue Ocean investments. However, it is also quite evident that these are not an option that is preferred by most businesses in South Africa. Instead, there seems to be greater preponderance of businesses to engage with the application of strategies for enhancing competitiveness in existing markets. Blue Ocean strategies are also noted to be unpopular among a few firms enjoying oligopolistic status due to the successful application of relevant competitive strategies that drove out rivals and converted previously perfect market terrain into oligopolistic markets.

1.2 Problem Statement

Most of the firms that are willing to undertake Blue Ocean investment face the challenge of the lack of essential financial resources, skills and technology. In effect, it is evident that although some of the firms attempt to establish the departments for research and innovation, their efforts to drive research and innovation into successful Blue Ocean ventures are often limited by poorly equipped research and innovation departments. Other challenges are related to the poor marketing of new inventions and the cost of marketing. Instead of new inventions capturing market attention and gaining momentum to attain the desired level of growth and maturity, most of them are found to vanish almost immediately after launching. The other challenge of the application of the Blue Ocean strategy is linked to poor networking and collaboration between universities and businesses. Whereas the universities possess the required experts, poor collaboration has resulted in a number of new inventions not being implemented. All these affect the extent to which scientists and other experts can be motivated to engage in research and innovation that can aid businesses develop new ventures. Even for firms that are well resourced, the challenge still arises from the fear of the regulatory burden and red tape associated with starting a new venture, as well as fear of managing a more complex diversified venture. The high failure rates of Blue Ocean ventures or the limited application of these strategies, can therefore affect the effective performance of the economy. It is therefore against that backdrop that this research is being conducted in line with the research objectives and questions.

1.3 Research questions

The research questions involve the evaluation of:

- What are the motivators for the application of the Blue Ocean strategy by the medium-sized and large businesses in Pretoria?
- Which techniques and steps are used in the application of Blue Ocean strategies?
- What challenges are affecting the effective application of Blue Ocean strategies?
- Which remedial strategies that can be recommended to the management of these businesses to improve the effective application of Blue Ocean strategies?

1.4 Significance of the research

This research is of significance because it will facilitate an understanding of the techniques and steps that medium-sized and large businesses in Pretoria undergo when applying Blue Ocean strategies. Such evaluation will also facilitate the identification of the challenges that affect their application. The understanding of such challenges will influence the identification of remedial strategies to improve the effective application of Blue Ocean strategies. Similar approaches may also be replicated by businesses in other provinces of South Africa to significantly not only influence the emergence of several businesses, but also encourage the pace of economic growth and development of the South African economy. The study should enrich the existing wealth of knowledge and theory on Blue Ocean strategies.

2. LITERATURE REVIEW

As postulated by Kim and Mauborgne (2015) the Blue Ocean strategy is a corporate strategy that encourages constant research and identification of uncontested markets as prerequisites for outwitting competition in existing markets. Through such initiatives as the Blue Ocean strategy this not only renders competition irrelevant, but also unlocks new demands to leverage values for the firm and its customers and employees (Kim & Maubogne, 2005:44). The Blue Ocean philosophy contradicts fundamental reasoning in the industrial organisational economics that emphasises constant analysis, benchmarking of performance, and building competitive advantages, to bolster a firm's overall superior market performance (Kim & Maubogne, 2005:44). Industrial organisational economics, or holders of the structuralist and environmental determinism views, highlight the sustainability of firms in the midst of all volatility in perfect market competition to depend on firms to diffuse all threats and maximise prevailing opportunities (Cleff & Rennings, 2011:16). Such creativity enhances a firm ability to innovate and apply a coherent set of cost minimisation and differentiation strategies to bolster a firm's overall market performance and erode the market share of rivals. As compared to the constant identification of new markets in which there are no competition, Kim and Mauborgne's (2015) Blue Ocean strategy views survival in such markets as costly and untenable in the long run. Such markets are referred to as Red Oceans. Red Oceans are characterised by defined industry boundaries, rules and standards of the game in which firms deploy all forms of aggressive cutthroat strategies to destroy rivals and win increment in their market shares (Andersen & Strandskov, 2008:790). As such high degrees of cutthroat competition take place, the market turns bloody and it is such a view that lures Kim and Mauborgne (2015) to term such markets as Red Oceans. Red Oceans that tend to become competitive and diminish opportunities for profitability and further growth, are well known market spaces compared to the Blue Oceans that are often characterised by virgin unknown opportunities, and enormous demand and growth opportunities. Although some of the Blue Oceans are often created by expanding on existing industries, others also surpass the boundaries of existing industries.

2.1 Red Ocean strategies

Just like Blue Ocean strategies, Red Ocean strategies also spring from the results of environmental analysis (Kazlauskaitė & Buciuniene, 2008:78). The difference only resides in the fact that Blue Ocean strategies identify opportunities for the creation of new ventures from such analysis (Kazlauskaitė & Buciuniene, 2008:78). As on the other hand, Red Ocean strategies focus on determining which critical actions should be undertaken to diffuse competition and leverage performance in such industries (Kazlauskaitė & Buciuniene, 2008:78). Nonetheless, conventional theories on strategic management still indicate that most of the Red Ocean strategies are often preceded by environmental analysis. Environmental analysis can be external and internal (Kazlauskaitė & Buciuniene, 2008:78). The external environmental analysis is the process of examining the existing prevailing trends and forecasting the foreseeable and unforeseeable trends that easily interfere with effective performance of an enterprise (Hansen & Birkinshaw, 2007:121). External environmental analysis is usually accomplished using techniques such as PESTEL (Political, Economic, Social, Technological, Ecological and Legal) analysis, SWOT (Strengths, Weaknesses, Opportunities and Threats Analysis and forecasting. PESTEL Analysis enhances the evaluation of the political, economic, social, technological, ecological and legal trends and changes that can threaten their effective performance in the present industry (Parvinen & Aspara, 2011:118). For the proponents of Red Ocean strategies, such analysis is usually aimed at identifying how the prevailing and likely emerging threats can be diffused to enhance effectiveness of the enterprise's performance vis-à-vis the performance of rivals (Hansen & Birkinshaw, 2007:121). That contrasts with the approach in the Blue Ocean strategies in which the firm focuses on identifying the emerging political, economic, social, technological, ecological and legal trends and changes that can provide new opportunities for new ventures to be undertaken (Parvinen & Aspara, 2011:118). SWOT analysis involves the evaluation of the strengths and weaknesses of the enterprise vis-à-vis the opportunities and threats prevailing in the external business environment (Hansen & Birkinshaw, 2007:121). Forecasting requires the application of either qualitative or quantitative forecasting techniques or both, to enable the prediction of likely future changes in trends that can either provide enormous opportunities or threaten the existence of present business (Hansen & Birkinshaw, 2007:121). Red Ocean strategists may tend to focus on how to maximise the emerging opportunities and diffuse threats to maximise such opportunities. The Blue Ocean strategists on the other hand are often not concerned with the threats, but the opportunities that highlight the importance for new ventures to be undertaken to enhance the maximisation of such strategies (Hansen & Birkinshaw, 2007:121). The Blue Ocean strategists are in other words not concerned with threats. The application of these techniques is often accompanied by certain specific techniques for the assessment of the nature of industry and market threats.

2.2 Competition strategies

Unlike the Blue Ocean ventures, Red Ocean strategists tend to in this regard become more concerned about the actions and strengths of their competitors (Moller & Rajala, 2005:127). To reach logical conclusions, executives must assess the financial motives of the rivals, their culture, organisational structure, leadership backgrounds, external constraints and business philosophy (Parvinen & Aspara, 2011:118). Current strategy of the enterprise is best evaluated by assessing the existing approach of the rivals to create value, the areas where the business is choosing to invest and the nature of the relations and networks that it has developed. This leads to the analysis of the management assumptions that the enterprise has about the industry. The areas to assess include the assumption that the executives have about

their business, the industry and other competitors (Parvinen & Aspara, 2011:118). Whatever goals and assumptions that the competitors hold, the ability to achieve all their aspirations will depend on their capabilities. The capabilities of the competitors are best assessed by evaluating the marketing skills, ability to service channels, skills and training of the employees, patents and copyrights, financial resources and leadership competencies and traits. Resources that influence the superior improvement of the performance of the firm are often developed and nurtured over time by the enterprise, and are not acquired. It is on that basis that the conventional theories on resource-based views provide that a firm enjoys enormous competitive advantage over rivals if its resources are rare, inimitable and non-substitutable (Parvinen & Aspara, 2011:118). The extent to which a firm is able to accumulate the desired resources depends on its relative learning and absorption abilities as compared to those of rivals (Parvinen & Aspara, 2011:118). A firm whose culture encourages constant learning and innovation to improve its present best practices may tend to develop and accumulate critical competencies than a rival who is more relaxed (Parvinen & Aspara, 2011:118). The other source of a firm's competitiveness arises from its relationships and networks with firms in the market. Such relationships and networks often provide access to unique capabilities and competencies that cannot easily be copied and replicated by rivals (Parvinen & Aspara, 2011:118). Some of the strategic management theories argue that the values of the competitive advantage linked to the relationships and networks that a firm enjoys are often latent in the ability of the firm to undertake successful mergers and acquisitions than rivals (Parvinen & Aspara, 2011:118). It also influences diversification initiatives. Relationships and networks that a firm has built with key industry players create the foundation for a firm to develop relationships and strategic partnerships with potential candidates for future acquisitions and diversification initiatives (Parvinen & Aspara, 2011:118). All these strategies may influence the competitiveness of the firms operating in the Red Ocean markets. However, Kim and Mauborgne (2015) argue that firms that subscribe to the Blue Ocean strategy do not often engage in the application of such strategies. Instead, their major focus is often the assessment of the present competitors' approach and the larger environment to identify gaps and opportunities for new venture development. The rationale for the application of the Blue Ocean strategy is motivated by a combination of the different trends prevailing in the contemporary business environment. Andersen and Strandskov, 2008:790 highlight how the undertaking of Blue Ocean initiatives is often motivated by a combination of the following factors.

2.2.1 Similarity of firms

Similarity and duplication of firms' competencies often render most of the existing markets less attractive (Andersen & Strandskov, 2008:790). Most firms are increasingly becoming knowledgeable not only on how to read and forecast the changes in the external business environment, but also to make the necessary modifications and align their strategies to perfectly match such changes (Andersen & Strandskov, 2008:790). This has led to increasing levels of competition and rivalry in the contemporary business global marketplace. Following the increasing emphasis of human resources and skills as part of a firm's distinctive competencies, most of the firms have significantly invested towards the improvement of the competencies and skills of their personnel (Burke & Van Stel, 2009:219). Most of such initiatives have been accomplished increasing investment in training and development of employees, and recruitment and retention of the most talented employees. The improvement of the competencies and skilfulness of the employees has titillated in the improvement the knowledgeableness of most firms (Burke, Van Stel & Thurik, 2009:219). As the competencies and skilfulness of the employees improve the positive effects have been reflected in the improvement of creativity and new innovations leading to new product developments. The negative implications

of the increasingly knowledgeable firms are exacerbated by improvements in technological advancement (Markides, 2010:62). Improvement of the rate of the diffusion of advanced technologies among firms has also led to the rise in mass production. This leads to the flooding and saturation of existing markets, and subsequently the diminishing of the profitability and growth potential in that market (Markides, 2010:62).

2.2.2 Re-constructionism

To ensure effective application of Blue Ocean strategies, theories indicate that it is critical that executives embrace and apply a re-constructionist's approach (Kim & Mauborgne, 2005:22). Re-constructionist views of strategies hold that instead of striving to design cost and differentiation strategies to improve the competitiveness of the enterprise in the existing industries, the executives must consider exploring new opportunities and extending the boundaries of the existing industries (Kim & Mauborgne, 2005:22). Re-constructionists strongly believe in taking actions that focus on changing the rules and nature of the game in the existing industry, by developing new industries in which they play significant roles towards defining the practice and rules that later firms must adhere to (Kim & Mauborgne, 2005:22). That implies that careful analysis and exploration of different opportunities are critical for the executives to reach the imagination on what the next Blue Ocean is like. Although research and innovation are the foundations for effective application of a Blue Ocean strategy, its success depends on the radical functional and operational changes and transformations that an enterprise undertakes to define the new strategic course of actions that it undertakes (Buisson & Silberzahn, 2010:359). In a bid to accomplish that, the effective application of Blue Ocean strategies involve the application of a combination of techniques and frameworks of which among them is the strategy canvas (Buisson & Silberzahn, 2010:359).

2.3 Critical success factors: Blue Ocean strategy

Conventional theories on strategic management imply that for Blue Ocean strategy to be successful, the critical success factors that the executives must pay attention to include; executives' strategic philosophy, a culture of innovation, and Drucker's four strategies, being: organised abandonment, continuous productivity improvement, exploiting successes and innovation. (Pitta, 2009:292; Leavy, 2005:13; Parvinen, 2011:45). The details of these critical success factors are evaluated as follows.

2.3.1 Executives' strategic philosophy

The successful undertaking of the Blue Ocean investment is significantly associated with the overall belief that executives harbour about the importance of constantly undertaking investments in new unknown ventures as the strategy for attaining growth (McKeown, 2008:17; Sekaran, 2009:66). It is also evident from theories that what the executives believe in also defines a firm's overall market position and strategies. Conventional theories on strategic management highlight that the perceptions of the executives influence the extent to which a firm may either take a dominant, strong, favourable, tenable, non-viable or survival market position (Leavy, 2005:13). Whereas dominant firms tend to control other competitors and possess the freedom to choose the desired strategic actions, strong firms often don't control firms and tend to take independent actions only in the event that it will not interfere with their long strategic positions (Parvinen, 2011:45). Firms in favourable market positions tend to focus on maximising every emerging opportunities in order to improve (McKeown, 2008:17; Sekaran, 2009:66). That signifies that firms with dominant, strong and favourable market positions may easily consider undertaking Blue Ocean investments as

compared to the firms in non-viable market positions (Pitta, 2009:292). It is not only such circumstances that may influence the ability of the firm to undertake Blue Ocean investments, but also the competition strategy that the executives subscribe to (Pitta, 2009:292). Executives' strategic philosophy often influences firms to undertake market leader, challenger, and follower or niche competition strategies. Market leaders often focus on expanding the total market, defending the current market share, and expanding market share (Han, 2008:361). Market challenges tend to operate by defining strategic objectives and opponents, and choosing general and specific attack strategies (Leavy, 2005:13). Market followers are prone to apply counterfeit, cloner, imitator and adaptor strategies, as compared to the market nichers that use strategies encompassing end-use specialists, vertical level specialists, customer size specialist, specific customer specialist, geographic specialist, product line specialist and event specialist (Han, 2008:361). Such a view suggests that market leaders may easily invest in Blue Ocean investments as compared to market challengers, followers and nichers. Market leaders are innovation driven (Han, 2008:361). They focus on introducing new product lines and initiating new investments and gaining from the initial enormous profits as compared to the followers that tend to copy and paste as the market leaders invent (Leavy, 2005:13). Besides the executives' strategic philosophy, a culture of innovation is one of the factors that influence the extent to which the Blue Ocean strategy can be successful (Leavy, 2005:13).

2.3.2 A culture of innovation

The emphasis of a culture of innovation is one of the factors critical for the success Blue Ocean investments (Pitta, 2009:292). It is through innovation that Blue Ocean firms are able to conduct relevant analysis and reach conclusions on the new investment ventures that must be undertaken (Pitta, 2009:292). However, to attain that, firms must embrace a culture of innovation. The embracement of a culture of innovation signifies that the entire organisation is willingly engulfed in innovation as part of the strategy for improving the individual performance and the performance of the entire enterprise (Pitta, 2009:292). In addition to the relevant level of employee commitment, the executives must also demonstrate the desired level of commitment by allocating relevant resources. Other initiatives entail providing a learning environment in which learning and trials and errors are permitted, no matter how costly it is (McKeown, 2008:17; Sekaran, 2009:66).

2.4 Drucker's 4 strategies: Innovation and improvement

It is not only the use of the emergent strategies or the dual application of the deliberate and emergent strategies that are preconditions for the effective use of the Blue Ocean strategy, but also the embracement of Drucker's notion of continuous improvement (Andersen & Strandkov, 2008:790). Kim and Mauborgne's (2015) concept of Blue Ocean strategy is strongly echoed in Drucker's 4 strategies for continuous innovation and improvement that emphasise the use of the following four factors as the basis for not only improving the existing products and services, but also to discover new opportunities and ventures (Loewe & Dominiquini, 2006:24). The four strategies are: organised abandonment, continuous productivity improvement, exploiting successes and innovation. The details are examined as follows.

2.4.1 Organised abandonment

Drucker argues that organised abandonment is one of the strategies for improving the performance of an enterprise (Drucker, 1985:16). Although this citation is dated Drucker is the founder of modern management and so appropriate

in this study. Abandonment connotes the process of conducting relevant analysis and identifying the processes, products or ventures that must be eliminated. Drucker reveals the elimination of such processes, products or ventures that contribute to cost reduction and the freeing of resources that are held up in redundancies (Drucker, 1985:16). For organised abandonment to influence improvement of the performance of an enterprise, Drucker highlights three main principles that the executives must adhere to when undertaking organised abandonment (Drucker, 1985:16). The first principle involves the analysis and identification of things that do not work, or have outlived their usefulness and the capacity to contribute to the improvement of the organisational performance. The second principle emphasises concentration on the things that work and produce the desired results for the enterprise (Rasheed & Abdul, 2007:161). To undertake the necessary improvement strategies, Drucker highlights that the third principle is critical for evaluation to understand the half successes and failures attained. Half successes attained in the process of the implementation of different strategies motivate those involved to even accomplish more activities more successfully (Rasheed & Abdul, 2007:161). As the enterprise frees itself from unproductive activities, the level of concentration on result orientated activities improves to in turn edify the overall productivity of an enterprise. However, points that the application of the organised abandonment must be accompanied by the second strategy that emphasises continuous productivity improvement (Rasheed & Abdul, 2007:161).

2.4.2 Continuous productivity improvement

Drucker argues that gradual incremental continuous productivity improvement influences the turning around and improvement of the performance of an enterprise (Olsen, 2009:559). In this endeavour, he explains that significant attention must be directed towards evaluating and identifying quality, process, and methodological and system's inhibitors. Through such an approach, executives are often able to improve the quality of their services, products and processes to thereby impact positively on the improvement of the competitiveness of an enterprise (Olsen, 2009:559).

2.4.3 Exploiting success

Drucker reasons that as much as the performance of most enterprises is in most instances marred by challenges, executives need not focus on challenges, but on exploiting successes. Drucker argues that as the executives solve identified problems and focus on exploiting success, their overall level of innovation improves (Olsen, 2009:559). This edifies the identification of new opportunities for further profitability and growth. Part of the strategies for exploiting successes include improving or increasing the usage of the existing products, quality improvement and investment in operational improvement strategies such as the adoption of relevant technologies to drive costs down (Olsen, 2009:559). As the executives focus on exploiting the prevailing opportunities, Drucker recommends that executives invest heavily in innovation and continuous improvement to reap more opportunities.

2.4.4 Innovation

Innovation is the process of investing in the initiation and invention of new ideas to change and transform the present operational process and methods. Innovations also entail investing new product development, improvement product features, quality and new ventures (Sakbani, 2010:91). Innovation is critical for effective performance of the contemporary business enterprises. The modern business enterprises operate in turbulent times characterised by constant changes in the political, economic, technological, ecological and legal variables (Sakbani, 2010:91). This is further exacerbated by constant changes in market trends, the degree of industry rivalry and customer demands and

preferences. Innovation therefore enables enterprises to anticipate and effectively respond to such changes. However, most changes induced by innovation are often resisted and sabotaged by the employees (Sakbani, 2010:91). This implies that the application of the accompanying change and transformational strategies is critical for enhancing the diffusion of the newly adopted ideal throughout the entire enterprise (Kai, 2008:501).

2.5 Summary

The Blue Ocean strategy is a corporate strategy that encourages constant research and identification of uncontested markets as prerequisites for outwitting competition in existing markets. Through such initiatives the Blue Ocean strategy not only renders competition irrelevant, but also unlocks new demands to leverage values for the firm and its customers and employees. It contradicts the fundamental reasoning in the industrial organisational economics that emphasises constant analysis, benchmarking of performance and building competitive advantages to bolster a firm's overall superior market performance. Industrial organisational economics or holders of the structuralist and environmental determinism views highlight the sustainability of firms in the midst of all volatility in perfect market competition to depend on a firm's ability to diffuse all threats and maximise prevailing opportunities.

3. RESEARCH DESIGN AND METHODOLOGY

A research design is an ontological framework outlining the methods and techniques that a study uses in the collection of the relevant data so as to reach logical conclusions on the phenomena raised in the research questions (Onwuegbuzie & Leech, 2007:265). A research design can be descriptive, exploratory, correlation, semi-experimental, experimental, review and systematic theory analysis, and a meta-synthesis (Onwuegbuzie & Leech, 2007:265). It is also apparent from theories that the different types of descriptive research design constitutes a case-study, naturalistic observation and survey, correlational research design comprises of the case-control study and observational study, as the semi-experimental research design can be a field experiment and quasi-experiment. Whereas research designs like correlation and experimental research designs are aligned to the process in the deductive reasoning, the inductive reasoning is often linked to the exploratory or the descriptive research design (Onwuegbuzie & Leech, 2007:265). Exploratory research design refers to the ontological framework that uses techniques and methods that facilitate the eliciting of facts to provide detailed explanations of the underlying causes that were previously unknown. The descriptive research design only elucidates on the chronological explanations of a particular set of facts without providing explanations on the solutions that can be adopted. The motive of this research is to unearth the underlying causes of the challenges affecting the effective application of the Blue Ocean strategy by the medium-sized and large businesses in Pretoria. As contrasted to research designs such as co-relational and experimental research that tend to apply the quantitative research method, the exploratory research design tends to use the qualitative research method.

3.1 Research philosophy

This research paradigm is built on the inductive research paradigm. The inductive research paradigm is a branch of research ontology that emphasises the essence for soliciting in-depth facts constituting of the experiences and opinions from the participants. It relies on such in-depth information as the techniques for reaching logical conclusions about the phenomenon being researched. The use of the inductive reasoning philosophy is motivated by the fundamental argument in this research that the effective analysis of these research questions can only be accomplished by assessing

the opinions and experiences of the managers and employees in the medium-sized and large businesses in Pretoria. It is believed that such an approach would enable the identification of the unique challenges from the mouths of the participants rather using some sets of pre-defined questionnaires. In a bid to accomplish this, the study uses an exploratory research design.

3.1.1 Target population

A research population refers to the units or the subjects that of interest for the research. It is from the research population that the sample units are often drawn to render it possible for the generalisation of the findings (Onwuegbuzie & Leech, 2007:265). The research population of interest for this study refers to the medium-sized and large businesses in Pretoria. Statistics from the Gauteng Department of Small Business Development (2015) indicates that there are about 800 medium-sized businesses in Pretoria, and 600 large businesses. This implies that the research population for the study refers to the 1400 businesses. In a bid to draw the sample units from this research population, the study used purposive sampling and snowballing. This research study used the purposive sampling and snowballing sampling techniques.

3.1.2 Pilot testing

In this research, a brief pilot testing was undertaken on two participants to assess two main aspects of the study. The first one entailed the analysis of the extent to which the study was able to test whether the questionnaires were effectively framed. This was accompanied by the analysis of whether the statements, sentences and wordings in the entire research instrument was framed in the way that facilitated eliciting information critical for responding to the research questions and objectives. The results of this analysis influenced the identification and correction of wordings and sentences that most of the participants struggled with to words and sentences that most of the participants were able to understand.

3.1.3 Credibility

Since this research was qualitative, the study used credibility, dependability, transferability and conformability as the measures for ensuring the validity and reliability of the entire research process. In a qualitative research, validity is measured by assessing whether the obtained qualitative data is plausible, credible, and reliable and can be defended when challenged. Credibility refers to the believability, trust and confidence in the findings of the study. It refers to the extent to which the findings of the study actually reflect the details on the phenomenon being investigated. In this research, credibility of the findings was improved by ensuring the research instrument used in the study not only reflected the identified critical problems, but also that it was guided by theoretical views on the critical approach and strategies for the implementation of Blue Ocean strategy. To improve both the dependability and confirmability of this research, peer checking was used to ensure that findings accurately reflect what the other businesses also experience in the application of Blue Ocean strategy. This was accompanied by not only contrasting and corroborating the opinions of different participants against the opinions of the other participants, but also through triangulations of the interview findings with the theoretical findings. Such triangulations explored the extent to which theoretical findings either dispute or confirm the obtained interview findings. In other words, the other measures which were used for ensuring the confirmability and dependability of the findings of this research included; triangulation which

involved checking the study from different dimensions, member checking, peer checking and audit trail which involved keeping the record of everything that was done or said.

3.2 Limitations of the study

Research on the application of Blue Ocean strategy is widely documented throughout the world. However, its application by small and medium-sized enterprises has not been widely evaluated. Blue Ocean investment is presented in most of the management and strategy literature to imply as if it is the strategy that can only be applied by big businesses. Such misconception seems to have been followed throughout the world. It were such limitations that also faced the study for the reason that limited literature affected the extent to which the findings obtained from the application of Blue Ocean strategy by the SMEs in Pretoria could be triangulated with theories and prior empirical studies on the application of Blue Ocean strategy. This limited the effective evaluation of the effectiveness of the application of Blue Ocean strategy by the small and medium-sized businesses in Pretoria. However, using the limited empirical studies and the core theories on the application of Blue Ocean strategy, the study was still able to reach logical conclusions, not only on the major paradoxes, but also the remedial improvement strategies that can be adopted to improve the effective utilisation and application of the Blue Ocean strategy. Such problems were also exacerbated by the difficulties of obtaining information from the businesses that were not willing to give out information either because they did not have time for the interviews, or because they feared giving out their trade secrets. To convince the participants to spare some time for the interviews, the participants were persuaded that participation in such interviews and discussions would also be directly beneficial to them. As for the participants that feared that they would give away valuable trade secrets, they had to be reassured that after the interviews, no reference of the company or the business name would be made in the discussions of any of the findings. In other words, the assurance of the confidentiality and anonymity of the businesses that participated in the study convinced most of the businesses to participate in the interviews.

3.3 Ethical considerations

In this research, all the ethical issues that could have affected the reliability and the morals of the study have been observed. In the first instance, considerations were given to the initiatives of ensuring that the respondents were provided with the options of participating in the study at their own will without requiring the process to be mandatory. There were also initiatives of avoiding plagiarism and also the undertaking of relevant triangulations to ensure that the findings clearly reflected actual situations concerning the application of Blue Ocean strategies among the medium-sized and large businesses in Pretoria. In a bid to ensure non-discrimination of the managers and employees selected to participate in the study, the study used a criteria in the purposive sampling to prevent any form of human intervention in the process of sampling. This ensured that employees from different race groups, gender, and age groups, got the chance to be selected to participate in the research. Other strategies involved non-disclosure of the participants' personal details and the initiatives of ensuring that the confidentiality of the respondents was not interfered with.

4. RESULTS AND DISCUSSIONS

Findings revealed most of the interviewed participants believe that increasing competition in different South African business sectors is one of the drivers that motivate businesses in Pretoria to consider new investments. The

explanations in most of the interview findings provided descriptions analogous to the approach required for undertaking the Blue Ocean strategy. The need to avoid competition emerged as one of the factors luring some of the businesses in Pretoria to consider applying the Blue Ocean strategy to discover less competitive businesses. One of the findings from the study is that although most of the medium-sized and large businesses in Pretoria understand what Blue Ocean strategy entails, they often tend to not apply it to discover new ventures in which there is no competition, but instead to enter the industries with limited competition. That implies that most of the research and innovations are not original, but just aimed at assessing how to enter the industry with less competition. Nevertheless, it also emerged from the findings that the application of the Blue Ocean strategy is linked to economic liberalisation due to the unlocking of larger sections of the population that were previously excluded. Such freedom signified that as the increase in the population turned into the sources of new markets, it also provided opportunities for new businesses to emerge, and impact on the degree of rivalry in the South African business landscape. As the findings revealed, this led to the competition for the market and inputs to imply that most businesses tend to undertake the Blue Ocean related strategies as the means for driving down costs.

4.1 Reduce costs

The interview findings revealed that to survive and operate more sustainably, South African businesses need to engage in costly ventures such as aggressive advertisements, constant research and innovation to drive down costs, and improve competitiveness on the basis of differentiation. From the interview findings, it is evident that there is a strong nexus between the rising competition and the associated costs of competing and the increasing rate of firms attempting to apply the Blue Ocean strategies to avoid competition and discover new industries. Such a finding seems to substantiate Kim and Mauborgne's (2015) articulation that the Blue Ocean strategy is a corporate strategy that encourages constant research and identification of uncontested markets as prerequisites for outwitting competition in the existing markets.

4.2 Business practice and culture

The interview findings revealed that business practice and culture among the businesses and entrepreneurs in South Africa do not favour the application of the Blue Ocean strategy. Starting from the process of the conceptualisation to growth, maturity and decline, the approach that businesses often take are tailored towards enhancing the competition of the firm in the existing industry. Due the conceptualisation stage, most of the ventures that emerged are usually not ventures that aim to deal in new products or services, but rather the modified versions of the products or services that most of the present businesses are offering. To avoid risks of failure, it also emerged from the interview findings that most of the entrepreneurs base their decisions on the successful cases of existing businesses. Investments in new ventures to unlock Blue Ocean opportunities are usually discouraged, due to the fear of the unknown and risks of losing the only capital that could have obtained after years and years of savings. Besides the business practice and culture, it also emerged from the findings that the reasons for the low application of the Blue Ocean strategies are also linked to the oligopolistic nature of certain firms.

4.3 Emergence of oligopolistic firms

The interview findings revealed that some of the firms that used to operate in perfect markets have not only been able to apply the appropriate strategies and operate more sustainably, but also force most of the rivals out of the industry.

This has resulted into the creation of the oligopolistic market conditions out of perfect market situations. The oligopolistic nature of certain firms affects the executives' decisions to invest in the Blue Ocean ventures.

4.4 Innovations' management

The interview findings revealed that even firms that over-emphasise the importance of research and innovation have not demonstrated the commitment of ensuring that innovation is effectively undertaken to enhance the development of new ventures. The challenges are linked to the shortage of skilled and talented personnel. Undertaking relevant analysis to identify new Blue Ocean ventures requires high level of skilfulness and talents. Unfortunately, most of the contemporary South African enterprises do not have a pool of such skilful and talented employees. The few that they have are often engaged in other activities that render it not possible for them to get involved into the usually demanding research and innovation that are related to the Blue Ocean strategies. This is further exacerbated by the poor linkage between the enterprises and the educational institutions and universities around the country.

4.5 Marketing

It is evident that a number of the Blue Ocean ventures that have been started in South Africa have been successful. It is also at the same time apparent that most of the Blue Ocean ventures that have started have never been successfully translated into viable business ventures. Poor marketing is one of the factors affecting the successful launching of Blue Ocean ventures. Poor relationship building and networking with critical partners is one of the other explaining factors. During the conceptualisation of the Blue Ocean ventures, most of the enterprises build prior relationships and networks with banks, suppliers, and prospective customers, and forget to create relationships, and/or even involve the media houses in the initiation of Blue Ocean ventures. In effect, when it comes to marketing, they often do not have sufficient funds to finance the media houses that charge exorbitant advertisement rates. There is a notion of "Proudly South African" that aims to use nationalism to encourage the population to consume South African products. The other difficulty of marketing the Blue Ocean strategy is linked to the fact that some of the Blue Ocean ventures that are passed out in South Africa as Blue Ocean ventures are in certain cases not Blue Ocean ventures resulting from original research and innovation, but copycats of Blue Ocean ventures in other parts of the world.

4.6 Executives' beliefs

It emerged from the thematic content analysis of the interview findings that most of the executives in contemporary South African businesses just do not believe that there is anything like a Blue Ocean strategy. If it successful, a Blue Ocean is only a Blue Ocean venture for months, or a couple of years and thereafter it becomes a Red Ocean venture. From the experience of the firms that have been involved in some of the ventures, it was found that when successful, the new venture tends to operate alone in that particular domain for only a certain period of time. As time goes on, new rival firms are noted to begin infiltrating the market. This turns the market that was previously a Blue Ocean into a Red Ocean. As the Blue Ocean turns into a Red Ocean, all the competitive strategies will need to be engaged for the enterprise to perform sustainably.

4.7 Divestiture management

Even for businesses that are financially capable of undertaking Blue Ocean ventures, findings revealed that there is often a total consensus that discourages the undertaking of Blue Ocean investments. When Blue Ocean investments

are successful, most of the participants stated that it leads to the emergence of a divestiture enterprise. Most of the firms that undertake Blue Ocean investments often do not abandon their present businesses. Instead, they tend to use the Blue Ocean investments to add new business ventures onto the existing ventures, thereby leading to the risk of the emergence of a more complex structure. It is such structures that make some of the executives reach conclusions to undertake only limited Blue Ocean investments.

5. CONCLUSIONS AND RECOMMENDATIONS

In line with the four outlined research questions, the key primary research findings were as follows.

5.1 Motivators for the application of the Blue Ocean strategy by the medium-sized and large businesses in Pretoria

The thematic content analysis of the interview findings revealed that some of the motivators for the application of the Blue Ocean strategy by the medium-sized and large businesses in Pretoria are often related to market saturation and the need to reduce costs. Also, most of the interviewed participants stated that the increasing competition in different South African business sectors is one of the drivers that motivate businesses in Pretoria to consider new investments. The explanations in most of the interview findings provided descriptions analogous to the approach required for undertaking the Blue Ocean strategy. It emerged from the findings that research and innovation is used as a technique for exploring prevailing gaps and opportunities are responding through innovation of new products to fill such gaps. From the 20 sampled participants, 8 agreed to have departments for research and innovation. It is through these departments of research and innovations that most of the participants acknowledged the innovation and introduction of new products often occur. Such a finding implies that some of these businesses in Pretoria are involved in the application of the re-constructionist view as one of the techniques in the Blue Ocean strategy. Theories indicate the re-constructionist view of strategies holds that instead of striving to design cost and differentiation strategies to improve the competitiveness of the enterprise in the existing industries, executives must consider exploring new opportunities and extend the boundaries of existing industries.

5.2 Challenges are affecting the effective application of the Blue Ocean strategy by the medium-sized and large businesses in Pretoria

The thematic content analysis of the interview findings revealed that the challenges affecting the effective application of the Blue Ocean are linked to business practice and culture, the emergence of oligopolistic firms, innovations' management, marketing, executives' beliefs, and divestiture management. The interview findings revealed that business practice and culture among the businesses and entrepreneurs in South Africa do not favour the application of the Blue Ocean strategy. Starting from the process of the conceptualisation to growth, maturity and decline, the approach that businesses often take are tailored towards enhancing the competition of the firm in the existing industry.

5.3 Summary of findings

The use of Blue Ocean strategies enhances improvement of the level of innovation and proliferations of new innovations. This contributes to the improvement of product features that enable a firm to distinguish itself from rivals. Considering the increasing competition in the South African business landscape, most of the medium-sized and large businesses in Pretoria are noted to have engaged in one or another form of innovations to improve their

market performance in the midst of increasing market saturation and the need to reduce costs. Most businesses tend to undertake Blue Ocean related strategies as means for driving down costs. These imply there is a strong nexus between the rising competition and the associated costs of competing and the increasing rate of firms attempting to apply Blue Ocean strategies to avoid competition and discover new industries.

5.4 Recommendations

Considering the findings of this research, it is argued that the executives of the medium and large scale businesses in Pretoria must consider applying the following strategies in order to enhance the effective use of the Blue Ocean strategy as a performance improvement strategy.

5.4.1 Development and nurturing a culture of research and innovation

Consideration should be given to developing and nurturing a culture of research and innovation. Constant research and innovation is critical for extending the growth life of the enterprise. These businesses need to realise that as much as the enterprise could be performing more effectively as compared to the rivals in the same market, the attainment of sustainable competitiveness is quite risky and costly. It is therefore critical to ensure that constant research and innovation is undertaken to explore new industries that the enterprise can invest in. Such an approach will reduce the exposure of the enterprise to the competition heat that it presently faces. Part of the strategies for initiating and nurturing a culture of research and innovation will require the adoption of a recruitment policy that facilitates the identification of talented, skilful and creative employees.

5.4.2 Constant environmental analysis and identification of gaps and opportunities

The process of environmental analysis must be undertaken with the motive of identifying the gaps that can lead to the creation of a Blue Ocean venture. The tools that the executives of the medium and large scale businesses in Pretoria can apply in the process of environmental analysis include PESTEL and SWOT analysis forecasting. PESTEL analysis will facilitate the assessment of the changes in the political, economic, social, technological, ecological and legislative trends. This will enable the identification of the gaps or the emerging trends that can provide new opportunities for the creation of the Blue Ocean venture.

5.4.3 Application of the Blue Ocean strategy

The effective application of the Blue Ocean strategy will require executives to adopt strategies and techniques that among others include; the adoption of the re-constructionist view, strategy canvas, the ERIC (Eliminate-Reduce-Increase>Create) Grid, and Buyer Experience and Utility Cycle. The re-constructionists' approach will enable the executives of the medium and large scale businesses in Pretoria to evaluate their present approaches to doing business vis-à-vis the approach used by the competitors and emerge with a new approach that must be undertaken to develop a new business venture. A re-constructionist view of strategies holds that instead of striving to design cost and differentiation strategies to improve the competitiveness of enterprises in existing industries, executives must consider exploring new opportunities and extending the boundaries of existing industries.

5.4.4 Effective marketing of the Blue Ocean venture

Effective marketing will facilitate that the Blue Ocean venture is successful. This recommendation is motivated by the fact that the findings revealed that executives of the medium and large scale businesses in Pretoria often face the

challenge of marketing the Blue Ocean ventures. To eliminate the risks of failure linked to poor marketing, the executives will have to ensure that during the conceptualisation of the Blue Ocean venture that the accompanying strategies are used to create relationships and networks with the media houses so that they can get discounts for advertisements. Such approach will influence the extensive publicity of the Blue Ocean ventures and the associated new innovations. It is such a strategy that will influence the attraction of customers and effective market performance of the Blue Ocean venture. Strategic Control and Modifications to Improve the Blue Ocean Venture. The application of the strategic management control framework will enable the executives identify the inhibitors of the effectiveness of the Blue Ocean strategy and apply the remedial improvement strategies. This will enhance the improvement of the process for the implementation of the Blue Ocean strategy and the overall success of the Blue Ocean venture.

5.5 Conclusion

Although Blue Ocean strategy is more than a decade old with numerous examples of successful implementation, there is a dearth of research on the advantages of Blue Ocean investment. This study therefore contributes to management and strategy literature and puts misconceptions about this strategy being solely applicable to big businesses to rest. Further studies may assist small and medium-sized enterprises in considering this strategy to improve performance and increase their market exposure.

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