Impact of Blue Ocean Strategy on Value Innovation: A Study of Selected Firms' in FMCG and Telecommunications Sectors in South-West Nigeria.

Odera Ogbogu-Asogwa, Ruby N. Ike, Bamidele S. Adeleke, Geoffrey O. Ekoja,

Abstract - A fundamental truism gaining momentum in the areas of management discourse is how to effectively grow business so as to achieve a 360-degree opportunities exploitation of both revenue and profit. Long before now, the game rules for surviving in a turbulent environment is through a head-on competition with rivals. Rather than this warfare approach, in this study, we demonstrated the ways in which competition can be render irrelevant through the creation of new market space and business. This very important thought (blue ocean strategy), promises a long-run enhanced business operations. The work therefore seeks to find out if blue ocean strategy is significantly related to firms value innovation; it as well examines the impact of the new-demand creation strategy on the growth potential of firms'. To achieve these objectives, the study utilized survey design. Data were gathered through a self-administered structured questionnaire from a number of 197 sample of respondents who were staff of four selected companies in Fast Moving Consumer Goods (FMCG) and Telecommunications sectors in Nigeria. SPSS software package was used to analyze the collected data. The work found out that value creation and innovation in a hypercompetitive environment can only be realized through a simultaneous pursuit of differentiation and low cost strategies. It also discovered that firms can only generate more revenue and profit by moving into vast, deep and not-yet explored market. The work suggested that company should be more focus on the value of the customers rather than on the value of competitors. It also recommends that a company should estimate its competitor's strengths, weaknesses and positions in the market. This will give them leap advantage i.e. the possibility to create a blue ocean that will be difficult to imitate and to achieve a long-term industry success.

Index Terms – Blue Ocean Strategy, Head-on Competition, Innovation , Market Leader, Market Space, Marketing Warfare, Value.

1.0 INTRODUCTION

1.1 Background of the Study

Ever since groundbreaking works of Porter (1980, 1985), competition has occupied the centre of strategic thinking. The overriding focus of strategic thinking has been on competition-based red ocean strategies. Part of the explanation for this is that corporate strategy is heavily influenced by its roots in military strategy. The very language of strategy is deeply imbued with military references—chief executive "officers" in "headquarters,""troops" on the "front lines". Described this way, strategy is about confronting an opponent in the red ocean and fighting over a given piece of land that is both limited and constant (Hamel & Prahalad, 2002). To focus on the red ocean is therefore to accept the key constraining factors of war, which is limited terrain and the need to beat an enemy to succeed and as well to deny the distinctive strength of the business world, i.e. the capacity to create new market space that is uncontested (Kim & Mauborgne, 2005).

Traditionally, strategy that focused on beating the competition is still couched in warlike terminology. They exhort companies to seize competitive advantage, battle for market share, and fight over price. Head-to-head competition results in nothing but a bloody red ocean as rivals fight over shrinking profits. Competition is a bloody battlefield. The trouble is that if the opposing firm is doing exactly same thing, such strategies often cancels each other out, or trigger immediate tit-for-tat retaliation. Hence, the strategy quickly reverts to tactical opportunism. So where should companies turn for a more innovative approach to strategy? Moore (1996) and Kim & Mauborgne (2005) stated that the best answer should be blue-ocean strategy.

History reveals that there are neither perpetually excellent companies nor perpetually excellent industries. Companies and industries rise and fall based on the strategic moves that are made, as Foster and Kaplan (2001) point out in their book '*Creative Destruction'*. While few companies listed in the book certainly outperformed the market, some did not outperform the competition within their entire industries. So if there is no perpetually high-performing company and if the same company can be brilliant at one moment and wrongheaded another, it appears that the company is not the appropriate unit of analysis in exploring the roots of high performance. An analysis of industry history also shows that the strategic move, and not the company or the industry, is the right unit of analysis for explaining the root of profitable growth. This strategic move that is seen to be centrally important is the creation and capturing of blue oceans.

Although the term blue ocean is new, their existence is not. They are a feature of business life, past and present (Hill, 2008). Let's look back one hundred years and ask, how many of today's industries were then known? The answer is that many industries as basic as automobiles, music recording, aviation, petrochemicals, health care, and management consulting were unheard of or had just begun to emerge at that time. Now let us turn the clock back only 35 years. Again, a plethora of multi-billion dollar industries jumps out – mutual funds, mobile phones, gas fired electricity plants, biotechnology, discount retail, express package delivery, snowboards, coffee bars, and home videos to name a few. Just three decades ago, none of these industries existed. Again, let us put the clock forward 20 years – or perhaps 50 years – and ask our self how many now unknown industries will likely exist then? If history is any predictor of the future, again the answer is many of them. The reality is that industries never stand still. They continuously evolve. Operations improve, markets expand, and players come and go. History teaches us that we have a hugely underestimated capacity to capture blue oceans by creating new industries and re-creating existing ones.

A fact to note is that a market universe is composed of two sorts of oceans – red oceans and blue oceans (Peters & Waterman, 2002). Red oceans represent all the industries in existence today. This is the known market space. Blue oceans denote all the industries not in existence today. This is the unknown market space. Hamel and Prahalad (2002) explain that in the red oceans, industry boundaries are defined and accepted, and the competitive rules of the game are known. Here, companies try to outperform their rivals to grab a greater share of existing demand. As the market space gets more crowded, prospects for profits and growth are reduced. Products become commodities, and cut-throat competition turns the red ocean bloody (Kotler & Keller, 2014). Blue oceans, in contrast, are defined by untapped market space, demand creation, and the opportunity for highly profitable growth. Although some blue oceans are created well beyond existing industry boundaries, most are created from within red oceans by expanding existing industry boundaries. In blue oceans, competition is irrelevant because the rules of the game are waiting to be set.

What consistently separated winners from losers in creating blue oceans was their approach to strategy. The companies caught in the red ocean followed a conventional approach, i.e. racing to beat the competition by building a defensible position within the existing industry order (Drucker, 2001). The creators of blue oceans, surprisingly, didn't use the competition as their benchmark. Hamel (2000) stated that instead, they followed a different strategic logic that is called value innovation. Value innovation is the cornerstone of blue ocean strategy. It is called value innovation because instead of focusing on beating the competition, firm focus on making the competition irrelevant by creating a leap in value for buyers and company, thereby opening up new and uncontested market space. Value innovation places equal emphasis on value and innovation. Value without innovation tends to focus on value creation on an incremental scale, something that improves value but is not sufficient to make firm stand out in the marketplace (Kim & Mauborgne, 2005). Innovation without value tends to be technology-driven, market pioneering, or futuristic, often shooting beyond what buyers are ready to accept and pay for (Tellis & Golder, 2002).

Porter (2001) posits that value innovation occurs only when companies align innovation with utility, price, and cost positions. If they fail to anchor innovation with value in this way, technology innovators and market pioneers often lay the eggs that other companies hatch. White (2001) explains that value innovation is a new way of thinking about and executing strategy that results in the creation of a blue ocean and a break from the competition. Importantly, value innovation defies one of the most commonly accepted dogmas of competition-based strategy: the value-cost trade-off. It is conventionally believed that companies can either create greater value to customers at a higher cost or create reasonable value at a lower cost. Here strategy is seen as making a choice between differentiation and low cost (Porter, 2001). In contrast, those that seek to create blue oceans pursue differentiation and low cost simultaneously.

Though, what constitutes the strategic approaches toward achieving corporate-edge and building value is by consistently pursuing generic strategies and value chain analysis (Porter, 2001; David, 2011). This is so because at present, the playing field is dramatically unbalanced in favor of tools and analytical frameworks to succeed in red oceans. As long as this remains true, red oceans will continue to dominate companies' strategic agenda even as the business imperative for creating blue oceans takes on new urgency. In this work, we demonstrated the cardinal impact that blue oceans strategic choice can facilitate in promoting values for buyers and the firm respectively, a term known as value innovation. The work limits its approach to two of the many competitive industries in Nigeria, and they are: Fast Moving Consumer Goods (FMCG) and Telecommunications Sectors.

1.2. Statement of the Problem

Ideally, it will always be important to swim successfully in the red ocean by out-competing rivals. This is so because the red oceans competitive-based strategies always matter and will always be a fact of business life. But with the Nigerian FMCG and Telecomm sectors, in which in the recent times, supply tends to exceed demand and more firms compete for a share of contracting markets, firms' in these

industries need to rethink. Though the competitive-based activities may be necessary, but it is not sufficient to sustain high performance. Companies in these industries need to go beyond competing. To seize new profit and growth opportunities, they also need to create blue oceans in form of new-demand creation. Unfortunately, firms have not yet mastered the tactics of this new business horizon.

Furthermore, although economic conditions indicate the rising imperative of blue oceans, there is a general belief that the odds of success are lower when companies venture beyond existing industry space. This is one major dilemma facing many firms in Nigeria. The issue is how firms can succeed in blue oceans. How can companies systematically maximize the opportunities while simultaneously minimizing the risks of formulating and executing blue ocean strategy? Of course, there is no such thing as a riskless strategy. Strategy will always involve both opportunity and risk, be it a red ocean or a blue ocean initiative. Despite prior calls for Nigeria companies to go beyond existing industry space in order to enjoy growth opportunities, companies have yet to act seriously on these recommendations.

What constitute the success of company edge in the traditional strategic thinking has consistently revolved round using either low cost or differentiation. Many Nigeria firms have utilized these to the maximum but failed to delve into and take full insight into the blue ocean direction. Blue ocean strategy is based on the simultaneous pursuit of differentiation and low cost. It is an "and-and," not an "either-or" strategy. Conventional wisdom holds that companies can either create greater value for customers at a higher cost or create reasonable value at a lower cost. Here strategy is seen as making a choice between differentiation and low cost, the scenarios we find many Nigeria organizations implementing. In contrast, blue ocean strategy seeks to break the value-cost tradeoff by eliminating and reducing factors an industry competes on and raising and creating factors the industry has never offered.

It is from the above phenomena and problems that this work intends to find out how firms' in Nigeria can create successful blue oceans strategies for reaching an uncontested market space, sustaining a business growth and building value innovation. The work based its study on two selected sectors (FMCG & Telecommunications) in Nigeria.

1.3. Research Objectives

The broad objective of this study is to find the impact of blue ocean strategy on value innovation. To achieve the overall main objectives, the following specific objectives are developed:

i. To examine if there is a significant relationship between blue oceans strategy and firm's value innovation.
ii. To evaluate the impact that new-demand strategy has on the company's growth in terms of both revenue and profit potentials.

2.0. REVIEW OF LITERATURE

2.1. Conceptual Framework

2.1.1. Understanding Blue Oceans: Concepts & Meaning

A market universe is composed of two sorts of oceans: red oceans and blue oceans (Kim & Baik, 2008). Red oceans represent all the industries in existence today. This is the known market space. Blue oceans denote all the industries not in existence today. This is the unknown market space. In the red oceans, industry boundaries are defined and accepted, and the competitive rules of the game are known (Porac & Rosa, 2001; White, 1996). Here, companies try to outperform their rivals to grab a greater share of existing demand. Sushil (2006) posits that as the market space gets crowded, prospects for profits and growth are reduced. Products become commodities, and cutthroat competition turns the red ocean bloody. Blue oceans, in contrast, are defined by untapped market space, demand creation, and the opportunity for highly profitable growth (Sushil, 2006).

Nicolas (2011) explains that blue ocean strategy is a strategy that advice companies to go to a new market, which interest customers and avoid competition from the existing market. This strategy makes possible for companies, entrepreneurs to increase their chances of success. In order to maximize the efficiency of the strategy, it is better for companies to initiate it when the business starts. The early firms pursue it, the more profits margin will be. Blue Ocean strategy can help companies to find new market in which they can capture more customers while improving cost structure. (Gorrell, 2005)

Although some blue oceans are created well beyond existing industry boundaries, most are created from within red oceans by expanding existing industry boundaries. In blue oceans, Srinivasan (2006) stated that competition is irrelevant because the rules of the game are waiting to be set. It will always be important to swim successfully in the red ocean by outcompeting rivals. Red oceans will always matter and will always be a fact of business life (Moris, 2007). But with supply exceeding demand in more industries, competing for a share of contracting markets, while necessary, will not be sufficient to sustain high performance (Hamel & Prahalad, 2002). Companies need to go beyond competing. To seize new profit and growth opportunities, they also need to create blue oceans.

Unfortunately, blue oceans are largely uncharted. The dominant focus of strategy work over the past twenty-five years has been on competition-based red ocean strategies (Auerbach, 1998; Day, 1997). The result has been a fairly good understanding of how to compete skillfully in red waters, from analyzing the underlying economic structure of an existing industry, to choosing a strategic position of low cost or differentiation or focus, to benchmarking the competition. Some discussions around blue oceans exist (Hamel & Prahalad, 2002). However, there is little practical guidance on how to create them. Without analytic frameworks to create blue oceans and principles to effectively manage risk, creating blue oceans has remained wishful thinking that is seen as too risky for managers to pursue as strategy (Abraham, 2006).

2.1.2. The Rising Imperative of Creating Blue Oceans

There are several driving forces behind a rising imperative to create blue oceans (Gordon, 2005). Accelerated technological advances have substantially improved industrial productivity and have allowed suppliers to produce an unprecedented array of products and services. The result is that in increasing numbers of industries, supply exceeds demand. D'Aveni and Gunther (2001) identified that the trend toward globalization compounds the situation. As trade barriers between nations and regions are dismantled and as information on products and prices becomes instantly and globally available, niche markets and havens for monopoly continue to disappear (Ohmae, 1995, 2006). While supply is on the rise as global competition intensifies, there is no clear evidence of an increase in demand world-wide, and statistics even point to declining populations in many developed markets (Cote, 2005).

The result has been accelerated commoditization of products and services, increasing price wars, and shrinking profit margins. Recent industry wide studies on major American brands confirm this trend (Copernicus and Market Facts, 2001). They reveal that for major product and service categories, brands are generally becoming more similar, and as they are becoming more similar people increasingly select based on price (Copernicus and Market Facts, 2001). People no longer insist, as in the past, that their laundry detergent be Tide. Nor will they necessarily stick to Colgate when Crest is on sale, and vice versa. In overcrowded industries, differentiating brands becomes harder in both economic upturns and downturns.

All this suggests that the business environment in which most strategy and management approaches of the twentieth century evolved is increasingly disappearing. As red oceans become increasingly bloody, management will need to be more concerned with blue oceans than the current cohort of managers is accustomed to.

How can a company break out of the red ocean of bloody competition? asked by Colman and Buckly (2005). How can it create a blue ocean? Is there a systematic approach to achieve this and thereby sustain high performance? In search of an answer, a major initial step was to define the basic unit of analysis for our research. To understand the roots of high performance, the business literature typically uses the company as the basic unit of analysis. People have marveled at how companies attain strong, profitable growth with a distinguished set of strategic, operational, and organizational characteristics. A fundamental question, however, is that: Are there lasting "excellent" or "visionary" companies that continuously outperform the market and repeatedly create blue oceans?

As discussed earlier, history also shows that industries are constantly being created and expanded over time and that industry conditions and boundaries are not given; individual actors can shape them. Companies need not compete head-on in a given industry space; rather a new market space needs to be created to generate strong and profitable growth. It appears, then, that neither the company nor the industry is the best unit of analysis in studying the roots of profitable growth.

2.1.3 General Concept of Value Innovation

The creators of blue oceans, surprisingly, didn't use the competition as their benchmark (Kim & Mauborgne, 2005). Instead; they followed a different strategic logic that we call value innovation. Kim and Mauborgne (2005) explain that value innovation is the cornerstone of blue ocean strategy. It is called value innovation because instead of companies focusing on beating the competition, they focus on making the competition irrelevant by creating a leap in value for buyers and your company, thereby opening up new and uncontested market space. Value innovation places equal emphasis on value and innovation. Value without innovation tends to focus on value creation on an incremental scale, something that improves value but is not sufficient to make you stand out in the marketplace (Hamel, 2000).

Tellis and Golder (2002) explains that innovation without value tends to be technology-driven, market pioneering, or futuristic, often shooting beyond what buyers are ready to accept and pay for. In this sense, it is important to distinguish between value innovation as opposed to technology innovation and market pioneering. Our study shows that what separates winners from losers in creating blue oceans is neither bleeding-edge technology nor "timing for market entry." Sometimes these exist; more often, how-ever, they do not. Value

innovation occurs only when companies align innovation with utility, price, and cost positions. If they fail to anchor innovation with value in this way, technology innovators and market pioneers often lay the eggs that other companies hatch (Anderson & Strandkov, 2008).

Value innovation is a new way of thinking about and executing strategy that results in the creation of a blue ocean and a break from the competition. Importantly, value innovation defies one of the most commonly accepted dogmas of competition-based strategy: the value-cost trade-off (Hill, 2008; White, 2001). It is conventionally believed that companies can either create greater value to customers at a higher cost or create reasonable value at a lower cost. Here strategy is seen as making a choice between differentiation and low cost (Porter, 1985; 2001). In contrast, those that seek to create blue oceans pursue differentiation and low cost simultaneously.

Kim and Baik (2008) postulated that value Innovation is the cornerstone of blue ocean strategy. Value innovation is created in the region where a company's actions favorably affect both its cost structure and its value proposition to buyers. Cost savings are made by eliminating and reducing the factors an industry competes on. Buyer value is lifted by raising and creating elements the industry has never offered. Over time, costs are reduced further as scale economies kick in due to the high sales volumes that superior value generates.

The creation of blue oceans is about driving costs down while simultaneously driving value up for buyers. This is how a leap in value for both the company and its buyers is achieved. Because buyer value comes from the utility and price that the company offers to buyers and because the value to the company is generated from price and its cost structure, value innovation is achieved only when the whole system of the company's utility, price, and cost activities is properly aligned. It is this whole-system approach that makes the creation of blue oceans a sustainable strategy. Blue ocean strategy integrates the range of a firm's functional and operational activities (Gordon, 2005).

Moris (2007) diverges to state that in contrast, innovations such as production innovations can be achieved at the subsystem level without impacting the company's overall strategy. An innovation in the production process, for example, may lower a company's cost structure to reinforce its existing cost leadership strategy without changing the utility proposition of its offering. Although innovations of this sort may help to secure and even lift a company's position in the existing market space, such a subsystem approach will rarely create a blue ocean of new market space.

In this sense, value innovation is more than innovation. It is about strategy that embraces the entire system of a company's activities (Porter, 1985; 2001).Value innovation requires companies to orient the whole system toward achieving a leap in value for both buyers and themselves. Absent of such an integral approach, innovation will remain divided from the core of strategy (Porter, 2001). The figure below compares both the two horizons of strategic thinking.

Table 2.1: Red Ocean versus Blue Ocean Strategy.

Red Ocean Strategy	Blue Ocean Strategy
Competition in existing market space	Created uncontested market space
Beat the competition	Make the competition irrelevant
Exploit existing demand	Create and capture new demand
Make the value-cost trade-off	Break the value-cost trade-off
Align the whole systems of a firm's activities with the Strategic choice of either differentiation or low cost	Align the whole systems of a firm's activities with in pursuit of either differentiation or low cost

Source: Kim, W.C. & Mauborgne, R. (2005), *Blue Ocean Strategy* (1st Ed.) USA: Harvard University Press

2.1.4. Blue Ocean Strategic Frameworks

In the recent times, there has been an issue in developing a set of analytical tools and frameworks in an attempt to make the formulation and execution of blue ocean strategy as systematic and actionable as competing in the red waters of known market space (Arbnor & Bjerke, 1996; Cote, 2005). These analytics fill a central void in the field of strategy, which has developed an impressive array of tools and frameworks to compete in red oceans, such as the five forces for analyzing existing industry conditions and three generic strategies (Porter, 1985; 2001), but has remained virtually silent on practical tools to excel in blue oceans. Instead, executives have received calls to be brave and entrepreneurial, to learn from failure, and to seek out revolutionaries. Although thought-provoking, these are not substitutes for analytics to navigate successfully in blue waters. In the absence of analytics, executives cannot be expected to act on the call to break out of existing competition. Effective blue ocean strategy should be about risk minimization and not risk taking. To address this imbalance, Kim and Mauborgne (2005) studied companies around the world and developed practical methodologies in the quest of blue oceans. They then

applied and tested these tools and frameworks in action by working with companies in their pursuit of blue oceans, enriching and refining them in the process. The tools and frameworks are discussed below:

2.1.4.1 *Strategy Canvas*

The strategy canvas is both a diagnostic and an action framework for building a compelling blue ocean strategy. It serves two purposes. First, it captures the current state of play in the known market space. This allows you to understand where the competition is currently investing, the factors the industry currently competes on in products, service, and delivery, and what customers receive from the existing competitive offerings on the market (Colman & Buckly, 2005). To fundamentally shift the strategy canvas of an industry, you must begin by reorienting your strategic focus from competitors to alternatives, and from customers to non customers of the industry (Kim & Baik, 2008). To pursue both value and cost, you should resist the old logic of benchmarking competitors in the existing field and choosing between differentiation and cost leadership. As you shift your strategic focus from current competition to alternatives and noncustomers, you gain insight into how to redefine the problem the industry focuses on and thereby reconstruct buyer value elements that reside across industry boundaries. Conventional strategic logic, by contrast, drives you to offer better solutions than your rivals to existing problems defined by your industry (Anderson & Strandkov, 2008).

2.4.1.2 *Four Actions Framework*

To reconstruct buyer value elements in crafting a new value curve, Kim & Mauborgne (2005) developed the four actions framework. To break the trade-off between differentiation and low cost and to create a new value curve, there are four key questions to challenge an industry's strategic logic and business model (Kim & Mauborgne, 2005):

- Which of the factors that the industry takes for granted should be eliminated?
- Which factors should be reduced well below the industry's standard?
- Which factors should be raised well above the industry's standard?
- Which factors should be created that the industry has never offered?

The first question forces you to consider eliminating factors that companies in your industry have long competed on. Often those factors are taken for granted even though they no longer have value or may even detract from value. Sometimes there is a fundamental change in what buyers' value, but companies that are focused on benchmarking one another do not act on, or even perceive, the change. The second question forces you to determine whether products or services have been overdesigned in the race to match and beat the competition. Here, companies over serve customers, increasing their cost structure for no gain. The third question pushes you to uncover and eliminate the compromises your industry forces customers to make. The fourth question helps you to discover entirely new sources of value for buyers and to create new demand and shift the strategic pricing of the industry.

2.4.1.3. *Eliminate-Reduce-Raise-Create Grid*

There is a third tool that is a key to creation of blue oceans. Gorrell (2005) stated that it is a supplementary analytic to the four actions framework called the eliminate-reduce-raise-create grid. The grid pushes companies not only to ask all four questions in the four actions framework but also to act on all four to create a new value curve. By driving companies to fill in the grid with the actions of eliminating and reducing as well as raising and creating, the grid gives companies four immediate benefits:

- It pushes them to simultaneously pursue differentiation and low costs to break the value-cost trade-off.
- It immediately flags companies that are focused only on raising and creating and thereby lifting their cost structure and often over engineering products and services—a common plight in many companies.
- Because completing the grid is a challenging task, it drives companies to robustly scrutinize every factor the industry competes on, making them discover the range of implicit assumptions they make unconsciously in competing.

2.1.5. Formulating Blue Ocean Strategy

The first principle of blue ocean strategy is to re-construct market boundaries to break from the competition and create blue oceans (Abraham, 2006; Kim & Mauborgne, 2005). This principle addresses the search risk many companies struggle with. The challenge is to successfully identify, out of the haystack of possibilities that exist, commercially compelling blue ocean opportunities. This challenge is a key because managers cannot afford to be riverboat gamblers betting their strategy on intuition or on a random drawing. In their research, Hamel and Prahalad (2002) sought to discover whether there were systematic patterns for reconstructing market boundaries to create blue oceans.

Scherer (2007) found clear patterns for creating blue oceans. Specifically, six basic approaches to remaking market boundaries were discussed. This is called six paths framework. These paths have general applicability across industry sectors, and they lead companies into the corridor of commercially viable blue ocean ideas. None of these paths requires special vision or foresight about the future. All are based on looking at familiar data from a new perspective. These paths challenge the six fundamental assumptions underlying many companies' strategies.
These six assumptions, on which most companies hypnotically build their strategies, keep companies trapped competing in red oceans. Specifically, companies tend to do the following:

- Define their industry similarly and focus on being the best within it
- Look at their industries through the lens of generally accepted strategic groups (such as luxury automobiles, economy cars, and family vehicles), and strive to stand out in the strategic group they play in
- Focus on the same buyer group, be it the purchaser (as in the office equipment industry), the user (as in the clothing industry), or the influencer (as in the pharmaceutical industry)
- Define the scope of the products and services offered by their industry similarly
- Accept their industry's functional or emotional orientation
- Focus on the same point in time—and often on current competitive threats—in formulating strategy

Hamel (2000) explains that the more that companies share this conventional wisdom about how they compete, the greater the competitive convergence among them. To break out of red oceans, companies must break out of the accepted boundaries that define how they compete. Instead of looking within these boundaries, managers need to look systematically across them to create blue oceans. They need to look across alter-native industries, across strategic groups, across buyer groups, across complementary product and service offerings, across the functional-emotional orientation of an industry, and even across time (Kim & Baik, 2008). This gives companies keen insight into how to reconstruct market realities to open up blue oceans.

1. *Look across alternative industries:* The Company started looking at what the competitors who produce the same kind of products are doing. It was found that Galaxy, Cadbury, Today…etc. are the main competitors are concentrating on producing chocolate bars, chocolate with nuts and wafers. All chocolate manufacturers are competing in this segment of the market.
2. Look across strategic group within industries: The Company also looked at the other competitors within industries following same strategy, i.e. Chocolate shops. It identified what are their major competitive advantages as companies produce different types of chocolate other than bars or wafers.
3. *Look across the chain of buyers:* The Company studied the supply chain by looking at distribution networks between the company and its customers, and how the chocolate is distributed to different places and who are the main buyers that the company cares more about fulfilling it.
4. *Look across complementary product and service offering*: The Company looked at the current status of the complementary items to the chocolate products (either in the product itself or related to the product like special offers, different designs, gifts…etc) and identified what is missing.
5. *Look across functional or emotional appeal to buyers*: Chocolate becomes one of the most popular desserts for all ages. It is considered as one of the favorite commodities consumed, and this called to take advantage of customer passion and desires to become one of the key successes of any organization.
6. Look across time: It is known that once a company creates Blue Ocean and its powerful performance consequences are known, sooner or later imitators appear on the horizon, so it is a function of time. The company started thinking about the suitable timing for design and production new items/products before any other will be faster and produce it.

2.1.6. Sustainability and Renewal of Blue Ocean Strategy
Creating a blue ocean is not a static achievement but a dynamic process. Scherer (2007) argues that once a company creates a blue ocean and its powerful performance consequences are known, sooner or later imitators appear on the horizon. The question is, how soon or late will they come? Put differently, how easy or difficult is blue ocean strategy to imitate? (Sushil, 2006)

As the company and its early imitators succeed and expand the blue ocean, more companies eventually jump in. This raises a related question: When should a company reach out to create an-other blue ocean? In this concluding chapter, we address the issues of the sustainability and renewal of blue ocean strategy.

A blue ocean strategy brings with it considerable barriers to imitation. Some of these are operational, and others are cognitive. More often than not, a blue ocean strategy will go without credible challenges for ten to fifteen years. This sustainability can be traced to the following imitation barriers rooted in blue ocean strategy (Cote, 2005; Kim & Mauborgne, 2005):

i. A value innovation move does not make sense based on conventional strategic logic. When CNN was introduced, for example, NBC, CBS, and ABC ridiculed the idea of twenty-four-hour, seven-day, real-time news without star broadcasters. CNN was referred to as Chicken Noodle News by the industry. Ridicule does not inspire rapid imitation.
ii. Brand image conflict prevents companies from imitating a blue ocean strategy. The blue ocean strategy of The Body Shop, for example—which shunned beautiful models, promises of eternal beauty and youth, and expensive packaging—left major cosmetic houses the world over action less for years because imitation would signal an invalidation of their current business models.
iii. Natural monopoly blocks imitation when the size of a market cannot support another player.
iv. Patents or legal permits block imitation.
v. The high volume generated by a value innovation leads to rapid cost advantages, placing potential imitators at an ongoing cost disadvantage. The huge economies of scale in purchasing enjoyed by Wal-Mart, for example, have significantly discouraged other companies from imitating its blue ocean strategy.
vi. Because imitation often requires companies to make substantial changes to their existing business practices, politics often kick in, delaying for years a company's commitment to imitate a blue ocean strategy.
vii. When a company offers a leap in value, it rapidly earns brand buzz and a loyal following in the marketplace. Even large advertising budgets by an aggressive imitator rarely have the strength to overtake the brand buzz earned by the value innovator. Microsoft, for example, has been trying for years to dislodge Intuit's value innovation, Quicken. More than ten years out, despite all its efforts and investment, it has not been able to do so.

Blue ocean strategy is a systems approach that requires not only getting each strategic element right but also aligning them in an integral system to deliver value innovation. Anderson and Strandkov (2008) stated that imitating such a system is not an easy feat. Eventually, however, almost every blue ocean strategy will be imitated. As imitators try to grab a share of your blue ocean, you typically launch offenses to defend your hard-earned customer base. But imitators often persist. Obsessed with hanging on to market share, you may fall into the trap of competing, racing to beat the new competition. Over time, the competition, and not the buyer, may come to occupy the center of your strategic thought and actions. If you stay on this course, the basic shape of your value curve will begin to converge with those of the competition (Colman & Buckly, 2005).

Abraham (2006) suggested that to avoid the trap of competing, you need to monitor value curves on the strategy canvas. Monitoring value curves signals when to value-innovate and when not to. It alerts you to reach out for an-other blue ocean when your value curve begins to converge with those of the competition. As rivalry intensifies and total supply exceeds demand, bloody competition commences and the ocean will turn red. As competitors' value curves converge toward yours, you should begin reaching out for another value innovation to create a new blue ocean (Moris, 2007). Hence, by charting your value curve on the strategy canvas and intermittently replotting your competitors' value curves versus your own, you will be able to visually see the degree of imitation, and hence of value curve convergence and the extent to which your blue ocean is turning red (Hamel & Prahalad, 2002).

Because blue and red oceans have always coexisted however, practical reality demands that companies succeed in both oceans and master the strategies for both. But because companies already understand how to compete in red oceans, what they need to learn is how to make the competition irrelevant (Kim & Mauborgne, 2005).

2.2. Theoretical Framework

There are basically two distinct views/theories on how industry structure is related to strategic actions of industrial players (Foster & Kaplan, 2001). They are structuralist and reconstructionist views and theories. Lately, scholars (David, 2011; Kim & Mauborgne, 2005) argued against the views by supporting new growth theory.

The Structuralist view/theory of strategy has its roots in industrial organization (IO) economics (Bain, 2001).The model of industrial organization analysis proposes a structure-conduct-performance paradigm, which suggests a causal flow from market structure to conduct and performance. Market structure, given by supply and demand conditions, shapes sellers' and buyers' conduct, which, in turn, determines end performance (Scherer, 1999). System wide changes are induced by factors that are external to the market structure, such as fundamental changes in basic economic conditions and technological breakthroughs (Scherer, 1999).

The Reconstructionist theory/view of strategy, on the other hand, is built on the theory of endogenous growth. The theory traces back to Joseph A. Schumpeter's initial observation that the forces that change economic structure and industry landscapes can come from within the system (Schumpeter, 2000). Schumpeter argues that innovation can happen endogenously and that its main source is the creative entrepreneur (Schumpeter, 2000). Schumpeterian innovation is still black-boxed, however, be-cause it is the product of the ingenuity of entrepreneurs and cannot be reproduced systematically.

Recently, the new growth theory made advances on the reconstructionist front by showing that innovation can be replicable endogenously via an understanding of the patterns or recipes behind innovation (Grossman & Helpman, 1995; Romer, 2003). In essence, this theoretical advancement separated the recipe for innovation — or the pattern of knowledge and ideas behind it — from Schumpeter's lone entrepreneur, opening the way for the systematic reproduction of innovation. However, despite this important advance, we still lack an understanding of what those recipes or patterns are. Absent of this knowledge and ideas cannot be deployed in action to produce innovation and growth at the firm level.

The main two views/theories—the structuralist and the reconstructionist— have important implications for how companies act on strategy. The *structuralist view (or environmental determinism)* often leads to competition-based strategic thinking. Taking market structure as given, it drives companies to try to carve out a defensible position against the competition in the existing market space. To sustain themselves in the marketplace, practitioners of strategy focus on building advantages over the competition, usually by assessing what competitors do and striving to does it better. Here, grabbing a bigger share of the market is seen as a zero-sum game in which one company's gain is achieved at another company's loss. Hence, com-petition, the supply side of the equation, becomes the defining variable of strategy. Such strategic thinking leads firms to divide industries into attractive and unattractive ones and to decide accordingly whether or not to enter. After it is in an industry, a firm chooses a distinctive cost or differentiation position that best matches its internal systems and capabilities to counter the competition (Porter, 1985, 2001). Here, cost and value are seen as trade-offs. Because the total profit level of the industry is also determined exogenously by structural factors, firms principally seek to capture and redistribute wealth instead of creating wealth. They focus on dividing up the red ocean, where growth is increasingly limited.

To *reconstructionist* eyes, however, the strategic challenge looks very different. Recognizing that structure and market boundaries exist only in managers' minds, practitioners who hold this view do not let existing market structures limit their thinking. To them, extra demand is out there, largely untapped. The crux of the problem is how to create it. This, in turn, requires a shift of attention from supply to demand, from a focus on competing to a focus on value innovation—that is, the creation of innovative value to un-lock new demand. With this new focus in mind, firms can hope to accomplish the journey of discovery by looking systematically across established boundaries of competition and reordering existing elements in different markets to reconstruct them into a new market space where a new level of demand is generated. Hargadon (2003) explains that in the reconstructionist view, there is scarcely any attractive or unattractive industry per se because the level of industry attractiveness can be altered through companies' conscientious efforts of reconstruction. As market structure is changed in the reconstruction process, so are best-practice rules of the game. Competition in the old game is therefore rendered irrelevant. By stimulating the demand side of the economy, the strategy of value innovation expands existing markets and creates new ones. Value innovators achieve a leap in value by creating new wealth rather than at the expense of competitors in the traditional sense. Such a strategy therefore allows firms to largely play a non–zero-sum game, with high payoff possibilities.

2.3. Review of Previous Extant Studies

In a paper published by Rawabdeh, Raqab, Al-Nimri, & Haddadine (2012) titled '*Blue Ocean Strategy as a Tool for Improving a Company's Marketing Function: The case of Jordan',* blue ocean strategy is seen as a consistent pattern of strategic thinking behind the creation of new markets and industries where demand is created rather than fought for and the rule of competition is irrelevant. The paper proposed a methodology to implement the Blue Ocean Strategy in a privately owned Jordanian industrial firm struggling in a very competitive market using different tools and techniques such as value curves, strategy canvas, six path method, four actions framework, utility matrix and conjoint analysis in addition to some statistical tools such as discriminant analysis, cluster analysis, relative importance of attributes for targeting, and combination bundles analysis. The results of the paper were built on the bases of customer's preferences, opinions, and suggestions that have been collected by different surveys. The main result shows that the company managed to identify a number of new products that can develop its own new markets for it (Blue Ocean Markets).

In a similar work done by Alhaddi (2014) titled *'Blue Ocean Strategy and Sustainability for Strategic Management',* it suggests using blue ocean strategy (BOS) to instigate the implementation of sustainability initiatives guided by the similarity between BOS and sustainability in terms of their drive for innovation and value. This was done by introducing the blue ocean strategy and sustainability conceptual framework, which strategic managers can use as a guiding principle in the development of the organization's strategy. The paper explains that BOS

often suggests the potential to create profitable growth by means of diminishing the relevancy of competition and creating uncontested market space by creating leap in value with Value Innovation. Similarly, sustainability is a key driver for innovation as companies strive to find new solutions, applications, and techniques that would generate benefits in the environmental, social, and economic spaces. Sustainability also creates value that emerges from doing well be doing good known as Sustainable Value. Therefore, the study found out that BOS as a business strategy can be used to tap into the sustainability space as a domain for growth and innovation can be used to create new market space and business profit.

Furthermore, the work, *'The Rise of Blue Ocean Strategy and Leadership'* done by Malhotra and Seth (2014), it was argued that competition has been the core of corporate strategy as no-one can talk about strategy without including the language of competition. Since the level of competition has intensified, all companies strive to win competitive advantage by implementing various kinds of corporate and business level strategies. However, the paper rejected the philosophy of red-oceans strategy and stated that by concentrating on the competitive strategies, many corporations have overlooked a very essential and significant aspect of strategy. The paper suggested that instead of having head to head competition with the competitors, companies should try to make the competition negligible by creating a new uncontested market space where there are no competitors, which is known as "Blue Ocean". The work was a content study that utilized descriptive research method.

A work published by Dehkordi, Rezvani & Behravan (2012) titled *'Blue Ocean Strategy: A Study Over A Strategy Which Help The Firm To Survive From Competitive Environment',* which was a conceptual paper introduced blue ocean strategy as one of the current controversial issues in the area of strategy. The study also highlighted blue ocean`s barriers like imitation and emulation. The review of the research contains role of innovation and its value for it help the firms survive in competitive market. First movers and second fast imitators also were the issues discussed in the study.

3.0. METHODOLOGY

In the course of this work, the researchers utilized the survey research design. Survey design was employed because it gives rooms to study respondents' opinion, belief and preferences. Two major sources of data were referred to in the course of this study, the conventional sources of primary and the secondary data. Data for this study was collected mainly from primary source. Data was gathered from the primary source through questionnaire that will be self-administered. The sample respondents consist of the top and middle level management staff of selected firms in Nigeria's Fast Moving Consumer Goods (FMCG) and Telecommunications sectors. The secondary source of information was also utilized from journals, magazines, newspapers, textbooks and other records that are relevant to the study. This study was carried out in South-Western part of Nigeria specifically at the Lagos State. The researchers picked Lagos State because it has the headquarters of most FMCG Companies in Nigeria. It is also the State with the seat of the Head offices of all telecommunications' firms in Nigeria. Head and Corporate Offices of the selected organizations were only chosen because the research work seeks to find out the opinion of top and middle executives of the selected firms' regarding blue ocean strategy. Out of the many Fast Moving Consumer Goods (FCMG) and Telecommunications companies in Lagos State, the researchers picked Cadbury Nigeria Plc, Ikeja and Nestle Foods Nigeria Plc, Ilupeju, both in Lagos State, as the choice FMCG. The researchers also select MTN and GLO Nig. Ltd as the preferred telecommunication firms. These organizations were randomly selected mainly because they represent the market leaders and well known rival firms in the chosen sectors. The population of this study was drawn from top and middle level management employees of the selected organizations. Our research main focus is on blue ocean strategic direction which happens to be a long-range strategic decision. Hence, only top and middle level management people were chosen because they are responsible for corporate and business level strategies respectively. The population of the study is shown below

Table 1: The Population size of the study by the selected companies. (Only Top & Middle Level Mgt. Staff)

Selected Companies	Top Level Staff	Middle Level Staff	Total
Cadbury Nigeria Plc, Ikeja Lagos	17	59	76
Nestle Foods Nigeria, Plc, Ilupeju Lagos	21	78	99
MTN Nig. Ltd. Falomo, Ikoyi Lagos	19	96	115
GLO Nig. Ltd., Adeola Odeku V.I. Lagos	24	88	112
TOTAL	81	321	402

Source: Human Resources/Personnel Managers' of Each Organization (April, 2016)

Having defined the population, the researchers determined the size of the sample. This is so because; time, cost, and large representation of the entire study population can never allow the researcher to have general full representation of the whole population. Hence, sample size determination is necessary. A Final sample size of 197 numbers of respondents was derived. The non-probability convenience sampling was adopted as the sampling technique for this study. A well-structured questionnaire was used for data collection for this study. The questionnaire was drafted to reflect the types of data discussed above.. A 5-point likert scale was used for rating the opinions of the respondents toward the questions to be asked. They are SA - Strongly Agree, A – Agree, U – Uncertain, D – Disagree, SD – Strongly Disagree.

4.0 DATA PRESENTATION AND ANALYSIS

This section presents various data gathered and the analytical techniques used. Of the one hundred and ninety seven (197) questionnaires administered, only one hundred and seventy seven (177) representing 89.8% were returned and found good for the data analysis.

4.1. Test of Hypothesis

Two hypotheses were formulated in chapter one and are tested as follow using, correlation and z-test and. Hypothesis one was tested using correlation coefficient and two was tested with z-test. SPSS was used to analyze the various tests. The data used to test each of the hypotheses were derived from the respondents' opinion shown in the appendix.

Hypothesis One

HO_1: Blue ocean strategy does not have a significant relationship with firm's value innovation

HA_1: Blue ocean strategy has a significant positive relationship with firm's value innovation.

Correlations

		Blue Ocean	Value Innovation
Blue Ocean	Pearson Correlation	1	.480
	Sig. (2-tailed)		.413
	N	177	177
Value Innovation	Pearson Correlation	.480	1
	Sig. (2-tailed)	.413	
	N	177	177

Hypothesis Two

HO_2: The new-demand creation strategy has a negative impact on company, in terms both revenue and profit growth potentials

HA_2: The new-demand creation strategy has a positive impact on company in terms of both revenue and profit growth potentials.

Only respondents opinion to question nine in the appendix is used to text this hypothesis.

One-Sample Test

	Test Value = 0					
					95% Confidence Interval of the Difference	
	Z	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
New-demand and Growth	4.064	4	.015	35.40000	11.2178	59.5822

4.2. Discussions

i. *Significant relationship between Blue Ocean and attainment of value innovation.*
Data for the test of this hypothesis were obtained from responses from the questionnaire. Correlation analysis was used to test the validity of blue ocean strategy is significantly related to value's innovation. Tables 1 reveals that while the r calculated result shows the existence of significant result on the variables (r = 0.480 at p< 0.05). The significant level is 0.413, and due to this we reject the null hypothesis and accept the alternate one which states that *'Blue ocean strategy has a significant positive relationship with firm's value innovation'.*

Our result findings is much closer to the outcomes of the work done by Rawabdeh, Raqab, Al-Nimri, & Haddadine (2012) which revealed that Blue Ocean strategy is a consistent pattern of strategic thinking behind the creation of new markets and industries where demand is created rather than fought for and the rule of competition is irrelevant. According to the works of Rawabdeh et al (2012), Blue Ocean is one major tool of strategic approach that firms can used to gain value. In contrary to our findings, Porter (1985, 2001) value chain analysis is somewhat different from ours. What he suggested from his works was that value of firms can only be developed through the performance of some inbound and outbound activities with complimentary support from some other ancillary services. Also, the findings of Nicholas (2011) suggested that what builds and nourishes value for a firm is verily more than mere pursuit of new-demand tactics through Blue Ocean. Blue Ocean to Nicholas (2011) is just an aspect of what the gamut of value incorporates.

ii. The impact of new-demand creation strategy on company in terms of both revenue and profit growth potentials
Having analyzed the data from the questionnaire using independent sample t-test to examines if the new-demand creation strategy has a positive impact on company in terms of both revenue and profit growth potentials tables 2 revealed that the z-test result shows the existence of significant result on the variables (z calc = 4.064 > at p< 0.05). The significant level was found to be 0.015, and due to this we reject the null hypothesis and accept the alternate one which states that *the new-demand creation strategy has a positive impact on company in terms of both revenue and profit growth potentials.*

The result of this our study is specifically similar with the work conducted by Alhaddi (2014) in which it was revealed that BOS as a business strategy can be used to tap into the sustainability space as a domain for growth where innovation can be used to create new market space and business profit. Also, our findings agreed with the work done by Kim & Baik (2008) which revealed that blue ocean has impacted tremendously on the profit, revenue and new business launch of many organizations. Contrary to our results, the conclusions reached by Dehkordi et al (2012) diverge from ours as their work pointed out that blue ocean though may be promising, but is subject to many risks and hence may not necessarily provides the intended organization growth as soon as implemented.

5.0. FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1. Summary of Findings

The following are the summary of the major findings:

i. Blue ocean strategy has a significant positive relationship with firm's value innovation. (r-calc. 0.480> r-tab. 0.413 and p< 0.05)
ii. The new-demand creation strategy has a positive impact on company in terms of both revenue and profit growth potentials. (z-calc.4.064 > z-tab.0.015 and p<0.05)

5.2. Conclusion and Recommendations

Companies are used to compete into red oceans with high competition, low profit margins, and almost inexistent opportunities. However, a solution exists which this work termed as blue ocean strategy. With changing paradigms of the market realities, the key to being successful is "value innovation" through effective implementation of the Blue Ocean Strategy. The focus of the companies has shifted from focusing on existing demand towards demand creation through Blue Ocean Leadership. The leaders have to concentrate on various aspects like elimination, reduction, raising and creation to achieve blue ocean leadership. Despite thinking "out of the box", over a period of time problems of imitation may crop up. In such a scenario, the companies need to create imitation barriers to sustain themselves over the long run. In developing economies such as Nigeria there will be room for companies to adopt a Blue Ocean strategy and entice customers with new ideas/products. The result will be that Blue Ocean concept can be implemented in our country and in one of the most competitive market which are Fast Moving Consumer Goods (FMCG) and Telecommunication sectors. Blue Ocean as a concept gives new way of thinking and many creative and constructive tools, but without general frame or clear procedure, it may results into unwanted risks and problems. In line with the summary of the findings and conclusions, the following are offered as recommendations:

i. Company should be more focus on the value of the customer rather than on the value of competitors. Value innovation is the key concept in blue ocean strategy, it provides the strategy framework. Firms must be "free" of modifying factors of competition.

ii. In order to be more competitive, one of blue ocean strategy's goals is to realize economies of scale by reducing costs and competitive characteristics. In order to achieve the blue ocean strategy successfully many steps (As already discussed) have to be fulfilled. The result will not be perceived except if all participants make their part.

iii. Leaders have an important role into the establishment of a blue ocean strategy. It is really important that every actors clearly understand the vision, the strategy. Leaders have to deeply explain the reasons of such strategic changes, take time to explain and above all listen to the participants. The subordinates will be involved in something they trust and care about which will facilitate communication.

iv. In addition to the above, thanks to the knowledge of the environment, companies should estimate competitors' strengths, weaknesses and positions on the market. It will give them another advantage i.e. the possibility to create again a blue ocean. Hence, the firm will be one step ahead and this is a linked to long term success.

v. Finally, the business world is becoming increasingly overcrowded. The competition will be more present and will remain a critical factor of the market reality. What we suggest is that to obtain high performance in this overcrowded market, companies should go beyond competing for share to creating blue oceans. Because blue and red oceans have always coexisted, however, practical reality demands that companies succeed in both oceans and master the strategies for both.

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