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Impact of Blue Ocean Strategies on Firm Performance: An Integrated Theoretical and Literature Review towards Implementation

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Abstract:
In the last few decades, competition has been at the peak of all major industries, and this has been heightened by globalisation, technological disruptions, industry convergence, emerging economies, increased customer demands, and aggressive competitive behaviour. Subsequently, organisations have been forced to adopt strategic positions such as blue ocean strategies to enhance performance. Owing to these developments, this study's main objective was to establish the effect of blue ocean strategies on firm performance. Therefore, this study sought to conceptualise the concept of blue ocean strategies and firm performance, focusing on identifying theoretical, conceptual and empirical gaps and proposing an appropriate theoretical model to respond to these gaps. In advancing prepositions presented in this paper, several theoretical streams were used to underpin this study. Value innovation framework was used to advance arguments on how firms can pursue industrial efficiency logic, knowledge-intensive logic and network logic to enhance the impact of blue ocean strategies on performance. The resource-based view was reviewed to further advance the opinion that blue ocean strategies can only be applied based on the extent to which a firm holds competitive resources and how the firm can sense, seize and reconfigure resources to match capabilities resources held by organisations to enable them to derive competitive advantage. Myles and Snow's typology theory has been used to explain proposed patterns of strategic behaviour that firms should implement to align them with environmental changes while pursuing blue ocean strategies. Additionally, an empirical review of studies done on blue ocean strategies and firm performance has been undertaken with the objective of exposing the empirical, contextual and theoretical gaps that have formed the basis for advancing prepositions of this paper. The literature review undertaken incorporated proposed blue ocean strategy indicators, specifically value innovation, market intelligence, alignment, and risk management strategies, as well as the mediating and moderating role of dynamic capabilities and regulatory framework on the relationship between blue ocean strategies and performance. The study findings demonstrate that the implementation of blue ocean strategies influences performance and that regulatory framework and dynamic capabilities have a moderating and mediating role in this relationship. The paper puts forward a recommendation for further studies on blue ocean strategies and firm performance with a view to additional variables that affect the relationship between blue ocean strategies and firm performance.

Keywords: *Blue ocean strategies, market intelligence strategy, value innovation strategy, alignment strategy, firm performance*

1. Introduction

In the last few decades, competition has been at the peak of all major industries, and this has been heightened by globalisation, technological disruptions, industry convergence, emerging economies, increased customer demands, and aggressive competitive behaviour. Subsequently, organisations have been forced to adopt strategic positions such as blue ocean strategies that help them to attract, gain and retain market share to improve performance (Pearce & Robinson, 2011). According to Cassidy (2016), organisations engage in strategic planning to define their long-term direction and search for a fit with the business environment, consequently developing dynamic capabilities that lead to high

performance. Blue ocean strategies have been at the heart of key decisions of companies aimed at sustaining their competitive advantage and enhancing firm performance (Lestari *et al.*, 2020). Organisations have been forced to move away from conventional approaches to doing business and embrace blue ocean strategies by developing products that deliver value and uncontested market space for the development of new products (Jordan *et al.*, 2020). Previously, Low-level value innovation characterised the market, resulting in products that did not reflect consumer needs and demands. Chang and Lee (2020) argue that more companies are attempting to create uncontested markets with a focus on value innovation and customised products through the use of technology; this level of adoption of blue ocean strategies has resulted in improved performance among firms. Various factors have been identified as affecting performance, including customer demands for pricing flexibility, use of FinTech solutions, mergers and acquisitions, risk management, and optimisation. Digitisation of the larger population in the wake of smartphones and internet access has also changed customer buying behaviour. Therefore, organisations are creating blue oceans by breaking away from conventional business models and embracing value innovation, market intelligence, alignment and risk management strategies to create capabilities that drive profitability and enhance performance (Mutegi & Mutegi, 2018).

The extent to which organisations can apply strategies is, however, subject to regulation by various laws within their jurisdiction; this has a substantial effect on the level of performance of these firms. Makau and Okeyo (2022) argue that regulatory framework plays a pivotal role in determining the extent to which companies enhance performance based on the policies that the regulators set and how they impact business performance. There are various regulatory bodies that provide policy direction, set rates, approve new products, review and approve expansions, mergers and acquisitions, protect consumers and ensure fair competition within various sectors. Blue Ocean strategies have been studied for over 20 years by its authors and additional literature has been developed to address the process of shifting from Red to blue oceans. To successfully transition to the uncontested market space, organisations must develop dynamic managerial capabilities to aid in steering the organisation into unchartered waters (Kim & Maugborne, 2017).

Firm performance is defined as the use of market development strategies, cost leadership, and differentiation strategies to improve the organisation's performance by increasing the market share and making it profitable (Odhiambo, 2020). Otto, Szymanski, and Varadarajan (2020, argue that trading firms that seek to meet customer needs should not rely on previous techniques because customers are becoming more choosers, and traditional marketing solutions are no longer sufficient. The researchers further argue that firms are facing high competition, and to run successful business activities, they need to expand the range of services and products to ensure quality goods that will satisfy the desired buyers and reduce costs (Isoraite, 2016). Cantele and Cassia (2020) relate performance to subjective approaches where firms rate themselves along several measures in comparison to their main competitors on a Likert-type scale. Simon *et al*. (2022) define firm performance as utilising product, place, promotion, and price to achieve customer satisfaction, develop new products and increase market share. Venkatraman and Ramanujam (1986) argue that the Performance measurement framework is based on financial, operational performance and overall effectiveness. Scholars have continued to experience challenges due to the complexity of defining performance. Carton and Hofer (2006) considered financial aspects as a measure of firm performance.

1.1. Statement of the Problem

Blue ocean strategies are at the core of organisational activities in the wake of repressed economic performance and heightened competition. To improve growth within organisations and enhance performance, firms must continue to adopt and implement blue ocean strategies, particularly value innovation, alignment, market intelligence and risk management strategies to unlock demand and enhance their performance. Various research works has already been done, and it has been established that blue ocean strategies positively affect the performance of various organisations. However, there are very limited studies on the concept of blue ocean strategies, and a lot remains to be done to further unbundle this construct and determine how it can be implemented to create uncontested market space. Yunus (2021) and Alam and Islam (2017) conceptualised blue ocean strategies based on the six principles authored by Kim and Maubogne (2005), which entail focusing on the big picture, reaching beyond existing demand, reconstructing market boundaries, overcoming key organisational hurdles and building strategy into execution. These factors were, however, proposed to guide the formulation and execution of blue ocean strategies and not as indicators of blue ocean strategies. Yunus (2021) concludes that there are inconsistencies in the tools and methods of blue ocean strategies research and, therefore, proposes further research to fill the gap and confirm whether blue ocean strategies have an impact on performance.

Cirjevskis, Homenko and Lacinova (2011) and Hersh and Abusaleem (2016) established a positive relationship between blue ocean strategies and firm performance. Cirjevskis, Homenko and Lacinova proposed further research on how organisations can utilise their limited resources to execute blue ocean strategies. The researchers also proposed further research on factors or hurdles that may limit the impact of blue ocean strategies on performance. The researchers identified the environment as one of the factors and put forward a recommendation for studies to identify other moderating and mediating factors in the relationship between blue ocean strategies and performance. Konstantinovn (2021) established that various blue ocean strategy indicators related to the performance of organisations positively in various contexts. These studies were, however, qualitative in nature, and data was analysed using content analysis based on themes; this was limited in generalizability. However, the indicators were also not an end in themselves, and the researchers recommended further studies to identify additional blue ocean indicators and their impact on performance. Further, the study focussed on the direct relationship between the variables without considering any mediating or moderating variables in the current study. The current theoretical review, therefore, seeks to identify additional indicators for blue ocean strategies and additional moderating and mediating factors to enrich literature in this area and make any further recommendations for further research.

2. Conceptualisation of the Constructs

The concept of blue ocean strategies (BOS) was first authored by Kim and Mauborgne (1999). The authors relied on their study, which conducted an analysis of strategic moves among 150 companies from 30 industries covering over 100 years. The findings led to the conclusion that two categories of markets exist: the red and blue oceans. Blue ocean strategies are unique strategies undertaken by companies or organisations to make competition irrelevant by reaching beyond existing demand and unlocking new mass markets (Kim & Mauborgne, 1999). The concept seeks to answer the question as to why some successful companies are gaining high growth while others lack success. This question has attracted debate among researchers whose intention has been to establish whether blue ocean strategies influence the performance of firms. Islam (2017) established that blue ocean strategies positively influenced organisational performance. Massoudi and Ahmed (2021) posit that blue ocean strategies enable firms to focus on new market space rather than competing for the existing market, and they do so by breaking boundaries, building new frontiers in their various sectors and unlocking new demand, subsequently leading to enhanced performance. They further argued that only companies in blue ocean markets were able to realise good performance.

For decades, businesses have been preoccupied with competition and how to outdo competitors to enhance firm performance. Kim and Mauborgne (2017), however, argue that when this happens, organisations end up hurting each other in the process, making the business environment a red ocean. To avoid aggressive competition for the existing market (red oceans), more and more companies are breaking away to create new uncontested market space by utilising market intelligence, matching value innovation with the opportunities identified, aligning strategies and resources to the opportunities and managing risks in order to improve performance (Lhutfi *et al.,* 2022). Abdul (2016) conceptualised market intelligence as an indicator of blue ocean strategies, where he observed that market intelligence would mainly entail firms acquiring, analysing and utilising information about customers, the market and competition to create new products and new markets, thus enhancing performance. Sheehan & Vaidayanatha (2009), in their study, used value innovation as a measure of blue ocean strategies; the researcher carried out tests on industrial efficiency, knowledge-intensive logic and network logic. Other researchers identified different measures of blue ocean strategies by looking at alignment strategies employed by firms to adapt to changing environments through enhancing internal communication and information access and engaging employees (Qatawneh, 2019). A review of extant literature also revealed risk management as an important measure of blue ocean strategies focusing on risk plans, assessments and risk training (Alam & Islam, 2017).

Kim and Mauborgne (2017) conceptualised blue ocean strategies as reconstructing market boundaries, reaching beyond existing demand, looking at the big picture, overcoming key organisational hurdles, getting the strategic sequence right and building execution into strategy. Yunus *et al*. (2021) conceptualised BOS as the ability of firms to change their perspective from battling competitors head-to-head for market share or executing endless market segmentation to achieve growth instead of exploring and discovering new customer demands. Hajar *et al*. (2022) conceptualised blue ocean strategies as value innovation that aims at balancing industry efficiency, knowledge and network values. Alghamdi (2016) conceptualised blue ocean strategies as acquiring, analysing and utilising market intelligence to create new markets and products to build a competitive advantage and increase performance. Yunus and Sijabat (2021) conceptualised blue ocean strategies as an organisation's ability to manage risks in the process of transitioning from the red oceans to the blue oceans to avoid being stuck in the middle. Blue ocean strategies have also been conceptualised by various authors as the process of aligning the organisation's strategy to keep up with environmental changes by ensuring employee engagement, information accessibility and internal communication (Sunner, 2022). This study has borrowed from extant literature and various research works, and the blue ocean strategy has been conceptualised as market intelligence, value innovation, alignment and risk management strategies that are critical towards building the big picture and unlocking new demand, consequently enhancing organisational performance.

Mohammed (2022) defines market intelligence Strategy as a process by which organisations gathers information from the market environment through a formal process; this information is used in developing strategies in line with the opportunities in the market. Hussein (2020) conceptualises market intelligence as processes that enable organisations to acquire, analyse and utilise market, competitor and customer information to enrich the organisation's strategic planning and activities geared towards achieving organisational objectives. According to Yap, Cheng and Cheng *et al.* (2018), market intelligence is a process that involves identifying, acquiring, analysing, disseminating and utilising market information from the industry and government reports, customer, supplier and competitor feedback to enable the organisation to match strategies with market opportunities. Ouma (2019) conceptualises market intelligence as market, product, supplier and service information that an organisation collects, analyses and utilises to enhance performance. This study has borrowed from research work by various authors, and market intelligence has been conceptualised as the process of acquiring, analysing, and utilising market intelligence to enhance performance.

Value innovation is referred to as the foundation of blue ocean strategies; it is defined as the process by which organisations create value for themselves as well as customers through disruptive quality and cost reduction (Hajar *et al.,* 2022). Firms focus on opening up new and uncontested market space by making the competition irrelevant through the creation of value for buyers and the organisation. Christa, Wardana, Dwiatmadja and Kristinae (2020) define value innovation as the process through which organisations integrate capabilities to stimulate innovation; this aids firms to develop competitive products and valuable assets. Hammer (2022) posits that organisations implement value innovation when management decisions focus on eliminating and reducing factors that do not provide growth opportunities for the company while creating and raising factors that provide growth opportunities for the company. Sheehan and Vaidyanathan (2009) argue that value is created through knowledge logics, where the company uses knowledge to create value for customers, industrial efficiency, where a firm engages in quality management and resource planning to reduce its

operational costs and, therefore, lower prices and finally the network logics where the firm provides platforms for the whole value chain to engage, network and even offer complementary services. This study has, therefore, conceptualised value innovation as industry efficiency, network and knowledge logics.

Qatawneh (2019) describes alignment strategy as the ability of the organisation to employ structural or strategic alignment towards integrating business strategies with information technology to unlock the mass market and achieve increased performance. Extant literature reveals that alignment stems from interactions between the external environment, internal organisational processes and the structure (Miles &Snow, 1978). According to the authors, for alignment to be achieved, leaders must communicate, engage employees and ensure accessibility of relevant information. Sunner (2022) defines alignment as a fit between the organisation's strategic orientation and its environment in relation to the vision and objectives for the ecosystem. In other words, how do various firms in a particular ecosystem strategically align to the focal value proposition through interaction with employees, enhancing communication and information accessibility? Volk and Zerfass (2018) define alignment strategy as the process that drives a shared understanding of organisational goals and objectives at all organisational levels and functions and by all managers within an organisation. This study has conceptualised alignment strategy as enhancing internal communication and employee engagement and ensuring accessibility of critical information regarding the organisation's strategic direction.

Risk management strategy plays an important role in creating blue oceans; Kim and Mauborgne (2017) argue that the blue ocean strategy seeks to minimise risks rather than take risks. They, however, acknowledge that organisations in the red oceans should search and plan for risk and undertake necessary training and development to successfully transition into the blue oceans. Alam and Islam (2017) describe blue ocean strategies as creating new demand by going in a direction other than the competition; the outcome of such a move is not always certain, and therefore, companies require a good analysis of risk. Christodoulou and Langley (2019) argue that managers face transition challenges in the process of shifting from red to blue oceans, which results in being stuck in the middle, presenting a risk towards achieving the organisation's objectives. Some strategy scholars have argued that the pursuit of the blue ocean strategy is not riskless since organisations pursue unknown waters. Kiptoo, Kariuki and Ocharo (2021) define risk management as the process through which firms develop credit, market, liquidity and operational risk plans, assess them and train their employees on risk management. This study has borrowed from early research work and conceptualised risk management as the process through which organisations develop risk plans, undertake risk assessments and train employees on risk management to enhance performance (Jurdi & AlGhnaimat, 2021).

The regulatory framework has been defined as the necessary infrastructure that exists to support the direction, control, or implementation of rules, principles or laws, regulations, procedures, standards or policies (Yegon, 2015). The regulatory framework has also been defined as questions that a regulator consistently asks themselves while in the process of developing regulations (Kathuku, 2017). Chen and Chong (2019) define a regulatory framework as a necessary infrastructure that exists to support the direction, control or implementation of rules, principles or laws, regulations, procedures, procedure's standards or policies. According to Au (2020), regulation may entail market regulation, which identifies the rules of the market, including timeframes and reasonability of terms of participation, conduct, types of products and pricing to ensure information asymmetry. Klein *et al*. (1998) describe regulation in two categories: solvency regulation and market regulation. Solvency regulation restricts prices and types of products offered, while market regulation identifies the rules of the market, including prices, products and business conduct. This study conceptualised a regulatory framework as a policy and procedure that guides the way of doing business in the business environment (Cheng & Chong, 2019).

According to Teece, Pisano and Shuen (1997), dynamic capabilities are the firm's ability to build, reconfigure and integrate competencies within a changing business environment to sustain performance. The dynamic capabilities concept is rooted in the resource-based view of the firm premised by Barney (1991) and was developed to extend the concept of the resource-based view, which fails to explain why several firms fail to achieve competitive advantage in changing environments. Overall, various researchers have, to date, defined and conceptualised dynamic capabilities as activities, abilities, resources, processes, capabilities and sources of competitive advantage. Teece (2018) describes dynamic capabilities as sensing, seizing, and transforming competencies that make up and guide the various ordinary capabilities, which include innovation and selection of business models that address the problems and opportunities the company is facing. Collis, Anand, and Field (2021) define dynamic capabilities as the art of continuously improving the organisation's processes and, ultimately, the operating margins by investing more in products and services that are more attractive while divesting from those that exhibit deterioration. Bogers et al (2019) argue that individual dynamic capability has an effect on the overall strategy of the organisation, and firms should foster innovative behaviour by ensuring that the organisation's business purpose is integrated with the desires of individual employees. Głodowska (2022) and El Gizawi (2014) conceptualise dynamic capabilities as managerial processes, organisational paths and asset positions. The research conceptualised dynamic capabilities as managerial processes, asset positions and organisational paths.

Firm performance is the outcome achieved by organisations through leveraging their resources to meet a set of goals and standards. Kaplan and Norton (1992) define firm performance as the organisation's focus on customers, its financial position, internal processes designed for business, the learning curve, and subsequent growth of employees, which the authors refer to as the balanced scorecard. The concept of firm performance is important in strategic management ethos; literature reveals that various researchers have used different aspects to define firm performance. Venkatraman and Ramanujam (1986) argue that the performance measurement framework is based on financial, operational performance and overall effectiveness. Scholars have continued to experience challenges due to the complexity of defining performance. Carton and Hofer (2006) considered financial aspects as a measure of firm performance. Simon, Osunsan and Byamukama (2022) define firm performance as utilising marketing practices, which

include product development, price, place and promotion to increase the volumes of sales, grow the market share and achieve profitability of the organisation. Rahman and Choudhury (2019) in their study conceptualise firm performance as the capacity of an organisation to increase company profits. Firm Performance is simply an imperative idea that identifies ways in which all resources of the organisation are prudently used to accomplish its strategic objectives to make it possible for the organisation to remain in business (Taouab & Issor, 2019). Literature indicates that firms must develop strategies that effectively meet customer needs in an efficient manner through marketing performances so that they can survive in the competitive market (Fuciu & Dumitrescu, 2018).

Firm performance is further defined as the use of market development strategies, cost leadership, and differentiation strategies to improve the organisation's performance by increasing the market share and making it profitable (Odhiambo, 2020). Otto, Szymanski, and Varadarajan (2020), trading firms that seek to meet the needs of customers should not rely on previous techniques because customers are becoming more choosers, and traditional marketing solutions are no longer sufficient. The researchers further argue that firms are facing high competition, and to run successful business activities, they need to expand the range of services and products to ensure quality goods that will satisfy the desired buyers and reduce costs (Isoraite, 2016). Cantele and Cassia (2020) relate performance to subjective approaches where firms rate themselves along several measures in comparison to their main competitors on a Likert-type scale. Simon *et al*. (2022) define firm performance as utilising product, place, promotion, and price to achieve customer satisfaction, develop new products and increase market share. This study borrowed from extant literature to conceptualise performance using customer satisfaction, market share and new product development.

3. Theoretical Literature Review

The study is anchored on several theoretical streams of blue ocean strategies and performance. This study was underpinned by the value innovation framework, resource-based view theory and Miles and Snow Typology Theory.

Value Innovation Framework was authored by Kim and Mauborgne (2005); they describe value innovation as the cornerstone of blue ocean strategies. The authors further argue that value innovation is achieved when firms pursue industrial efficiency logic, knowledge-intensive logic and network logic to enhance the impact of blue ocean strategies on performance (Mutegi, 2018). Buyer value is derived by utilising knowledge-intensive logic to create value and efficiency, whereas a firm uses resource planning and quality management to reduce operational costs and be competitive. Buyer value is also derived by firms utilising their network to create platforms of engagement across the value chain and provide complementary services (Kristinae *et al*., 2020). The four actions framework for value innovation can be used to create value for organisations in the market (Amit & Zott, 2012). The framework proposes the elimination of below-the-industry standard factors that have, for a long time, cost companies high investment as the differentiators. However, they have no meaningful returns on the competitive position and bring no profits. Reduced factors are those below the industry's standard that can be compared to overdesigned products and services, which cause stress to the company's cost structure. However, they translate into very minimal performance (Kim &Mauborgne, 2005). Raise factors are those that require more investment over the standards in the industry and have important meaning for customers, yet competition has ignored them. Create factors are those that the industry has never offered yet they can create new customer demand and new markets (Myllymaki, 2010). The Grid is important in identifying new markets representing the blue oceans.

3.1. Resource-Based View Theory

Penrose (1959) first advanced Resource-Based View Theory. The theory suggests that the organisation's performance is dependent on the firm's internal resources, and superior performance is embedded in its competitive resources. Wernerfelt (1984) argues that sustainable performance can only be derived from resources that are valuable, rare, imitable, and non-substitutable (VRIN). The RBV model assumes that the organisation is a bundle of resources that are either tangible or intangible and that the firm uses to position itself (Felin *et al*., 2012). Tangible resources are physical assets a firm holds, including the capital, buildings, and land, while those that are not tangible include culture, values held by the organisation and service quality; these are likely to generate sustainable performance over tangible ones (Ambrosini & Bowman, 2009). A company's characteristics can produce core resources that are difficult to imitate, a factor that determines performance variation among competitors, a concept known as capabilities and core competencies (Grace & O'Cass, 2004). According to Barney (2014), a firm's competitive advantage is not only built by resource acquisition but also by its ability to combine and effectively deploy the resources to add value differently from competitors. Barney and Clark (2007) suggest that resources must be heterogeneous in nature and not perfectly mobile to achieve sustainable competitive advantage. This results in resources that are valuable and not imitable and substitutable (Cardeal & Antonio, 2012). RBV is widely used in strategic management literature and has made contributions to how firms combine resources to achieve competitive advantage. RBV is, however, limited because it proposes that a firm's repertoire of VRIN resources guarantees a firm's success. Other scholars argue that competitive advantage can be eroded by rivals through imitation and depreciation (Strumickas & Valanciene, 2007). Lavie (2006) argues that this concept is a broad-brush approach, which diminishes empirical verisimilitude and includes less robust policies. RBV theory premises resources that are rare, inimitable, valuable and non-substitutable (VRIN); it does not, however, explain how this can be measured empirically and further. The VRIN definition is too broad and widely inclusive (Priem & Butler, 2001). RBV theory assumes heterogeneity of resources; this assumption cannot hold true in an environment with increased innovation, creativity, collaboration networks, corporations, and human resource movement.

The RBV theory is relevant to this study since resources held by organisations enable them to derive competitive advantage; further, firms' characteristics enable them to develop capabilities and competencies that are antique. BOS can only be applied based on the extent to which a firm holds competitive resources. Such resources enable firms to execute

BOS strategies, thereby enhancing performance; however, the firm must possess capabilities to sense, seize and reconfigure resources to match capabilities. This theory proposes that firms can take advantage of relevant factors to position themselves to exploit market imperfections and advance their firm performance using resources (Cardeal & Antonio, 2012). In line with the tenets of RBV, organisations can use their competencies and capabilities to combine resources to enhance their performance (Felin, Foss, Heimeriks & Madsen, 2012).

3.2. Miles and Snow's Typology Theory

This theory was authored by Miles and Snow (1978). The theory holds the view that firms operating in a given industry may be categorised into defenders, prospectors, analysers and reactors, depending on their reactions to environmental problems arising. Miles and Snow suggest that firms put in place patterns of strategic behaviour which enable them to be aligned with environmental changes as perceived (Sollosy, Guidice & Parboteeah, 2015). The classification was majorly based on the patterns of decisions made by firms. Miles and Snow (2007) assert that the organisation's success is dependent on internal environmental factors such as strategy, structure, processes, ideology adaptation, and the external environment. This process begins by searching for a strategic fit between the organisation and the market in an attempt to pre-empt future needs of customers; this alignment sets the company's strategy (Pearce & Robinson, 2011). Miles and Snow's typology ranks companies or business units into four distinct adaptive strategies: prospectors, defenders, analysers, and reactors (Snow, Fjeldstad, Lettl & Miles, 2011).

Prospectors are firms that are technologically innovative, maintain a competitive position aggressively, continually look for new market opportunities and expand their product lines and services (Desarbo, Benedetto, Song & Sinha, 2005). They tend to be pioneers and often focus on innovation rather than efficiency. West, Ford, and Ibrahim (2015) affirm that prospectors are most likely to thrive in changing environments that are innovative and take advantage of growth opportunities. They adapt through decentralised control, R & D, marketing and extensive planning. Prospector performance is assessed in terms of market share and sales volumes, among others (Burton & Obel, 2004). Defenders are companies seeking to locate and maintain their product line or services with a very secure niche; they aim at protecting their domain with competitive prices or quality products and services (Shortell & Zajac, 1990). These firms have limited product lines and are most common in industries that have achieved maturity. They are stable with no innovation and do not seek new opportunities but focus on efficiency and technology directed to their niche (DeSarbo, Anthony & Sinha, 2005). R&D is critical for this strategic orientation (Miles & Snow, 2007). Analysers have characteristics of defensive and prospective strategies. Freeman, Wicks and Parmar (2010) argue that these firms focus on already established products, services, and new product development based on industry success. Analysers are also referred to as creative imitators; they absorb and improve on competitor innovations using stable technology (Burton, Obel & deSanctis, 2011). Reactors have no articulate competition plan within the industry, nor do they have market adaption mechanisms and processes (Shafer, Smith & Linder, 2005). Firms with a reaction orientation respond when forced by competitive pressures within their environment to prevent the loss of important customers and market share (Raymond & Bergeron, 2008). Firms that adopt this orientation are disadvantaged because they are attacked by prospectors and cannot reach the market protected by the defenders and analysers.

Despite the prominence of this theory, strategic management and marketing authors have presented various criticisms of the miles and snow typology theory (Snow, Fjeldstad, Lettl & Miles, 2011). Authors have noted that the proponents of Miles and Snow's theory based their findings on a limited number of industries. The study also failed to progressively investigate all the possible relationships between organisational capabilities and their strategic type, therefore limiting the generalisability (Desarbo, Benedetto & Song, 2005). Despite the limitations, this theory is relevant; firms, in their reaction to environmental positions, adopt strategic postures to adapt and survive. The posture adopted has an influence on the strategic choices that the organisation makes in order to gain competitive advantages that guarantee a superior position in the market (Miles & Snow, 2007). The firm's posture determines its capability to adopt these strategies; those that adopt prospectus posture are likely to implement blue ocean strategies, while the analysers are likely to find a strategic balance between blue ocean strategies and competitive strategies, also referred to as the red oceans.

4. Proposed Theoretical Model

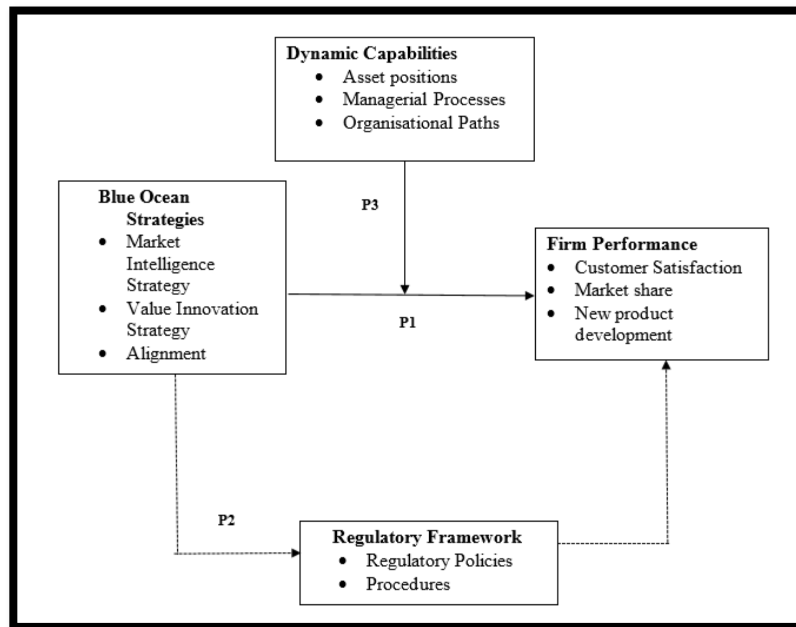

Figure 1: A Theoretical Model on the Role of Regulatory Framework and Dynamic Capabilities in the Relationship between Blue Ocean Strategies and Pe

4.1. Blue Ocean Strategies and Performance

Research has been conducted on the impact of blue ocean strategies on the performance of organisations; this proposed model recommends indicators that can be used to measure the impact of blue ocean strategies based on literature. Hersh and Abusaleem (2016) established a positive relationship between blue ocean strategies and competitive advantage; this study was, however, conducted in Saudi Arabia in the Telecommunication Industry. Nyambane (2012) investigated the challenges in the implementation of blue ocean strategies in large Indigenous banks in Kenya and concluded that regulation and organisational hurdles such as culture and lack of capacity paused challenges to the implementation of the strategies among large Indigenous banks. Omboto (2013) conducted a study on the adoption of blue ocean strategies by CBA Ltd. and concluded that they were implementing blue ocean strategies to ensure profitability and sustainable firm performance.

This theoretical and literature review conceptualised blue ocean strategies as market intelligence, value innovation, alignment and risk management strategies. Mohammed (2022), in a study on market intelligence utilisation by private banks, sought to establish whether market intelligence utilisation influenced sales performance among private banks in Addis Ababa, Ethiopia. The findings reveal that market intelligence was related to sales performance. Product modification and competitor information had the highest effect on sales performance. Ngaruiya (2012) investigated the application of value innovation as the basis for blue ocean strategies at Safaricom Limited and concluded that Safaricom applies value innovation as a basis for blue ocean strategies. Sunner (2021), in a study on how strategic alignment is achieved in an innovative Fintech ecosystem in Scotland, sought to investigate how firms strategically align around the focal value proposition in an innovation ecosystem. The study aimed at developing a framework of alignment between information technology and performance and authenticating the same. Eikenhout (2015) sought to examine how risk management affected the performance of insurance companies in the Netherlands, and the findings revealed statistically significant positive effects on performance. Blue ocean strategies are generally limited; therefore, this review seeks to fill this gap and provide additional literature on the effect of blue ocean strategies on performance.

- *Preposition 1: Firms that implement blue ocean strategies will realise increased performance*

4.2. Blue Ocean Strategies, Dynamic Capabilities and Performance

Protogerou, Caloghirou and Lioukas (2011) describe dynamic capabilities as tools that a firm utilises to build and continuously renovate operational capabilities faster than competition and at a lower cost. Dynamic capabilities enable firms to sustain good performance by consistently reconfiguring their asset positions, managerial processes, and organisational paths to respond to various environmental changes in the business. Nieves, Quintana and Osorio (2016) undertook a study in the hotel industry in Spain, which aimed to find out whether organisational knowledge had any impact on the ability of the companies to implement innovative solutions and if dynamic capabilities affected this relationship. The findings showed that organisational knowledge enabled entities to develop skills required for various capabilities needed to survive in a dynamic business environment. Kiiru (2016) carried out a study among retail enterprises in Kenya with the objective of finding out whether dynamic capabilities enabled firms to achieve competitive advantage. The findings obtained reveal that resource reconfiguration had a significant impact on competitive advantage. Deya (2016) conducted a study among technical, vocational and entrepreneurship training institutions in Kenya to find out if dynamic capabilities had an impact on their competitive advantage. The findings established those dynamic capabilities

had a positive impact on competitive advantage. The literature review shows that dynamic capabilities affect the relationship between blue ocean strategies and performance.

- *Preposition 2: Dynamic Capabilities mediate the relationship between blue ocean strategies and firm performance*

4.3. Blue Ocean Strategies, Regulatory Framework and Performance

A regulatory framework is the necessary infrastructure that exists to support the direction, control or implementation of rules, principles or laws, regulations, procedure standards or policies. Various research studies have been conducted on this construct. Mwongela (2020) conducted a study aimed at finding out if the penetration of insurance services in Kenya was dependent on the regulatory framework within the industry. The findings revealed that price regulation, product regulation, distribution channel regulation and claims settlement regulation all had a significant positive effect on the penetration of insurance. Au (2020) conducted research on insurance regulation for development, where the researcher sought to evaluate the regulation of agricultural parametric insurance in Tanzania and related contexts in East and Saharan Africa and to construct an idealised regulatory framework to facilitate insurance as a climate risk management tool. The case studies revealed disjointed legal and regulatory provisioning for inclusive insurance and parametric products; the findings further revealed that the provision of agricultural insurance was affected by a breadth of regulatory activities. Alshowish (2016) conducted a study on evaluating current rules and regulatory frameworks of corporate governance in Saudi Arabia. The research aimed to affirm if the current rules and regulatory framework of corporate governance are able to offer an effective matrix of frameworks to promote an effective business environment. The results revealed that current rules and regulations on corporate governance impacted the ability of companies to establish effective regulatory frameworks.

- *Preposition 3: Regulatory framework moderates the relationship between blue ocean strategies and firm performance*

5. Conclusion and Recommendations

Arising from the research conducted, the following conclusions can be deduced:

Companies that adopt blue ocean strategies experienced enhanced performance. As organisations seek to unlock new markets, increase penetration, and stay competitive in the wake of many market entrants in their industries, there is demand for new strategies. The strategies adopted are aimed at ensuring that companies create uncontested markets that will ensure high performance. Blue ocean strategies, such as market intelligence strategy, value innovation strategy, alignment strategy and risk management strategy, are some of the strategies companies have adopted to boost their performance. Firms are required to continuously develop blue ocean strategies to ensure that they stay ahead of the competition.

Market intelligence strategy is one of the indicators of blue ocean strategies organisations use to understand competition and other dynamics within the business environment to enable them to make strategic decisions that ensure they move away from competition and create new and uncontested markets. Strategic decisions made towards developing and implementing blue ocean strategies enable companies to always remain ahead of the competition, thus attracting new market share and promoting customer satisfaction. The conclusions of the study indicate that value innovation significantly affects the performance of firms. Value innovation strategies substantially enable companies to maintain customer loyalty through continuous improvement of service and product quality and the development of customised products that meet market demands. Value innovation ensures firms build and leverage efficiencies to create value for the customers; it can also be enhanced by constantly building the knowledge capacity of their employees through training, participation in various industry forums and benchmarking with other players. Alignment strategy is critical in ensuring that the firm's internal structures are consistent with long-term plans that organisations have in place. This will provide guaranteed long-term and sustainable performance. Employee engagement, information accessibility and proper internal communication greatly enhance the chances of successful implementation of blue ocean strategies by insurance firms.

Risk management strategies significantly affect performance by ensuring that the firm's risk exposure is minimised. While pursuing blue oceans, firms are likely to be stuck in the middle during the transition. Blue oceans are typically characterised by unchartered waters, and therefore, risks are imminent. Risk management should be built within the organisation's process and day-to-day activities; this will ensure that firms plan for risk by developing risk plans, undertaking risk assessments and ensuring all employees are trained on all aspects of risk management. Dynamic capabilities mediate the relationship between blue ocean strategies and the performance of companies. Dynamic capabilities built by companies over time play a critical role in ensuring that firms are able to effectively differentiate themselves from competitors in the market. Dynamic capabilities can be built through the nature and type of assets that the organisation acquires and invests in; capabilities can also be built through managerial skills and creating paths that are defined by organisations' experience over time. The regulatory framework is a key factor that guides how companies implement blue ocean strategies in the market. Regulation is critical to the development of the industry because it has the ability to create policies that allow insurance firms to operate more effectively, thus enhancing their performance.

The research objective was to undertake the theoretical and literature review on the constructs of blue ocean strategies and performance. The study sought to establish the moderating and mediating role of regulatory framework and dynamic capabilities on blue Ocean strategies and performance, respectively. Companies may employ various blue ocean strategies. However, the current study focused on market intelligence strategy, value innovation strategy, alignment strategy and risk management strategy.

The researcher recommends further studies to focus on other blue ocean indicators besides those covered in this study. Further, this study is limited to insurance; further research can focus on other sectors not covered under the scope

of the current study to establish whether blue ocean strategies influence the performance of firms in those sectors. The study findings led to the conclusion that dynamic capabilities mediated the relationship between BOS and the performance of insurance companies. Therefore, further studies can be done in this area to verify and validate the mediating role of dynamic capabilities. The paper proposes possible empirical research by embracing the proposed model and incorporating various sectors and contexts to determine the effect of blue ocean strategies on firm performance.

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