Analysis of Blue Ocean Strategies on the Performance of Roofing Sheet Manufacturers in Kenya

Dr. Justice Mutua, PhD1* & Charity Chacha1

1 Daystar University, P. O. Box 44400-00100 Nairobi, Kenya. 
*Correspondence Email: jnzioki@daystar.ac.ke

ABSTRACT

The production and uptake of locally manufactured roofing sheets have been on a steady downward trajectory over the last ten years, leading to a significant decline in revenue and employment in the sector. Kenya’s roofing sheet production fell more than 8 percent in 2019 following a decline that started with weakening demand in 2010. Blue ocean strategies prescribe a path to positively sustaining performance by shifting firms from cut-throat market competition (the red ocean) to a wide-open new, uncontested market space (the blue ocean). The main purpose of this study was to analyse the effect of blue ocean strategies on the performance of roofing sheet manufacturers in Kenya. The specific objectives of this study were to establish the effect of value innovation strategy, examine the effect of customer acquisition strategy, evaluate the effect of competitor elimination strategy on the performance of roofing sheet manufacturers in Kenya. The study adopted a mixed research method and employed a descriptive research design. The target population consisted of 241 employees drawn from all the fifteen (15) roofing sheet manufacturers in Kenya registered with the Kenya Association of Manufactures (KAM), from whom a sample size of one hundred and twenty-seven (127) employees was selected using the Krejcie and Morgan table formula. The findings of this study have illuminated a statistically significant positive effect of Blue Ocean strategies on firm performance, albeit with variations among specific strategies. These statistics imply that 51% of the variance in the performance of roofing sheet manufacturers can be attributed to the adoption of the blue ocean strategy. Consequently, the study recommends that roofing sheet manufacturers must prioritize the adoption of need-based value innovation and customer acquisition strategies overall blue ocean strategies over any other strategies therein to ensure sustainable performance.

APA CITATION

CHICAGO CITATION

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INTRODUCTION

The Blue Ocean Strategy, as delineated by Kim and Mauborgne (Sijabat & Sabang, 2021), stands as a transformative approach aimed at cultivating unexplored market potential, opportunities, and growth within specific industries. This strategy diverges from conventional practices by adopting a proactive outside-in methodology, emphasizing innovation to redefine industry boundaries and mitigate potential competition (Rahman & Choudhury, 2019). Distinctive value delivery, the core tenet of blue ocean firms, transcends competitors' comprehension, as elucidated by, through the strategic pillars of value innovation, competitor elimination, and customer acquisition. The empirical observations from a decade-long study underscore the strategy's prowess, revealing an 86% increase in profitability for firms adopting value innovation, competitor elimination, and customer acquisition strategies, often culminating in industry monopolies (Nasereddin, 2023). This discourse probes the nexus between blue ocean strategies and firm performance, examining critical facets such as market share and production expansion, scrutinized through the lenses of Porter's generic model (1980) and corroborated by contemporary scholars (Turki & Khemakhem, 2022).

Furthermore, this exploration delves into the realm of organizational dynamics, positing that the interplay of internal elements, particularly firm age and size, moderates the interface between blue ocean strategies and firm performance (Dzingirai, Mhlanga, & Mveku, 2023).

Problem Statement

The roofing sheet manufacturing sector in Kenya has witnessed a sustained decline in performance metrics over the last decade. Citing data from the Kenya National Bureau of Statistics (2017), the sector has experienced a worrisome dip in revenue, production output, and market share, reflecting a troubling trend. Joint reports from the Kenya Business Guide and KAM (2018) reveal a distressing 40% reduction in revenue for roofing sheet manufacturers in 2019, attributing this decline to weakened demand since 2011. Specifically, industry leaders such as Mabati Rolling Mills Limited and Top Roof Manufacturing Limited report substantial declines in production and revenue, indicating a pervasive industry challenge. Importantly, the escalating costs of producing galvanized roofing sheets in Kenya, surpassing those of major global competitors by over 50%, further compound the sector's predicament, leading to market exits and financial losses for prominent manufacturers.

Notably, an extensive review of existing literature, as evidenced by Hui et al. (2013), Mohammad et al. (2014), Kariuki (2020), and Waithaka (2016), exposes a critical gap concerning the application of blue ocean strategies within the Kenyan roofing sheet manufacturing context. Moreover, the existing body of knowledge primarily relies on non-empirical, qualitative or quantitative methods, while this study embraces a mixed-method, empirical approach, enhancing its robustness.

Study Objectives

The primary objective of this research is to conduct a comprehensive analysis of the effect of
blue ocean strategies on the performance of roofing sheet manufacturers in Kenya. Through an empirical and mixed-method approach, this study aims to bridge existing literature gaps, providing a nuanced understanding of the sustainability and effectiveness of blue ocean strategies within the specific context of the Kenyan roofing sheet manufacturing industry.

LITERATURE REVIEW

Blue Ocean Theory

According to the proponents Kim and Mauborgne, the Blue Ocean theory proposes an array of strategies that manufacturers can use to exploit untapped market spaces and create new demand within industry boundaries (Alam & Islam, 2017). In pursuit of a blue ocean, roofing sheet manufacturers restructure existing industry boundaries and market segments to fit their agenda. Blue ocean theory prescribes shifting roofing sheet manufacturers from competing in a cut-throat market to creating a niche, a New Haven where the rules of the game have not yet been set and where the firm is in absolute control (Sri & Gede, 2019). Blue ocean theory illustrates how roofing sheet manufacturers can diligently exploit value innovation, competition elimination, and customer acquisition strategies to create new demand, capture new market spaces and dominate their restructured industry boundaries (Turki & Khemakhem, 2022).

In accordance with the Blue Ocean theory, organizations can leverage the value innovation strategy to identify and deliver distinctive value to their customers. This strategic approach, as elucidated by (Alam & Islam, 2017). centres on the creation of products that differentiate themselves through varying features, components, pricing structures, and flexibility. By focusing on these facets, manufacturers can discover what truly brings value and satisfaction to their customer base. This strategy allows businesses to break away from the constraints of traditional market boundaries and foster a unique and unparalleled value proposition.

The Blue Ocean theory’s customer acquisition strategy offers a dynamic and proactive approach to customer expansion (Kadam, 2023). It involves the utilization of target marketing that adapts in real-time, the implementation of responsive systems for customer inquiries, and the introduction of referral programs to incentivize loyal customers. Through this strategy, organizations can access unexplored customer segments and non-customers who possess the potential to transition into loyal patrons (Goodarz & Samin, 2022). The approach focuses on creating a bond with customers that goes beyond mere transactions, nurturing long-term relationships that contribute to sustainable business growth.

Furthermore, the Blue Ocean theory’s competitor elimination strategy is instrumental in crafting a market that is formidable and challenging for potential competitors to breach (Išoraitė & Alperytė, 2022). This strategy, as outlined in the literature, entails strategic brand positioning, a commitment to continuous product innovation, and the deliberate placement of products within the market landscape. By creating such a market niche, organizations can discourage and inhibit the entry of rival firms (Mohammad & Tareq, 2018). This proactive approach shifts the competitive landscape, allowing businesses to establish a dominant position and reduce the likelihood of competitive threats.

Empirical Literature Review

Value innovation strategy, one of the constructs of the blue ocean framework plays a significant role in building a sustainable competitive edge and, ultimately, performance (Alam & Islam, 2017; Sri & Gede, 2019; Turki & Khemakhem, 2022). The studies, therefore, advocate for aggressive, intelligent, and simultaneous pursuit of low cost and differentiation. The studies conclude that a value innovation strategy presents a distinctive value to customers, thus creating dominance in a strategic market segment. However, these studies were done in different context and scopes, far off the roofing sheet manufacturing industry.
Customer acquisition strategy seeks to use target marketing, rewarded referrals, and in-time responses to inquiries to acquire new customers and convert non-customers by creating new demand (Alam & Islam, 2017). Earlier research conducted by Kadam (2023); Goodarz & Samin (2022); Išoraitė & Alperytė (2022) suggests that customer acquisition strategies can provide companies with insights into non-customers and enable them to tap into latent demand, thereby creating real demand. However, these studies were done in different context and scopes, far off the roofing sheet manufacturing industry.

According to studies by Alam & Islam (2017); Sang & Kimitei (2021); Karaoulanis (2018) firms that aggressively pursue competitor elimination strategy stand a chance to stay clear of possible competition by restructuring industry boundaries and market segments, thus creating a dominant and sustainable revenue stream. Reconstruction of market boundaries via brand positioning, product innovation, and product positioning is key to creating niche markets. However, these studies were done in different context and scopes, far off the roofing sheet manufacturing industry.

*Blue Ocean Strategy and Firm Performance*

Blue Ocean Strategy serves as a transformative approach to achieving and enhancing firm performance across various industries (Sang & Kimitei, 2021). It focuses on the creation of new demand, the capture of unexplored market spaces, and the domination of restructured industry boundaries (Karaoulanis, 2018). Empirical evidence from diverse studies reaffirms the pivotal role of these strategies in achieving sustainable and improved performance, including market share and production expansion (Shared, 2019). For organizations, the Blue Ocean Strategy offers a strategic path to performance and competitive advantage within their respective industries (Utami, 2021).

Value Innovation Strategy: Several studies emphasize the role of value innovation, characterized by low-cost production and distinctive product features (Okechukwu & Eucharia, 2018). This strategy is statistically significant in enhancing firm performance. Manufacturers that actively pursue value innovation experience increased performance, with management structure moderating this relationship (Hanifah & Aswanti, 2023). Enhanced product features, components, and cost-efficient production not only boost customer satisfaction but also improve internal business processes and learning and development, ultimately leading to financial performance.

Customer Acquisition Strategy: Effective customer acquisition strategies play a vital role in firm performance (Onwuzuligbo & Audu, 2023). Studies reveal that strategies like enhanced target marketing and rewarded referrals lead to increased market share and production expansion (Josmael & Carlos, 2023). Automatic response systems also contribute significantly to performance and sustainability. The North Central Nigeria case underscores the importance of location and pricing in enhancing manufacturing enterprise performance. Competitor Elimination Approach: Competitor elimination strategies, including product innovation and brand positioning, are pivotal for firm performance (Mohamed, 2020). These strategies enable firms to gain a competitive edge in unexplored market spaces and restructured industry boundaries. It is essential to intensify competitor elimination strategies through product and brand innovation for distinctive, sustainable growth (Eric & Cienthia, 2021).

**Research Gap**

As noted in the studies by Alam & Islam (2017); Sri & Gede (2019); Turki & Khemakhem (2022) it is evident that there is eminent literature or content gap pertaining to the use of blue ocean strategies by roofing sheet manufacturers in Kenya, as much of the available literature dwells on other competitive strategies adopted and not blue ocean strategies. As seen in the studies by Kadam (2023); Goodarz & Samin (2022); Išoraitė & Alperytė (2022) much of the available literature on blue ocean strategies and performance of roofing sheet manufactures is from contexts and geographical scopes outside Kenya and the
African region at large. Previous research as evidenced by the aforementioned scholars is based on either a qualitative or quantitative approach, but this study adopts a mixed method which is more robust. Additionally, it is noteworthy that according to the works of Hanifah & Aswanti (2023); Onwuzuligbo & Audu, 2023; Josmael & Carlos (2023) contextually, much of the available literature is concentrated in the scopes of banking, hospitality, and communications thus presenting the challenge of generalization in the roofing sheets manufacturing industry.

Figure 2: Conceptual framework

Independent variable

- Blue Ocean strategies
- Value innovation
- Customer acquisition
- Competitor elimination

Dependent variable

- Firm performance

Source: Researcher (2023)

RESEARCH METHODOLOGY

The research method used a combination of quantitative and qualitative approaches based on the positivist philosophical paradigm, as explained by (Mutua & Kibe, 2022). The present investigation relied on a positivist philosophical perspective and deductive reasoning to explore the truth and causation of social phenomena in the roofing sheet manufacturing sector. The research utilized a descriptive cross-sectional and correlational research design to investigate the influence of value innovation, customer acquisition, and competitor elimination strategies on roofing sheet manufacturers' performance. A descriptive cross-sectional and correlational research design is a research type that involves gathering data at a specific point in time and describing the characteristics of a particular phenomenon (Shared, 2019; Hanifah & Aswanti, 2023). The approach aims to describe specific views and opinions and examine relationships. The design was chosen to achieve the study's objectives, and it has been used performance fully in previous research studies, such as (Onwuzuligbo & Audu, 2023; Josmael & Carlos, 2023; Mohamed, 2020). The research was carried out among the 13 roofing sheet manufacturers that are registered with KAM, and these companies are located in easily reachable counties of Nairobi, Kiambu, Machakos, and Kajiado. The target population, comprising 241 respondents drawn from 13 roofing sheet manufacturers, was chosen due to its direct relevance to the research.
objectives. The sample size for the study was 127 employees selected from the 241 participants using Krejcie and Morgan's table formula (1970). Furthermore, the choice of the entire managerial body in roofing sheet manufacturers in Kenya as the target population is based on their pivotal role in organizational decision-making.

RESEARCH FINDINGS AND DISCUSSIONS

This segment demonstrates the descriptive findings of the study relevant to the research objectives. The input variables were blue ocean strategies, which were operationalized as value innovation, customer acquisition, and competition elimination strategies. This section also discusses descriptive statistics on the effect of blue ocean approaches on company performance. Integration of all three typical blue ocean strategies used by roofing sheet manufacturers was assessed considering 6 assertions, and Table 1 displays the relevant results on a scale of 1-5. (Wherein 5 represents the greatest extent and 1 represents the lowest extent).

Table 1: Descriptive Statistics of Blue Ocean Strategies

<table>
<thead>
<tr>
<th>N</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value innovation is the most used strategy in our firm</td>
<td>107</td>
<td>3.99</td>
</tr>
<tr>
<td>Customer acquisition strategy is the most used strategy in our firm</td>
<td>107</td>
<td>3.59</td>
</tr>
<tr>
<td>Competitive elimination strategy is the most used strategy in our firm</td>
<td>107</td>
<td>3.85</td>
</tr>
<tr>
<td>A combination of value innovation strategy and customer acquisition strategy is the most used approach in our firm</td>
<td>107</td>
<td>4.03</td>
</tr>
<tr>
<td>A combination of value innovation strategy and competitor elimination strategy is the most used approach in our firm</td>
<td>107</td>
<td>4.38</td>
</tr>
<tr>
<td>A combination of customer acquisition strategy and competitor elimination strategy is the most used approach in our firm</td>
<td>107</td>
<td>4.18</td>
</tr>
<tr>
<td>A combination of value innovation, customer acquisition and competitor elimination strategies is our most dominant approach</td>
<td>107</td>
<td>4.18</td>
</tr>
</tbody>
</table>

Source: Researcher (2022)

The study respondents were instructed to rate the usage of different strategies in their firm, and the overwhelming response was in favour of the combination of value innovation and competitor elimination strategies, which had an average score of 4.3. The firm usually employed a mix of customer acquisition and competitor elimination strategies, which had an average score of 4.1; subsequently, the dominant approach of value innovation, customer acquisition, and competitor elimination strategies, which had an average score of 4.0. The least commonly used approach by the company was the competitor elimination strategy, which had a mean score of 3.8. These findings are in agreement with studies by Alam & Islam (2017); Sri & Gede (2019); Turki & Khemakhem (2022).

Table 2: Goodness of fit analysis of blue ocean strategies on the performance of roofing sheet manufacturers

<table>
<thead>
<tr>
<th>R(Beta)</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.71</td>
<td>0.51</td>
<td>0.31</td>
<td>0.04</td>
</tr>
</tbody>
</table>

Predictors: (Constant), value innovation, customer acquisition and competitor elimination
Dependent variable: performance of roofing sheet manufacturers

Source: Researcher (2022)

Goodness of fit model outcomes (Table 2) also indicated that blue ocean strategies provided a favourable effect on the performance of roofing sheet manufacturers (R = 0.71). Blue ocean strategies have explanatory power over the performance of roofing sheet manufacturers because they account for 51% variation in the performance of roofing sheet manufacturers (R² = 0.51). The general model was substantial, as shown by a variance ratio of 3.27, which was
supported by a significance level of 0.00, indicating statistical significance, as the threshold was set at 0.05. These findings are in agreement with studies by Kadam (2023); Goodarz & Samin (2022); Išoraitė & Alperytė (2022).

Table 3: ANOVA analysis of blue ocean strategies on the performance of roofing sheet manufacturers

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of squares</th>
<th>df</th>
<th>Mean square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>0.04</td>
<td>1</td>
<td>0.04</td>
<td>2.85</td>
<td>0.03b</td>
</tr>
<tr>
<td>Residual</td>
<td>0.02</td>
<td>2</td>
<td>0.01</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>0.06</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Predictors: (Constant), value innovation, customer acquisition and competitor elimination
Dependent variable: performance of roofing sheet manufacturers

Source: Researcher (2022)

According to the ANOVA results (Table 3), the findings indicate that blue ocean strategies have a statistically substantial overall effect on the roofing sheet manufacturers' performance (probability value equals 0.00). Table 3 shows research findings that blue ocean approach measures have a statistically substantial effect overall on the performance of roofing sheet manufacturers as the cumulative significance level is 0.008 (less than 0.05). The F statistic found that the F-value exceeded one (F= 3.27), indicating that the model's contribution of blue ocean strategies measures to the performance of roofing sheet manufacturers' was substantial. It suggests that this model can accurately forecast changes in the performance of roofing sheet manufacturers. At the specific level, Table 4 revealed that the cumulative effect of blue ocean approach measures on the performance of roofing sheet manufacturers was significant, with a significance level of 0.05 (P value is equal to 0.00). These findings are in agreement with studies by Kadam (2023); Goodarz & Samin (2022); Išoraitė & Alperytė (2022).

Table 4: Coefficient analysis of blue ocean strategies on the performance of roofing sheet manufacturers

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized coefficients</th>
<th>Standardized coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>2.34</td>
<td>0.29</td>
<td>0.24</td>
<td>7.84</td>
</tr>
<tr>
<td>Value Innovation</td>
<td>0.54</td>
<td>0.18</td>
<td>0.15</td>
<td>2.88</td>
</tr>
<tr>
<td>Customer Acquisition</td>
<td>0.36</td>
<td>0.17</td>
<td>0.12</td>
<td>2.03</td>
</tr>
<tr>
<td>Competitor Elimination</td>
<td>0.24</td>
<td>0.18</td>
<td>1.34</td>
<td>1.34</td>
</tr>
</tbody>
</table>

Dependent variable: performance of roofing sheet manufacturers (market share, growth rate, and production expansion)

Source: Researcher (2022)

According to Table 4, all measures of blue ocean strategies had a significant effect on the coefficient model of roofing sheet manufacturers' performance (t = 7.84, p < 0.05). Table 4 model parameters indicate that using value innovation strategy as a predictor has a significantly higher influence on the model than other measures (t (1.96) = 2.88, p < 0.05). Additionally, customer acquisition strategy and competitor elimination strategy were found to have similarly significant predictive strengths (t (1.96) = 2.03 and t (1.96) = 1.34, respectively, both p < 0.05). At a specific level, the factors in Table 4 show that all blue ocean approaches measures had a direct and substantial effect on roofing sheet manufacturers' performance, with value innovation strategy having the greatest positive influence (β = 0.38, p-value = 0.03), followed by customer acquisition strategies (p-value = 0.02, B equals 0.26), and competitor elimination approach (probability value = 0.04, B = 0.13). These findings are in agreement with studies by Alam & Islam (2017); Sang & Kimitei (2021); Karaulanis (2018). Based on the findings presented in Table 4, the linear regression equation that enables the prediction of the performance level of roofing
sheet manufacturers for a one standard deviation enhancement in blue ocean strategies is provided below:

\[ \text{PoRSM} = 2.34 + 0.54 \text{VIS} + 0.36 \text{CAS} + 0.24 \text{CES} + \varepsilon. \]

Where: \( \text{PoRSM} \) = Performance of the Roofing Sheet Manufacturers; 2.34 = the \( y \)- intercept constant; 0.54, 0.36, 0.24 = the beta or the slope coefficient; VIS = Value Innovation Strategy; CAS = Customer Acquisition Strategy; CES = Competitor Elimination Strategy; \( \varepsilon \) = Error term

The regression outcomes in Table 4 demonstrate that a one-unit change in Value Innovation Approach leads to 0.24 enhancement in the performance of roofing sheet manufacturers' while a variation of the product in Customer Acquisition Strategy causes an enhancement of 154 in the performance of roofing sheet manufacturers and a factor alteration in Competitor Elimination Strategy is likely to cause a 0.12 enhancement in performance of roofing sheet manufacturers. Meanwhile, if blue ocean strategies are executed, it will influence the performance of roofing sheet manufacturers by 51 % (R square= 0.51).

CONCLUSION AND RECOMMENDATIONS

This study has shown that blue ocean strategies have a significant positive impact on the performance of roofing sheet manufacturers in Kenya. Value innovation strategy, customer acquisition strategy, and competitor elimination strategy all have a direct correlation with performance. These findings suggest that roofing sheet manufacturers in Kenya should adopt blue ocean strategies in order to improve their performance.

Roofing sheet manufacturers in Kenya should focus on implementing blue ocean strategies, such as value innovation, customer acquisition, and competitor elimination. They should also consider the role of organizational factors in mediating the relationship between these strategies and performance. By doing so, roofing sheet manufacturers can improve their performance and gain a competitive advantage in the Kenyan market.

REFERENCES


