
BLUE OCEAN STRATEGY AND PERFORMANCE OF MANUFACTURING FIRMS LISTED ON NAIROBI SECURITIES EXCHANGE (NSE) IN KENYA

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ABSTRACT

Purpose of the study: The study examined the effect of blue ocean strategy on performance of manufacturing firms listed on the Nairobi Securities Exchange in Kenya.

Methodology: A positivist research paradigm and an explanatory research design were adopted. The target population consisted of 95 functional heads of departments drawn from 19 listed manufacturing firms through a census approach. The data collection instrument was a semi-structured questionnaire with closed and open-ended questions. A pilot study was conducted to test the reliability of the research instrument. The instrument was also subjected to face, construct, and content validity. Data were analyzed using descriptive and inferential statistics.

Findings: The study found that blue ocean strategy significantly and positively affected firm performance ($\beta=0.649$, $t=9.222$, $p=0.000$), explaining 50.3% of the variance in performance.

Recommendations: The study recommends that managers of manufacturing firms should prioritize blue ocean strategy to improve performance by creating uncontested market spaces. Manufacturing firms invest in market research to identify untapped customer segments, develop value-added services, implement strategic rebranding initiatives, and foster continuous innovation to differentiate themselves from competitors.

Keywords: *Blue ocean strategy, performance, manufacturing firms, Nairobi Securities Exchange, Kenya*

BACKGROUND OF THE STUDY

Firm performance encompasses measurable outcomes that reflect an organization's efficiency, effectiveness, and success in achieving strategic objectives and creating stakeholder value across operational, financial, and market dimensions (Kaplan and Norton, 1992; Simons, 2000). Firm performance can be determined by the business model innovation strategies adopted such as Blue Ocean Strategy, which represents a critical approach where firms create uncontested market spaces and unlock new demand rather than competing in saturated industries (Kim & Mauborgne, 2004; Amineh, Hani, Ahmad & Suliman, 2021; Salfore, Ensermu & Kinde, 2023; Čirjevskis, Homenko & Lačínova, 2011).

Blue Ocean Strategy (BOS) is a strategic framework introduced by Kim and Mauborgne (2004) that encourages businesses to create uncontested market space rather than compete in saturated industries. Unlike Red Ocean strategies that emphasize outperforming rivals in existing markets, BOS seeks to make competition irrelevant by unlocking new demand. Kim and Mauborgne (2017) outline the key principles of BOS, including eliminating industry constraints, pursuing value innovation, and exploring untapped market segments. BOS fosters long-term growth by enabling firms to differentiate themselves through innovation. Mohamed, Jamil, and Abd-Mutalib (2020) examine the influence of BOS on competitive advantage and firm performance.

Businesses that successfully apply BOS develop innovative products and services that capture previously untapped customer segments, leading to increased profitability and market leadership. In most developed countries, blue ocean strategies are implemented by manufacturing firms to help increase their efficiency and profitability. By creating uncontested market spaces, manufacturers can reduce competitive pressure, increase profits, and expand their customer base through value innovation (Rahman & Choudhury, 2019). These strategies help manufacturing firms eliminate obsolete competitive approaches and create new value propositions that offer competitive edge to their business. By focusing on innovation and market creation, companies can better position themselves for long-term success in dynamic business environments.

Global manufacturing has undergone a remarkable transformation in recent decades, moving from a landscape dominated by offshoring to one increasingly characterized by reshoring and protectionism. This shift reflects not just evolving economic realities but also the complex

interplay of technological advancements and socio-political pressures (Lopez-Acevedo & Abreha 2024). In this dynamic context, blue ocean strategy has become increasingly important as manufacturers seek to create new market spaces and render traditional competition irrelevant.

The manufacturing sector functions as a catalyst to change a nation's economic structure from basic, slowly expanding, and low value industries to one that is more dynamic and productive (Kungu, 2015). In Africa, the manufacturing sector has stagnated despite its potential, with its share of GDP declining from 16% in 1980 to less than 10% in 2016. Similarly, Africa's global share of manufacturing value added declined from 1.6% to 0.7% during the same period. This poor performance has been attributed to high costs of doing business, unstable political and regulatory environments, lack of long-term policy clarity, and inadequate infrastructure (Ndung'u, Shimeles & Ngui, 2022).

In this challenging context, blue ocean strategy represents a strategic pathway for African manufacturers, including those in Kenya, to create new market opportunities and improve their competitive positioning without engaging in destructive competition. Thus, the study examined the effect of blue ocean strategy on the performance of manufacturing firms listed on the Nairobi Securities Exchange in Kenya. By investigating how these firms leverage blue ocean strategies to create uncontested market spaces and enhance their competitive positioning, the research aimed to provide valuable insights for business leaders and policymakers.

STATEMENT OF THE PROBLEM

The manufacturing sector contribution to Kenya's GDP has been stagnant over the past five years. In 2019, the manufacturing sector accounted for 7.9%, which declined to 7.6% in 2020 and further decreased to 7.4% in 2021. Although there was a slight increase to 7.7% in 2022, it dropped again to 7.6% in 2023 (KNBS, 2024). Manufacturing firms in Kenya face several major problems including high input costs due to expensive raw materials and energy, unreliable energy supply, stiff competition from cheap imports, poor infrastructure, and inconsistent government policies, which all contribute to hindering the growth and competitiveness of the manufacturing sector in the country (KAM 2022). Kenya's Vision 2030 aims to increase the percentage contribution of manufacturing sector to over 20% of Gross domestic product (GDP) by year 2030, highlighting the need for strategic interventions to revitalize the sector to create more job opportunities.

Research has established that implementing effective blue ocean strategies allows firms to create uncontested market spaces and differentiate themselves from competitors (Rahman & Choudhury, 2019; Yunus & Sijabat, 2021), with Mohamed, Jamil and Abd-Mutalib (2020) demonstrating that this approach significantly impacts organizational performance by enabling firms to capture previously untapped customer segments. However, previous research has been fragmented and limited in scope: Rahman and Choudhury (2019) and Yunus and Sijabat (2021) relied exclusively on secondary data and literature reviews without primary data collection, Mohamed et al. (2020) explored Malaysian manufacturing firms using secondary data that creates contextual gaps when applied to Kenya and Dzingirai et al. (2023) examined SMEs rather than large manufacturing firms, limiting the applicability of findings to Kenya's listed manufacturing companies.

However, while various studies have examined innovation strategies in Kenyan manufacturing firms, none have comprehensively addressed the specific components of blue ocean strategy such as customer value perspectives, new market segments, value additions, and rebranding in the context of listed manufacturing firms. Thus, this study sought to examine how blue ocean strategy affects the performance of manufacturing firms listed on the Nairobi Securities Exchange in Kenya. By investigating how these firms leverage customer value perspectives, new market segment exploration, value additions, and strategic rebranding to create uncontested market spaces and improve their performance, this research addresses a significant knowledge gap in strategic management literature.

OBJECTIVE OF THE STUDY

To determine the effect of blue ocean strategy on performance of manufacturing firms listed on NSE in Kenya.

RESEARCH HYPOTHESIS

H₀. Blue Ocean strategy has no statistically significant effect on performance of manufacturing firms listed on NSE in Kenya.

LITERATURE REVIEW

The chapter includes a review of relevant literature. It explores key theories, concepts, and empirical studies related to the topic.

Theoretical Literature Review

The study was anchored in the Dynamic Capabilities Theory, formulated by Teece and Pisano (1990) and later expanded by Teece, Pisano, and Shuen (1997). The theory examines how firms integrate, build, and reconfigure external and internal competencies into new competencies that match their turbulent environment (Wang and Pervaiz, 2007). Dynamic capabilities are defined as the firm's ability to sense opportunities, seize them, and reconfigure their resource base to maintain competitiveness in rapidly changing environments (Teece, 2007). Dynamic Capabilities Theory is highly relevant to blue ocean strategy as it explains how firms can reconfigure their capabilities and resources to create uncontested market spaces rather than competing in existing markets.

The theory's emphasis on sensing new opportunities aligns directly with blue ocean strategy's focus on identifying untapped market segments and researching customer value perspectives. The seizing aspect relates to how firms mobilize resources to enter new markets and create value-added services, while the reconfiguring dimension supports strategic rebranding and the creation of uncontested market spaces. This theoretical foundation explains why some manufacturing firms are more successful than others in implementing blue ocean strategies – those with stronger dynamic capabilities are better positioned to sense opportunities, seize them effectively, and reconfigure their operations to sustain competitive advantage in newly created markets. The theory provides insights into how blue ocean strategy affects firm performance by explaining the mechanism through which firms transform their capabilities to create new market demand and render competition irrelevant, supporting the study's investigation of how manufacturing firms leverage these capabilities to achieve superior performance outcomes.

Empirical Review

Blue Ocean is a market for products with no or little competition. Blue Ocean Strategy (BOS) entails a search for markets with very few firms operating with no pressure in pricing. Rahman and Choudhury (2019) reviewed secondary data to ascertain how BOS influenced organizational performance. The findings revealed that organizational performance enhancement is significantly contributed to by BOS. The research gave a recommendation that BOS be critically analyzed by the policymakers prior to implementation to ascertain how sustainable it is in the desired firm. A methodological gap is presented since it relied on secondary data. This current research collected primary data.

An analysis of the relationship between the Blue Ocean Strategy and the performance and competitive advantages of firms was conducted by Yunus and Sijabat (2021). Research on the BOS and competitive advantage and performance was conducted through a review of relevant articles. Using specific keywords like competitive advantage and blue ocean, blue ocean strategy and value innovation and performance the study conducted a search for relevant literature and then reviewed and synthesized these articles to establish a proposed framework. The findings showed that BOS significantly affects firm performance and competitive advantage. Nevertheless, there was a methodological gap because this was desk literature based.

Rahman and Choudhury (2019) examined how organizational performance was influenced by Blue Ocean Strategy (BOS). The study used secondary data only. The research did a review of papers and articles in scientific journals. The study results showed that BOS is recognized for its ability to help organizations create uncontested market space and shift their focus from the current competition to innovative value creation and demand generation. The contribution of BOS to enhance performance was notable. The study recommended that policymakers carefully analyze the suitability of BOS before implementing it in their organizations.

Mohamed, Jamil and Abd-Mutalib (2020) investigated the early application of the BOS in Malaysian manufacturing firms and its relationship with innovation performance. BOS stresses the necessity for businesses to innovate and develop new business models to produce sustainable profits, which sets it apart from traditional red ocean strategies. The results indicate that these companies applied the BOS strategy to gain a competitive advantage. However, a weak association between BOS and innovation performance was noted. In addition to adding to the growing body of research on BOS, the findings provide entrepreneurs and policymakers with important information about how BOS is used in actual businesses and how it affects innovation quality. Compared to the current study, there is a conceptual gap in that the study was on effect of BOS and Innovation performance while the current study incorporates other BMI strategies and their effect on firm performance.

Dzingirai et al. (2023) conducted a study involving 100 SME owners using structured questionnaires. The researchers employed an explanatory research design and applied statistical analyses such as Pearson correlation and regression analysis. The findings indicate that aspects such as entering new, uncontested markets, stimulating new demand, product differentiation, and rendering competition irrelevant are positively and significantly associated

with gaining a competitive advantage. The study concludes that the Blue Ocean Strategy (BOS) positively influences organizational performance and recommends its adoption.

Conceptual Framework

The conceptual framework illustrated in Figure 1 depicts the relationship between the independent variable (blue ocean strategy) and the dependent variable (performance).

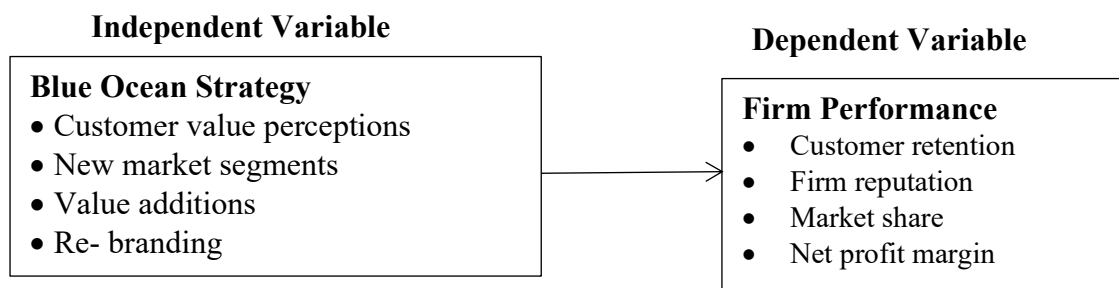


Figure 1: Conceptual Framework

RESEARCH METHODOLOGY

The study employed a positivistic philosophy and explanatory research design with a cross-sectional survey technique to test the relationship between blue ocean strategy and firm performance using statistical and quantitative methods (Cooper & Schindler, 2014). Data was collected from 95 functional heads (strategy, marketing, finance, information, and operations) across 19 manufacturing firms listed on the Nairobi Securities Exchange using semi-structured questionnaires with both Likert-scale and open-ended questions distributed through a drop-and-pick technique. A pilot study was conducted to test the reliability of the research instrument, achieving Cronbach's alpha coefficients of 0.931 for blue ocean strategy and 0.892 for firm performance, both well above the recommended threshold of 0.7, indicating strong internal consistency of the measurement scales. The instrument was also subjected to face, construct, and content validity testing. Data analysis employed SPSS to generate descriptive statistics (mean scores, standard deviations, and frequencies) and inferential statistics through correlation and simple regression analysis using the model $Y = \beta_0 + \beta_1 X + \epsilon$, where Y represented firm performance and X represented the blue ocean strategy.

RESEARCH FINDINGS AND DISCUSSION

The research findings and discussion section presents the response rate, descriptive statistics on blue ocean strategy and firm performance measures, qualitative insights from respondents, correlation analysis, and regression results testing the study hypothesis.

Response Rate

The respondents completed 84 out of 95 questionnaires, resulting in an 88% response rate, which exceeded the minimum threshold for statistical analysis. Prior studies consider a response rate of above 70% to be adequate for drawing reliable conclusions and making valid inferences (Mugenda & Mugenda, 2003). The 88% response rate was thus considered appropriate for further statistical analysis and provided a solid foundation for generating results that can be used for policy formulations and strategic decision-making. This high response rate minimized non-response bias and enhanced the representativeness of the sample, thereby increasing the validity and reliability of the study findings regarding the relationship between blue ocean strategy and firm performance among manufacturing firms listed on the Nairobi Securities Exchange.

Blue Ocean Strategy

Table 1 delves into the descriptive statistics related to the implementation of blue ocean strategies.

Table 1: Descriptive Statistics on Blue Ocean Strategy

Blue Ocean Strategy	n	Mean	Std. Dev.
The firm research on customer value perspective and constantly improves	84	4.30	0.76
We charge premium prices due to few competitions	84	4.01	0.90
Our products face little competition in the market	84	4.40	0.76
Our firm has entered new markets	84	4.07	0.95
The firm is constantly looking for new markets and client segments for our services and products	84	3.85	1.12
The firm creates uncontested market spaces	84	4.21	1.00
The firm invests in branding and re-branding	84	3.89	1.19
We have shifted focus from the current competition to innovative value creation and demand generation strategies	84	4.04	0.99
The firm discovers and adopts new market trends as they emerge	84	4.02	0.98
The firm offers value-added services	84	3.95	0.99
The firm is regularly addressing new, unmet client needs	84	4.00	1.04
We have stimulated new demand for our products, rendering competition irrelevant	84	4.08	1.04
Aggregate Scores		4.07	0.98

Source: Survey data (2024)

The study's findings, as presented in Table 1, provide significant information about the implementation of blue ocean strategy among manufacturing firms listed on the Nairobi Securities Exchange. The descriptive statistics reveal a range of mean scores from 3.85 to 4.40,

indicating that these strategies are generally implemented to a considerable extent across the surveyed firms. The lowest mean score of 3.85 was associated with constantly looking for new markets and client segments, while the highest mean of 4.40 was observed for facing little competition in the market. This distribution of mean scores suggests that while all aspects of blue ocean strategy are given attention, certain strategies are more widely adopted than others.

The standard deviations, ranging from 0.76 to 1.19, indicate moderate variability in responses. An analysis of specific aspects of blue ocean strategy reveals a strong emphasis on creating uncontested market spaces and focusing on customer value perspective. The high mean scores for products facing little competition in the market (mean=4.40, SD=0.76) and firms researching customer value perspective and constantly improving (mean=4.30, SD=0.76) indicate widespread adoption of these practices. Similarly, the data suggests a prioritization of creating new market spaces, evidenced by high scores for firms creating uncontested market spaces (mean=4.21, SD=1.00) and stimulating new demand for products while rendering competition irrelevant (mean=4.08, SD=1.04).

The results also highlight the importance placed on value innovation and shifting focus from current competition among the surveyed firms. This is reflected in the relatively high mean scores for shifting focus from current competition to innovative value creation and demand generation strategies (mean=4.04, SD=0.99) and charging premium prices due to few competitions (mean=4.01, SD=0.90). However, the strategy of constantly looking for new markets and client segments scored relatively lower (mean=3.85, SD=1.12), suggesting that while this practice is adopted, it may not be as prevalent as other blue ocean strategy practices. The aggregate scores, with a mean of 4.07 and a standard deviation of 0.98, show that blue ocean strategy implementation is widely practiced in the surveyed firms. These aggregate statistics suggest that while there is general agreement on the importance and implementation of blue ocean strategy, there exists some variation in how individual firms approach this innovative strategy.

Firm Performance

Table 2 includes the descriptive statistics on customer retention and firm reputation.

Table 2: Descriptive Statistics on Customer Retention and Firm Reputation

Statement	Mean	Std Dev
Customer Retention		
There is a high rate of customer repeat purchases.	3.45	1.36
Most clients use the company's products more frequently.	3.49	1.34
We get a lot of recommendations from customers.	3.54	1.34
The firm's products are preferred by customers over those of its rivals.	3.44	1.35
The firm has high customer satisfaction score	3.45	1.28
Aggregate mean score and standard deviation	3.47	1.33
Firm Reputation		
We have won many industry awards	4.37	0.89
The firm is committed to corporate social responsibility	4.31	0.98
The firm ensures high compliance level	4.55	0.95
We have high brand mentions across various platforms	4.16	1.03
The firm is viewed by public as a good corporate citizen	4.44	0.90
Aggregate mean score and standard deviation	4.37	0.95

Customers demonstrated high loyalty through repeat purchases and increased product usage, resulting in strong customer retention rates, preference for the company's products over competitors, and high customer satisfaction scores. Regarding firm reputation, manufacturing companies listed on the Nairobi Securities Exchange had won several awards (mean=4.37, SD=0.89), demonstrating strong commitment to corporate social responsibility (mean=4.31, SD=0.98), high regulatory compliance (mean=4.55, SD=0.95), substantial brand mentions across multiple platforms (mean=4.16, SD=1.03), and favorable public perception as good corporate citizens (mean=4.44, SD=0.90). The aggregate mean scores of 3.47 for customer retention and 4.37 for firm reputation suggest that most manufacturing firms retained a majority of their customers and maintained strong reputations, though the standard deviations of 1.33 and 0.95 indicate varying respondent opinions. Table 3 presents findings on market share and profitability growth from 2019 to 2023, measured on a 5-point Likert scale where 5=Above 30%, 4=Above 20%-30%, 3=Above 10%-20%, 2=Above 1%-10%, and 1=Less than 1%.

Table 3: Descriptive Statistics on Market Share and Profitability

Statement	Mean	Std Dev
Market Share Growth		
2019	2.55	1.08
2020	2.49	0.99
2021	2.46	1.00
2022	2.52	1.05
2023	2.45	0.94
Aggregate mean score and standard deviation	2.49	1.01
Net Profit Growth		
2019	3.43	1.30
2020	3.36	1.31
2021	3.32	1.30
2022	3.45	1.37
2023	3.55	1.21
Aggregate mean score and standard deviation	3.42	1.30

The average net profit growth in 2019 was 3.43 (SD = 1.30), and in 2023, it increased to 3.55 (SD = 1.21), with an aggregate mean score of 3.42 and a standard deviation of 1.30. By 2022, there were signs of recovery, as profitability improved to 3.45 (SD = 1.37), continuing to rise in 2023 to 3.55 (SD = 1.21), thereby surpassing pre-pandemic levels. This recovery can be attributed to firms adapting to new market realities, including the implementation of strategies to optimize operations, explore new sales channels, and respond to shifting consumer behaviors. The decrease in standard deviation in 2023 suggests a more uniform recovery across firms, indicating a collective rebound within the industry. Overall, the net profitability data reflects the resilience of the manufacturing sector, with firms demonstrating the capacity to recover and grow despite significant challenges. According to Table 4, there was a high degree of variation in the respondents' opinions, as indicated by the aggregate standard deviation of 1.30.

Table 4: Descriptive Statistics on Firm Performance

	Mean	Std Dev
Customer retention	3.47	1.33
Firm reputation	4.37	0.95
Market share growth	2.49	1.01
Net profit growth	3.42	1.30
Aggregate mean score and standard deviation	3.45	1.15

Table 4 presents the aggregate mean scores for performance metrics, including customer retention, firm reputation, market share growth, and net profit growth, with an overall mean score of 3.45 indicating strong agreement among respondents, though a standard deviation of 1.15 suggests notable variations in their observations. The results highlight that while business model innovation strategies contribute significantly to firm performance, individual firms perceive their outcomes differently based on their unique strategic approaches.

Qualitative Data Analysis

The study sought the opinion on the state of Blue Ocean Strategy implementation and its influence on firm performance. Most respondents opined that firms had adopted practices associated with Blue Ocean Strategy, including changing customer value perspectives, entering new market segments, rebranding, and adding value to products or services. These strategies were reported to have a significant impact on improving firm performance. A Head of Strategy 12 remarked, *“Shifting focus to value creation rather than competition has allowed us to capture untapped markets and drive growth.”* By prioritizing innovative approaches to differentiate their offerings, firms successfully carved out uncontested market spaces that enhanced customer satisfaction and loyalty.

One key aspect of Blue Ocean Strategy implementation was entering new market segments. Respondents highlighted that targeting previously untapped or underserved customer groups broadened the firm’s customer base and diversified revenue streams. A Head of Marketing 7 noted, *“Expanding into niche markets has not only reduced dependency on traditional revenue sources but also opened doors to entirely new growth opportunities.”* By identifying unmet needs and creating tailored solutions, firms minimized direct competition and established themselves as leaders in these emerging spaces. This approach mitigated risks associated with market saturation and volatility in existing markets.

Rebranding efforts were also a prominent strategy adopted by firms under the Blue Ocean framework. Respondents emphasized that strategic rebranding helped firms rejuvenate their image, align with evolving market trends, and attract new customers. A Chief Information Officer 5 stated, *“Rebranding allowed us to redefine our market presence and communicate a fresh value proposition to our audience.”* Successful rebranding campaigns not only revitalized interest in the firms' products or services but also enhanced customer perceptions, leading to

stronger brand loyalty and increased sales. This process often rendered traditional competition irrelevant by shifting the focus to unique value creation.

Adding value to products or services was another significant element of the Blue Ocean Strategy. Respondents discussed how offering innovative features, enhanced quality, or additional benefits differentiated their offerings and attracted a broader customer base. A Head of Finance 20 observed, *“Enhancing the perceived value of our products has enabled us to command premium pricing and improve profitability.”* By focusing on unique attributes that resonated with customer needs, firms were able to create a strong competitive advantage and improve their market position. This approach also encouraged customer advocacy, as satisfied customers became brand ambassadors through positive word-of-mouth.

Continuous innovation emerged as a critical component of sustaining the success of Blue Ocean Strategies. Respondents noted that firms needed to evolve their strategies to maintain their competitive advantage, as competitors often attempt to imitate successful practices. A Chief Operations Officer 9 remarked, *“Innovation is key to staying ahead in uncontested markets; without it, competitors will catch up and erode our gains.”* Firms that remained agile and adaptable in refining their value propositions reported better performance outcomes and a sustained ability to operate in untapped market spaces. This iterative approach allowed firms to anticipate and respond to changing customer preferences and market dynamics effectively.

The analysis matches descriptive statistics which indicated that firms had adopted blue ocean strategies. The results further corroborated with quantitative analysis which indicated that adoption of blue ocean strategy had significant positive effect on the performance of manufacturing firms listed on the Nairobi Securities Exchange in Kenya. Respondents also emphasized the importance of continuous innovation in maintaining a blue ocean position. They noted that once a successful blue ocean strategy is implemented, competitors often attempt to imitate or enter the newly created market space. Firms that continued to innovate and evolve their strategies were better able to sustain their competitive advantage and performance gains over time.

Correlation Analysis

The correlation results are summarized in Table 5.

Table 5: Correlation Results

		Performance	Blue ocean strategy
Performance	Pearson Correlation	1.000	
	Sig. (2-tailed)		
Blue ocean strategy	Pearson Correlation	.714**	1.000
	Sig. (2-tailed)	0.000	
	Sig. (2-tailed)	0.000	0.000

Source: Survey data (2024)

The study found a strong positive and significant correlation between blue ocean strategy and performance ($r=0.714$, $p=0.000$). This correlation coefficient indicates a strong relationship, demonstrating that manufacturing firms that successfully implement blue ocean strategies by creating uncontested market spaces, researching customer value perspectives, entering new market segments, offering value-added services, and engaging in strategic rebranding are more likely to achieve superior performance results. The correlation strength of 0.714 suggests that as firms enhance their blue ocean strategy implementation through innovative value creation and market space development, their overall performance tends to improve correspondingly. This finding aligns with the dynamic capabilities theoretical framework that positions blue ocean strategy as a critical driver of competitive advantage and organizational success by enabling firms to reconfigure their capabilities to create new market opportunities rather than competing in saturated markets.

Test of Hypotheses

The test of regression was done based on simple regression analysis. Table 6 presents the regression results

Table 6: Regression Results

Model summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.714a	0.509	0.503	0.3308402		
ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.308	1	9.308	85.042	.000b
	Residual	8.975	82	0.109		
	Total	18.284	83			
a Dependent Variable: Performance						
a Predictor: Blue ocean strategy						
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
(Constant)		0.779	0.241		3.228	0.002
Blue ocean strategy		0.649	0.070	0.714	9.222	0.000
a Dependent Variable: Performance						

Source: Survey data (2024)

The study found a significant positive relationship between blue ocean strategy and the performance of manufacturing firms listed on the Nairobi Securities Exchange. With an adjusted R^2 of 0.503, the model demonstrated that blue ocean strategy explained 50.3% of the variability in firm performance, and the relationship was statistically significant ($F(1,82) = 85.042$, $p = 0.000$). The regression equation (Firm Performance = $0.779 + 0.649 \times \text{Blue Ocean Strategy}$) showed that a one-unit increase in blue ocean strategy resulted in a 0.649 unit increase in firm performance ($\beta = 0.649$, $t = 9.222$, $p = 0.000$). These findings align with previous research by Rahman and Choudhury (2019), Yunus and Sijabat (2021), and Dzingirai et al. (2023), which confirmed that blue ocean strategy significantly enhances organizational performance by creating uncontested market spaces and rendering competition irrelevant, reinforcing the strategic importance of value innovation approaches for manufacturing firms seeking to improve their market position and financial outcomes.

CONCLUSION

The study concludes that blue ocean strategy has a significant positive influence on performance of manufacturing firms listed on the Nairobi Securities Exchange. The regression analysis revealed that a one-unit increase in blue ocean strategy implementation resulted in a

0.649 unit increase in firm performance, with the model explaining 50.3% of the variation in performance outcomes. These findings empirically validate the Dynamic Capabilities Theory, which emphasizes that firms with superior capabilities to sense opportunities, seize them, and reconfigure their resources achieve better performance by creating new market spaces rather than competing in existing markets.

The study demonstrated that manufacturing firms successfully implementing blue ocean strategies through customer value perspective research, entering new market segments, offering value-added services, and strategic rebranding were able to render competition irrelevant and achieve superior performance outcomes. Firms that shifted focus from traditional competition to innovative value creation captured untapped markets and diversified revenue streams while establishing themselves as leaders in emerging market spaces. The creation of uncontested market spaces enabled these firms to command premium pricing, reduce competitive pressure, and sustain long-term profitability through continuous value innovation.

POLICY IMPLICATIONS AND RECOMMENDATIONS

The findings provide essential insights for manufacturing firms seeking to enhance performance through blue ocean strategy implementation. Manufacturing firms should prioritize market research to systematically identify untapped customer segments and unmet needs, enabling them to create uncontested market spaces. Firms should invest in dedicated research capabilities to continuously monitor customer value perspectives and market trends, ensuring their strategies remain aligned with evolving opportunities. Additionally, while the study found that firms were effectively creating uncontested market spaces, the relatively lower emphasis on consistently seeking new markets suggests room for improvement in proactive market exploration.

Manufacturing firms should develop comprehensive rebranding strategies that align with current consumer trends and market dynamics to rejuvenate their market presence and communicate fresh value propositions. The study revealed that strategic rebranding efforts were instrumental in attracting new customers and enhancing brand perception, leading to stronger customer loyalty and increased sales. Firms should dedicate sufficient resources to rebranding initiatives that differentiate their offerings and establish unique market positioning. Furthermore, companies should focus on developing and promoting value-added services that justify premium pricing and create sustainable competitive advantages.

The study recommends that manufacturing firms foster a culture of continuous innovation and maintain forward-looking approaches to market trend identification. Firms should establish systematic processes for discovering and adopting emerging market trends while regularly addressing new and unmet client needs. Additionally, companies should develop capabilities to stimulate new demand rather than merely responding to existing market conditions. Policymakers should create supportive regulatory environments that encourage manufacturing firms to pursue blue ocean strategies through innovation incentives, reduced barriers to market entry in new segments, and policies that facilitate the creation of uncontested market spaces.

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