



**ST. MARY'S UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**

**ASSESSMENT OF THE LANDSCAPE FOR  
ADOPTION OF BLUE OCEAN STRATEGY AT  
CONSTRUCTION AND BUSINESS BANK**

By

AYALKIBET HAILU (SGS7/0276/2006B)

DECEMBER, 2015

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**A THESIS SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL OF  
GRADUATE STUDIES IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS  
ADMINISTRATION**

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## **DEDICATION**

This research paper is dedicated to the 40 years of banking services provided by  
Construction and Business Bank

## **ACKNOWLEDGEMENTS**

I am grateful to God for the wisdom and guidance he lovingly provided me throughout my project, without it this final paper would have been unthinkable. I am also thankful to my advisor Dr. Tilaye Kasahun and those employees participated on the questionnaire.

## ACRONYMS

<b>CBB</b>	Construction and Business Bank
<b>BOS</b>	Blue Ocean Strategy
<b>ROS</b>	Red Ocean Strategy
<b>HSB</b>	Housing and Savings Bank
<b>IMF</b>	International Monetary Fund
<b>SPSS</b>	Statistical Package for Social Science
<b>ERRC</b>	Eliminate Reduce Raise and Create

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## ABSTRACT

*The banking business started in Ethiopia when the first modern Bank of Abyssinia was established in 1906. Since then the industry has been developing slowly in to the present period of 19 commercial banks. Despite the recent modernization and expansion effort, the country is still rated as low financial inclusion by the IMF Country Report number 13/308 with only 8% of the population having access to any form of financial institution service. The existing banks are mainly competing on the industry standards instead of reaching out to the majority of unbanked society through creating a new demand. This study focuses on the recent Blue Ocean Strategy concept devised by W.Chan Kim and Renee Mauborgne as a tool to reach out for new demand and uncontested market space by redefining the common standards that banks compete on to secure more of the shrinking profit pool. Therefore, the study attempted to assess the landscape to adopt the BOS at CBB with an objective of assessing the level of awareness on the new BOS concept, the prevalence of practices stemming out of BOS blended with the current strategy of CBB, and explain the challenges CBB is facing to adopt the BOS. To arrive at its objectives, the study employed a descriptive and exploratory design using closed ended questionnaires as an instrument of obtaining the primary data from sample employees on managerial and professional positions. The data obtained in such manner is entered in to SPSS where various descriptive statistics were applied. The result of the study proved that there is low level of awareness of the BOS concept among the employee of CBB at management and professional level. Furthermore, it unveiled that the currently implemented strategy has no activities attributed to BOS and that it is of pure Red Ocean. The study identified lack of experience and training to conceive a noble idea, poor organizational culture to adopt change swiftly, lack of leadership skill to bring about change in a short time, shortage of resources (capital & expertise), poor project implementation record and dealing with poorly motivated employees as more likely to challenge the effort to adopt the new concept as a strategy. The study concludes that neither the BOS concept is familiar to most of the respondents nor related activities are found within the current strategy of CBB. In addition, it noted several challenges that impede its implementation. Consequently, the study recommends the management to raise its awareness to recent business strategies like BOS and encourage an out of the box thinking which more often than not help to emerge uniquely by focusing away from competing on the existing industry standards to create a new demand than going after shrinking profit pool.*

**Key Words:** *Industry Standard, Creating new demand, BOS, Red Ocean*

# **CHAPTER ONE**

## **INTRODUCTION**

This chapter provides the brief evolution of banking in Ethiopia in general and development of CBB in particular. It further stretches to explain why we need to look in to new perspectives in strategic management stating the problems of the banking industry. Research questions, objectives, significance of the study, delimitation and limitations, organization of the study and definition of operational terms are presented as well.

### **1.1 BACKGROUND OF THE STUDY**

Ethiopia in its modern history has undergone several economic and government reforms which resulted various economic performance of the country. Amid these reforms, is the banking sector, which was at an infant stage being introduced in 1906 by establishment of Bank of Abyssinia. The industry has been largely dominated by the three state owned banks, namely Commercial Bank of Ethiopia, Development Bank of Ethiopia and the present Construction and Business Bank. Following the recent banking proclamation 84/1994, several private commercial banks have joined the sector. Now the total number of players in the sector has reached 19 of which 3 are state owned while 16 are private commercial banks. Even though majority of the country's population is believed to be out of the reach of the service, the major city dwellers are given several banks to choose from only to find much similar service.

Construction and Business Bank (CBB) is a wholly government-owned public enterprise and successor of the Housing and Savings Bank (HSB) which was formed in 1975 through the merger of two financial institutions namely, Imperial Savings and Home Ownership Association, and Savings and Mortgage Corporation of Ethiopia which were nationalized at the on-set of the socialist era of Ethiopia. HSB's objectives were granting long-term loans

for residential housing and commercial building construction, purchase and renovation by mobilizing financial resources through ordinary savings, time deposits and long-term borrowings. For about twenty years since 1975, HSB has made important contribution to the development of housing in the country for which it hitherto enjoyed the reputation as a household name. Following the market-based economic policy of the country and the ensuing economic reform programs initiated by the government in 1992, HSB was reconstituted as Construction and Business Bank (CBB) in September 1994 by regulation No. 203/94 with an authorized capital of Birr 71.8 million. Today CBB has 121 branches distributed in all regions of the country struggling to become the best performing bank in Ethiopia by 2020 as stated in its mission statement.

Strategies of business are originally adopted from strategies of war where each side tried to take the larger share of land and eradicate its opponent. This concept brought to the business world created a market space characterized by cut throat competition making the ocean red. This eventually leading to dwindling market share and profit as the number of players soars up. Kim and Mabourgne of Harvard business school has come to the rescue of corporate with a new approach called blue ocean strategy (2005). The Blue ocean strategy (BOS) is about creating uncontested market space. Too many companies are swimming in the Red Ocean of bloody competition where there is limited room for real growth. The image of the vast Blue Ocean conveys the infinite possibilities for profitable growth that exist with this strategy. (Reene Mauborgne, 2005)

## **1.2 STATEMENT OF THE PROBLEM**

The market conditions in the banking industry deserve particular attention for many reasons (Jacob A. Bikker, 2002). Among these reasons is the nature of competition which captures the attention of the researcher. Though the industry has been attracting additional players, much of the service is delivered in a similar fashion. The industry service offering is not characterized by visible differentiation amongst the majority of banks where the rule of the game is more like survival of the fittest. As a result the winning strategy is to bit the competition and control the greater market share. This situation led to a red ocean strategy,

as Kim and Mauborgne call it, where all the players are offering more or less similar products but struggle to win over one another. Hence, it is a known fact that existence of greater number of competitors leads to a falling market share due to the bloody fight among the players. The strong links between market structure, particularly competition, and efficiency involves that the higher the degree of competition in the banking sector, the higher its efficiency in terms of allocating funds and in general operating as an intermediary between lenders and borrowers (De Nicolo, 2007). However the situation on the ground is mainly characterized by a struggle to take more of the banking customers without doing much on service excellence and product innovation.

Currently CBB has devised a strategy to evolve in to the best performing bank in Ethiopia by 2020. Accordingly, the bank implemented business process reengineering and has adopted the state of the art core banking technology, has tripled its branches throughout the country; broadened its product type and services. This has helped the bank to some extent move towards the industry leaders. However, despite all the efforts and strategy formulation to be competitive, the bank is far behind even from the new entrants of the industry in terms of profitability and service diversification. The strategy deployed is supposed to be leading in to competition on the major industry standards with the 19 rivals most of which are ahead of the present status of the bank. Hence, the race against the deadline necessitates devising a strategy where CBB will have a distinct competency to break the market boundary and tap a competition free banking demand.

Though there have been significant improvements in the industry and massive improvement in the infrastructural development of the country (which the banks consider in branch expansion), it is still challenging for the banks to expand their market share through physical presence. What is rather more efficient is reaching the majority of the population through innovation, which will enable banks more competitive by cutting/minimizing their costs. (Zemzem Ahmed, 2014). To this end, the research has assessed the landscape to adopt blue ocean strategy in CBB.

### **1.3 BASIC RESEARCH QUESTIONS**

The study answers the following basic research questions

- To what extent are the management & professional level employees aware of the Blue Ocean Strategy?
- What is the practice of the Blue Ocean Strategy at CBB?
- What are the challenges facing Construction & Business Bank to adopt Blue Ocean Strategies?

### **1.4 OBJECTIVES OF THE STUDY**

The study has the following general and specific objectives

#### **1.4.1 GENERAL OBJECTIVE**

The general objective of the study is to assess whether CBB has a fertile ground or not to adopt BOS as an option.

#### **1.4.2 SPECIFIC OBJECTIVES**

This study research is aimed at attaining the following specific objectives among others

- Assess the level of awareness about Blue Ocean Strategy among the management and professional<sup>1</sup> level employee
- Assess the extent of the prevalence of practices of Blue Ocean Strategy in the current operations of the bank.
- Explain the possible challenges facing Construction & Business Bank in adopting the Blue Ocean Strategy

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<sup>1</sup> For the purpose of this study professional employee of CBB are those working on grade level 12 and above.

## **1.5 SIGNIFICANCE OF THE STUDY**

The gradual increasing number of participants in the banking industry has necessitated a tactical shift in business strategy to guarantee a sustainable profit share or stay in the red ocean struggling to beat an opponent and acquire larger market share. In an effort to save the bank from shrinking market share, this research sheds light on to the relatively new concept of Blue Ocean Strategy (BOS) synthesized by Kim and Maubourgne of Harvard Business School designed to make the competition irrelevant and sail on the blue ocean of simultaneous pursuit of differentiation and low cost. In this regard, the study is helpful to raise awareness on BOS, be an eye opening to the management to consider noble strategic moves, serve as a guiding framework for policies/procedures related to adoption of BOS and finally serves as a reference for subsequent researches on the topic.

## **1.6 DELIMITATION AND OF THE STUDY**

The study was carried out at CBB Head office, Addis Ababa city branches and outlying branches. The study focuses on employee working on posts of management and Professional level only. Since closed ended questionnaires were used to obtain the primary data regarding the carefully selected issues, the variables provided were answered as per the level of understanding of the respondents.

## **1.7 LIMITATIONS OF THE STUDY**

The major limitation of the study is that it is entirely based on the management and professional level employees due to cost and time constraints to participate a wider span of employee. Difficulty to collect all of the distributed questionnaire and having no chance of interview with key strategy personnels were among the drawbacks encountered. Even though the strategy issue is more relevant as we move up the organizational ladder, disregarding employees on other clerical duties would have its own impact on the overall



result. Difficulty of locating previous studies made within the Ethiopian banking industry context had its own drawback.

## **1.8 ORGANIZATION OF THE STUDY**

This thesis is composed of five chapters. The first chapter consists of the background of the study, problem statement, and objective, basic research question, significance of the study, delimitation & scope and organization of the study.

Chapter two reviews literature on the definition of strategy, various stages of strategic management development through different era and finally the recent and the main focus of the research which is Blue Ocean Strategy.

Chapter three presents the detailed methodological procedures followed in this study. It contains the data collection instrument, the data processing and analysis.

The fourth chapter presents the research outcome and summarizes the findings.

Chapter five presents the conclusions, recommendations, limitations of the study and indications for future research.

## **1.9 DEFINITION OF OPERATIONAL TERMS**

**Commercial Bank:** is a bank which is engaged with commercial activities of domestic (deposit and lending) and foreign nature

**Blue Ocean strategy:** Is a strategy that advises companies to go to a new market, which interest customers and avoid competition from the existing market.

**Red Ocean Strategy:** Represent to all the industries in existence today the known market space. In the red oceans, industry boundaries are defined and accepted, and the competitive rules of the game are known.

**Value Innovation:** a leap in value as a result of simultaneous pursuit of cost and differentiation

**Strategy Canvas:** central diagnostic tool and an action framework developed for building a compelling BOS.

**Industry Standards:** generally accepted requirements followed by member of an industry

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

The literature review explain the various shapes the term strategic management has been holding back from the ancient times to understanding of it in the present modern era. Its gives due emphasis to the recent perspective of business strategy named as the blue ocean by Kim and Maubourgne (2005)

#### **2.1 CONCEPT AND EVOLUTION OF STRATEGY**

Strategy dates as far back as the ancient civilization. Ancient writers and thinkers like Homer, Euripides and Socrates discussed the underlying principles of strategy. Our word Strategy comes from the Geek Strategos, which means “plan the destruction of one’s enemy through effective use of resources” (Bracker, 1980) Since then, strategic management has been defined in different words and contexts before it assumes the present day definition of business. The need for a concept of strategy related to business became greater after World War II, as business moved from a relatively stable environment in to a more rapid, changing and competitive environment. The first modern writers to relate the concept of strategy to business were Von Neumann and Morgenstern coining strategy as “...a series of actions by a firm that are decided on according to the particular situation. “ (Von Neumann, 1947). Different authors and scholars have defined it in various ways hitherto. However, there is no one best strategy ideal to solve the problems of every business unit, which is why the term strategic management have been coined in different terms by different scholars throughout history. The fable by Jhon Godfrey Saxe (1816-1887) about the blind men and the elephant which depicts a story where six blind men were asked to touch an elephant’s body and tell how an elephant is like from their own perspective can be a good approach to understand the subject matter. We certainly don’t get an elephant by adding its body parts but yet we need to know the parts to comprehend the whole. We tend to take the place of the blind people and the strategy formation is the

elephant. (Mintzberg H. , 1998) . Nevertheless, research reveals that organizations that engage in strategic management generally outperform those that do not. (Thomas L.Wheelen, 2012)

## **2.2 STAGES OF STRATEGIC THOUGHT DEVELOPMENT**

Review of the literature on the strategic management uncovers the development of the paradigm took five distinct stages post World War II. According to Gluck, Kaufman and Walleck (1980), the developmental phases include the basic financial planning, forecast based planning in the first two phases whereas the third and forth were focused on strategic planning and strategic management respectively. A fifth phase is now evident with the evolution of the paradigm from the strategic management phase of the 1980s to a more flexible form of strategic thinking in the 1990s (Stacey, 1993)

### **2.2.1 FINANCIAL PLANNING**

The first phase in the evolution of the strategy paradigm involved “basic financial planning” in the 1950s where the typical planning focus for the firm was the preparation of the financial budget with a time horizon barely beyond 12 months. The success of the organization was dependent on the quality of the CEO and the top management team and their knowledge of products, markets and rivals (Gluck, 1980). In the literature Drucker (1954, p. 77) drew attention to this issue arguing that it is the role of top management to address the key questions with respect to strategy: “What is our business and what should it be?”

### **2.2.2 FORECAST BASED PLANNING**

The second phase of “forecast-based planning” in the 1960s resulted in organizations embracing a longer time horizon, environmental analysis, multi-year forecasts and a static resource allocation as the firm responded to the demands of growth (Gluck, 1980).

Important contributions to the evolution of the strategy literature were offered in this period by Chandler (1962), Andrews (1965) and Ansoff (1965). In particular the later two were the first writers to address explicitly strategy content and process.

Chandler's contribution from a historian's perspective explained the development of large corporations and the way their administrative structures changed to accommodate the demands thrust upon management as a result of business growth. (Chandler, 1962). He offered a broad definition of strategy which did not distinguish between strategy formulation and content noting: "*Strategy can be defined as the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals.*"

Andrews (1965) combined Chandler and Drucker's concepts of strategy, describing strategy as "...the pattern of major objectives, purposes or goals...stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be" (Andrews, 1965) He also introduced the concept of the SWOT analysis, seeking to match what the firm can do (internal strengths and weaknesses) with what the firm might do (external opportunities and threats). Interestingly, the power of the Andrew's framework for strategic analysis - which provided the basis according to Mintzberg (1990) for the design school was recognized immediately. It has been argued the separation of strategy formulation and implementation impedes strategy development as a process of learning. A further criticism is that explicit strategy limits strategic flexibility with the firm committed to a clear direction (Mintzberg, 1990) which has been demonstrated in psychology to be difficult to change (Keiser, 1971).

Ansoff's (1965) interest in strategy evolved from a realization that an organization needs a clearly defined scope and growth direction, and his opinion that setting corporate objectives on their own is not sufficient to meet this need. He argues in his classic text *Corporate Strategy* that given the limitations of objective setting, additional decision rules are needed

if the firm is to enjoy orderly and profitable growth. Ansoff's work according to Mintzberg (1990) provided the basis for the planning school.

### **2.2.3 EXTERNALLY ORIENTED PLANNING**

In the 1970s there was a move to the third phase of "externally oriented planning" in response to markets and competition as strategic planning enjoyed the peak of its popularity. Planning in this form included a thorough situation analysis and review of competition, an evaluation of alternative strategies and dynamic resource allocation (Gluck, 1980). Prescriptive techniques for strategy were at their peak at this time with the planning school dominant and numerous simplified frameworks for strategic analysis were put forward mainly by industry consultants. These frameworks included the Experience Curve, the Boston Consulting Group's (BCG) portfolio matrix and the Profit Impact of Marketing Strategies (PIMS) empirical project.

The experience curve was developed to provide the basis for estimates of future strategic cost advantages (Clutterback and Crainer, 1990). The experience curve estimated that "the unit cost (in real terms) of manufacturing a product declines approximately 20% to 30% each time accumulated experience doubled" (Naylor, 1982, p. 9). Porter (1982) criticized the experience curve on the basis of its simplistic explanation of unit costs, an inadequate consideration of economies of scale, and the exclusion of market conditions and competitive behavior. The BCG Growth/Share Portfolio Matrix developed from here. The BCG Growth/Share Portfolio Matrix was the most popular framework devised for structuring portfolio decisions. It is applicable at the corporate rather than the business level and assists in determining resource allocation between divisions in the corporate portfolio (Clutterback and Crainer, 1990). The Divisions or strategic business units in the corporate portfolio are classified according to the dimensions of market share and market growth rates. A matrix of four categories - "stars", "problem children", "cows" and "dogs"

The key shortcoming of the BCG matrix is that it does not address SBU strategy. Further, it considers too few factors to reliably guide strategy at the corporate level, and focuses on

cost and growth at the expense of the market environment which also has implications for SBU outcomes (Hax, 1983)

## **2.2.4 STRATEGIC MANAGEMENT**

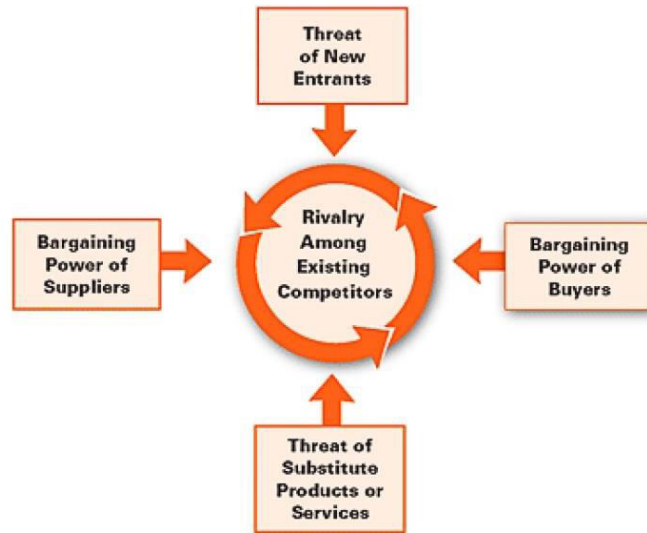
In the 1980s firms embraced what became known as the strategic management phase, being the combination of the firm's resources to achieve competitive advantage. This phase according to (Gluck, 1980) included:

- (1) A planning framework that cuts across organizational boundaries and facilitates strategic decision making about customer groups and resources.
- (2) A planning process that stimulates entrepreneurial thinking.
- (3) A corporate values system that reinforces managers' commitment to the company strategy

The strategy process came to be increasingly performed by line managers with occasional assistance from internal strategy experts operating in fewer numbers compared with the past. At this time there was also a shift from quantitative forecasting to greater use of qualitative analysis (Stacey, 1993). The focus became establishing the firm's mission and vision for the future, analysis of customers, markets, and the firm's capabilities (Wilson, 1994).

During this period there were a number of valuable contributions to the strategy field drawing on related disciplines in the social sciences. Porter (1980, 1985, 1990), drawing on the structure-conduct-performance theory in industrial-organization economics made a particularly important contribution in this context. The analytical frameworks he has devised including five forces analysis, the value chain, the diamond model of competitive advantage and strategy as activity system became valuable tools in strategic management which were lauded by academics and practitioners. This analysis emphasized the industry situation confronting the firm and its position within that industry.

Figure 1: Porter's Five Forces Model



Interestingly, Porter's contribution has been criticized (Mintzberg, 1990; Bartlett and Ghoshal, 1991) for narrowing the focus of strategic management. Further, the fields understanding of internal processes failed to develop at a similar pace (Bartlett and Ghoshal, 1991). Porter's work was assigned to the positioning school by Mintzberg (1990) on the basis of its focus on a firm's strategic positioning in its market or industry and this approach dominated the decade.

## 2.2.5 STRATEGIC THINKING

By the mid-1980s it was evident that the changes in the evolution of strategic planning into strategic management were not leading to significant improvements in strategy implementation. In addition, at this time there was apparent a greater sense of the importance of organizational culture and internal politics in the strategic management process (Wilson, 1994). The ineffectiveness of the strategic management process led many experts in the field to emphasize the need for strategic thinking - the fifth phase in the evolution of the paradigm. In the 1990s the paradigm has evolved further with the



emergence of strategic thinking to aid and facilitate strategic planning and strategic management. The evolution of the paradigm from strategic planning to strategic management into strategic thinking reflects the economic, technological and social changes that have taken place since its inception in the mid 1950s, especially since 1984 with higher levels of environmental uncertainty evident placing greater demands on the strategy process in organizations. (Prahalad, 1994) Indeed, the day-to-day challenges of management bring forth issues that test established frameworks, policies and procedures within organizations designed to deal with them. The major task of managers is to determine when to apply these established frameworks, policies and procedures and when to ignore them and develop new solutions. Strategic thinking facilitates this process (Stacey, 1993). Certainly there has developed a greater appreciation in organizations of the usefulness of the strategic management framework, organizational learning, organizational politics, organizational culture, cognition and reasoning, the related field of decision-making, and group dynamics in recent years as firms strive to cope with change and complexity in the business environment.

### **2.3 BENEFITS OF STRATEGIC MANAGEMENT**

Besides helping firms avoid financial demise, strategic management offers other tangible benefits, such as an enhanced awareness of external threats, an improved understanding of competitors' strategies, increased employee productivity, reduced resistance to change, and a clearer understanding of performance-reward relationships. Strategic management enhances the problem-prevention capabilities of organizations because it promotes interaction among manager's at all divisional and functional levels. Interaction can enable firms to turn on their managers and employees by nurturing them, sharing organizational objectives with them, empowering them to help improve the product or service, and recognizing their contributions. In addition to empowering managers and employees, strategic management often brings order and discipline to an otherwise floundering firm. It can be the beginning of an efficient and effective managerial system. Strategic management may renew confidence in the current business strategy or point to the need for corrective

actions. The strategic-management process provides a basis for identifying and rationalizing the need for change to all managers and employees of a firm; it helps them view change as an opportunity rather than a threat.

## **2.4 BLUE OCEAN STRATEGY**

The conventional strategy thoughts largely dictate the pathways to evolve as the winner of the competition the company is involved in. These in many occasions necessitate the beating or elimination of competitors in various ways. Kim and Maugorgnee (2005) set out a new perspective called Blue Ocean to challenge the conventional theory.

### **2.4.1 THE EMERGING THEME IN STRATEGY THEORY**

The concepts of strategy in business setting have been the subject of intense debate in recent years (Hafsi and Thomas, 2005). Despite these disputes, one of the most important contributions of strategy research is to provide a framework to help support and guide managers to craft a strategy for their companies. Therefore, strategic knowledge is intended to be actionable knowledge (Jarzabkowsi and Wilson, 2006). Over the years, a large number of strategy tools and methodologies have been developed by researchers to facilitate managers to carry out formal strategic planning for their companies: PEST (Political, Economic, Social, and Technological) analysis, Porter's five forces analysis, SWOT analysis, etc. According to Pun (2003), using specific strategic planning methods and models independently would result in different strategic consequences and decisions.

Kim and Mauborgne (2005) developed an analytical tool, known as the strategy canvas, to portray the strategic profile or value curve of a company against that of competitors by plotting the various factors that affect competition in the industry in a graphical chart. However, since the competing factors exhibited in the strategy canvas are merely derived from managers' observations in the field, the strategy canvas is therefore simply drawn

based on managers' judgments and intuitions rather than on hard information and analytical data. Therefore, the strategy canvas is generally regarded as a qualitative analytical tool for blue ocean strategy formulation. In view of that, blue ocean strategy becomes one of the emerging themes in the field of strategy research as it has inspired intense debate and discussion and some empirical and theoretical works have been recently published in academic conference papers and journals.

For several decades, the term competition has been coined at the heart of corporate strategy. One can hardly speak of strategy without involving languages like benchmarking, building competitive advantage and beating the competition. Kim and Mauborgne (2005) questioned this long drawn tradition of building strategy around competition to come up with 15 years long study of strategic moves of 150 companies in a range of industries which precipitated a new aspect of strategy called Blue Ocean Strategy.

## **2.4.2 BLUE OCEAN VERSUS RED OCEAN**

W.Chan Kim and Renee Mauborgnee, professors at Harvard Business School authored a book "Blue Ocean Strategy" in 2005. According to the authors of the book, the world provides two kinds of ocean for business, either the red ocean or the blue ocean. Red oceans represent all the industries in existence today. This is the known market space. Blue oceans denote all the industries not in existence today. This is the unknown market space. In the red oceans, industry boundaries are defined and accepted, and the competitive rules of the game are known. Here companies try to outperform their rivals to grab a greater share of existing demand. The dominant focus of strategy work over the past twenty-five years has been on competition-based red ocean strategies. As the market space of red oceans gets crowded, prospects for profits and growth are reduced. Products become commodities, and cutthroat competition turns the red ocean bloody. Hence we use the term "red" oceans. (Maubornee, 2005)

Blue oceans, in contrast, are defined by untapped market space, demand creation, and the opportunity for highly profitable growth. Although some blue oceans are created well beyond existing industry boundaries, most are created from within red oceans by expanding existing industry boundaries. In blue oceans, competition is irrelevant because the rules of the game are waiting to be set. The term “blue ocean” is an analogy to describe the wider potential of market space that is vast, deep, and not yet explored. (Maubornee, 2005)

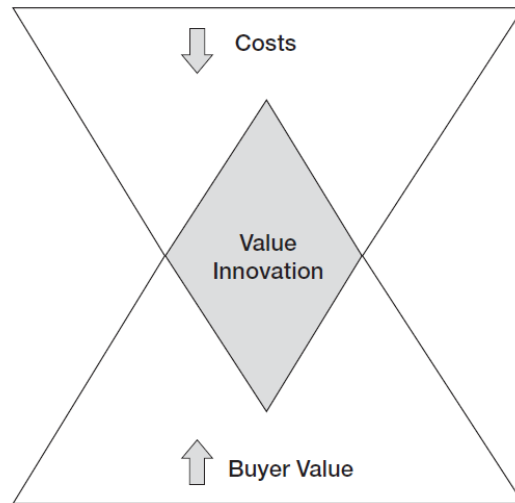
Table 1: Comparison of the Red and the Blue Ocean (Kim & Maubougne 2005)

<b>Red Ocean</b>	<b>Blue Ocean</b>
Compete in existing market space	Create uncontested market space
Beat the competition	Make the competition irrelevant
Exploit demand	Create and capture new demand
Make the value/cost trade off	Break the value/cost trade off
Differentiation Or Low cost	Differentiation AND low cost

### **2.4.3 VALUE INNOVATION**

Blue ocean strategy posits value innovation to create uncontested market space and break away from the competition to achieve highly profitable and sustainable growth. Value Innovation defies one of the most commonly accepted dogmas of competition-based strategy: the value-cost trade off. (Maubourgnee) Value innovation is the cornerstone of blue ocean strategy, which means pursuing differentiation and low cost simultaneously to create a leap in value for both buyers and company to break from the competition and create new customer demand and uncontested market space. (Kim and Maubourgne 2005)

Figure 2: Simultaneous Pursuit of Differentiation and Low Cost



Kim and Mauborgnee (2005) proposed a Strategy Canvas and the ERRC (Eliminate, Reduce, Raise and Create) to define the uncontested market space and reach at the new value curve.

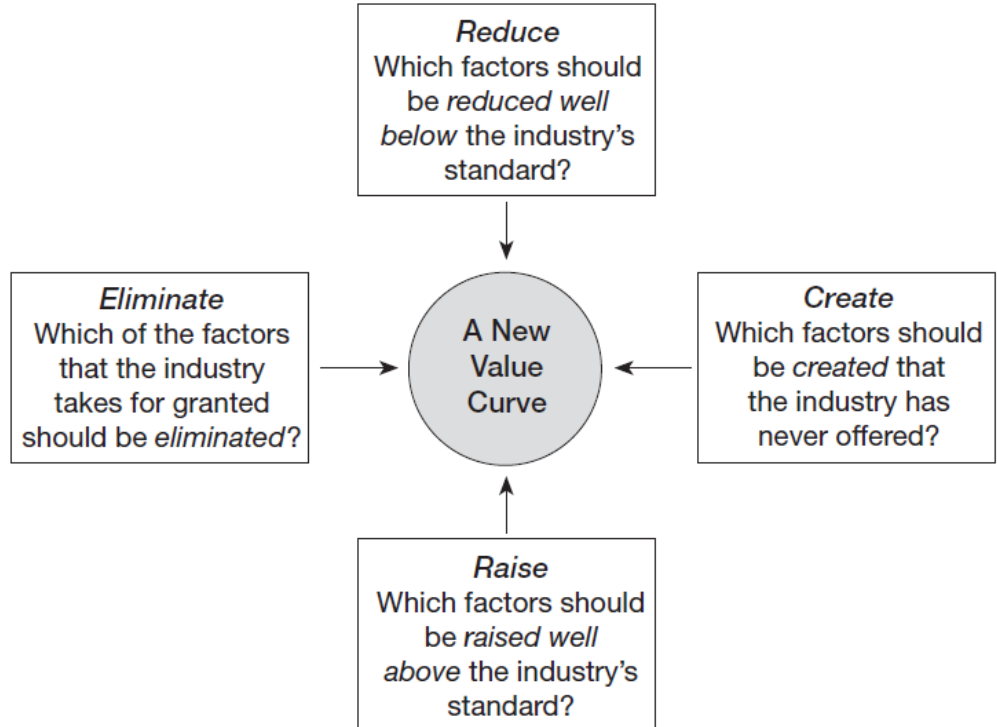
#### **2.4.4 STRATEGY CANVAS**

The strategy canvas is both a diagnostic and an action framework for building a compelling blue ocean strategy. (Amit R, 2012) It serves two purposes. First, it captures the current state of play in the known market space. This allows you to understand where the competition is currently investing; the factors the industry currently competes on in products, service, and delivery; and what customers receive from the existing competitive offerings on the market

#### **2.4.5 THE FOUR ACTION FRAMEWORK**

The ERRC is called the four action framework. It consists of the following four questions designed to challenge an industry's structure and business logic.

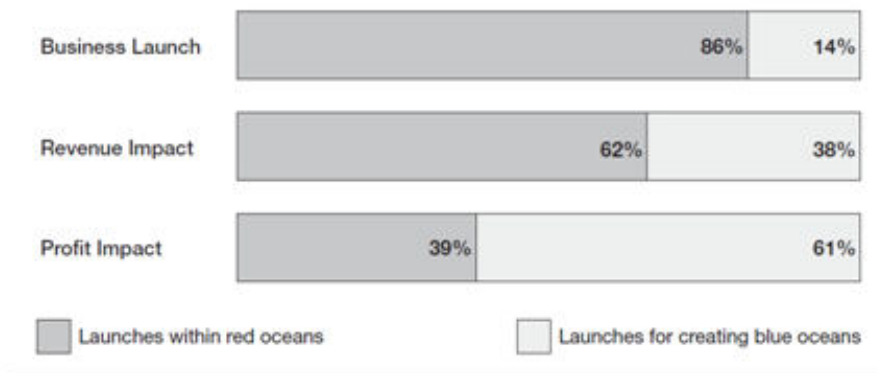
Figure 3: the Four Action Framework



## 2.4.6 IMPACT OF BLUE OCEAN STRATEGY

The authors Kim and Maubourgne (2005) conducted a study of business launches in 108 companies. They found that 86% of these launches were line extensions, i.e., incremental improvements to existing industry offerings within red oceans; while a mere 14% were aimed at creating new markets or blue oceans. While line extensions in red oceans did account for 62% of the total revenues, they only delivered 39% of the total profits. By contrast, the 14% invested in creating blue oceans delivered 38% of total revenues and a startling 61% of total profits. Given that business launches included the total investments made for creating red and blue oceans (regardless of their subsequent revenue and profit consequences, including failures), the performance benefits of creating blue oceans are evident

Figure 4: the Profit and Growth consequences of creating Blue Oceans



## 2.4.7 MISCONCEPTIONS ABOUT BOS

As a new strategy thought, Blue Ocean has been widely talked about by different media and publication which occasionally led to skepticism and criticism largely falling to misconception of the theory. (Mi, 2008)

According to Ji Mi, the widely held misconceptions fall under the following six categories

- ✎ Blue Ocean is about new products, new technologies or diversification beyond a company's core business.
- ✎ Blue Ocean Strategy is a cowardly approach as it asks companies to evade the competition.
- ✎ Blue Ocean Strategy is a customer-oriented strategy
- ✎ Blue Ocean is only wishful thinking, as any blue ocean created usually turns red rapidly
- ✎ Blue Ocean Strategy is like an old wine in a new bottle, as it is just a Modified version of differentiation strategy
- ✎ Blue Ocean Strategy does not fit the need of Chinese companies

## **2.4. 8 EMPIRICAL REVIEW**

A research conducted by Collins Kipachumba Kipton (2014) on the impact of Blue Ocean Strategy on Kenya's biggest cement manufacturer, Bamburi Cement Limited revealed a remarkable result in terms of financial performance and evaluation of market growth. The researcher used 15 years of data (1999-2013) to identify the effect that Blue Ocean strategy has brought after its implementation in 2002. The research showed that the annual operating income rocketed to 8.6 Billion Ksh in 2011 from 1.6 Billion Ksh, where it was in 2002. According to the researcher, the earning per share (EPS) and return on equity (ROE) grew to a maximum of 14 Ksh and 35% from 2Ksh and 10% respectively. However, the research also included the failure to give due attention to external dynamics which led the Bamburi Cement limited to lose its position as a leader.

Another researcher called Geoffry Onsemne (2012) conducted a research on the Challenges in the Implementation of the Blue Ocean Strategy in large indigenous banks in Kenya. His study focused on three giant domestic banks which has already implemented the strategy on various levels. The result of the study provided that the major challenges imposed on the three banks are organizational structure, culture, resource and capacity, employees, leadership and senior management orientation, policies and procedures, and the way monitoring and evaluation is done.

Another research paper presented at 8<sup>th</sup> international business research conference in 2008 entitled "An Exploratory Empirical Verification of Blue Ocean Strategies; Findings from Sales Strategy" reinforces the previous studies. The study was conducted by Jaakko Aspara, Joel Hitanen, Prof. Petri Parvinen, Prof. Henrikki Tikkanen on the sales management organization in a survey of chief executive officers and sales directors of Finish companies across various industries. The result of their study suggested that various applications of BOS perspectives have a positive connection with increasing profitability in sales activities of the company.



## **2.4.9 COMPLEMENTS ON THE BLUE OCEAN STRATEGY**

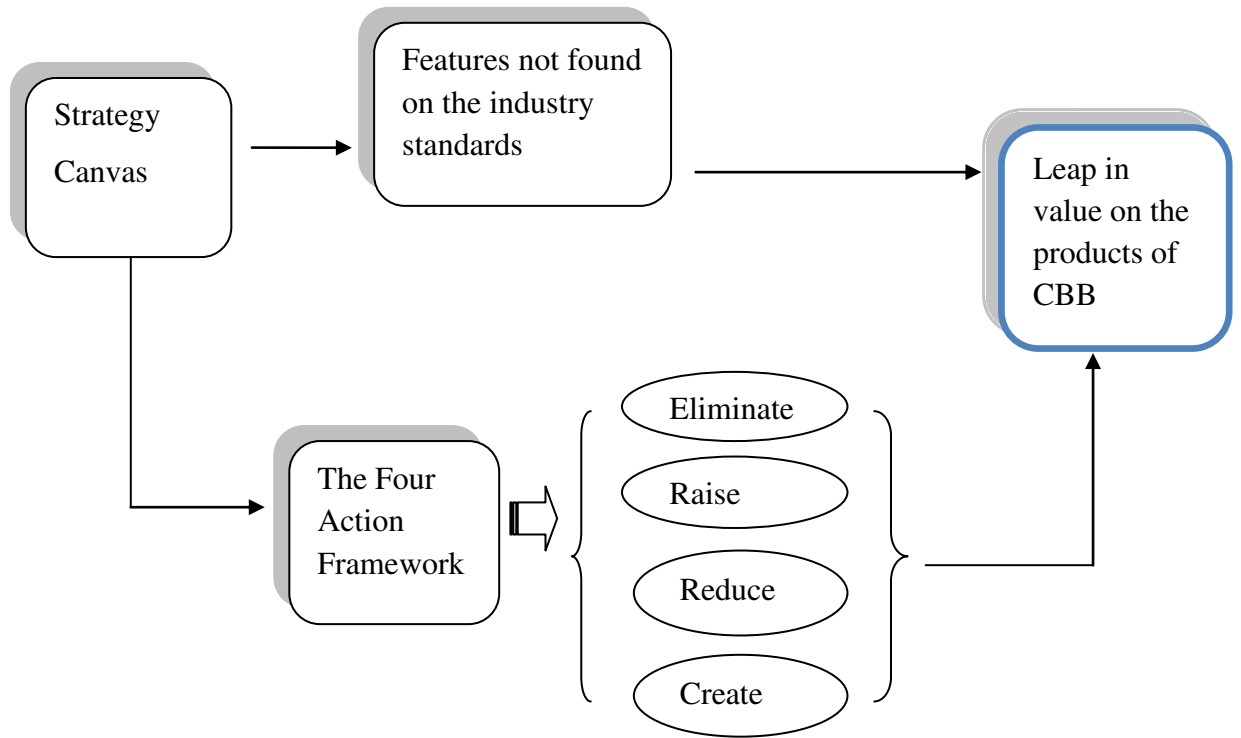
Many authors hitherto have made their comment to reinforce and demonstrate the success of the new perspective, few of them are (Abraham, 2006)“*Correctly defining the market space of companies help companies find an industry they monopoly in*”. (Madden, 2009) “*blue ocean strategy has an advantage in identifying more clearly market since simply better approach is lack of thinking of impacts from consumers’ demands*”. (Sheehan, 2009) demonstrate that “*blue ocean strategy enable managers to capture unique value for consumers*”. (Côté, 2005)develops the idea that a company should create a new product to improve their strategy. (Moyer, 2006)Points out that innovation lead companies to Blue Ocean and bring a competitive advantage.

All of the writers mentioned above one way or another stressed the impact of BOS to create a monopolistic type of business where the competitors are far behind in the Red Ocean fighting on the existing market. Identification of a more precise market space where unique value is created through innovation is a great tool to drive a company to success. A new demand is created along with the new value values which can only be satisfied by a single company that followed the BOS.

## **2.5 CONCEPTUAL FRAMEWORK**

As shown on the figure 5 below, the strategy canvas plays a pivotal role in plotting the positioning of the bank in relation to the industry on several features to find out on which feature the bank is doing good and which features are missing in the industry. The four action framework enhances the already existing competency and creating new dimensions to bring about a leap in value of products of CBB so as it be able to emerge uniquely to sail in to the Blue Ocean away from the competition.

Figure 5: Conceptual Framework



# **CHAPTER THREE**

## **RESEARCH DESIGN AND METHODOLOGY**

This chapter presents a brief description on the study design employed, population and sampling techniques, the data collection instrument, reliability & validity, data collection procedure and analysis along with the ethical considerations made.

### **3.1 STUDY DESIGN**

The study is made using descriptive and exploratory design using a Lickert scaled questionnaire so as it would be more suitable to apply descriptive statistics and obtain a quantitative result. The choice of the study design is made due to the fact the study looks in to a relatively new perspective of strategic management and assesses on knowhow on the new concept, existing practices and challenges in light of the core values of the BOS concept. In addition the researcher's experience helped to find it easier applying descriptive statistics on the Lickert scaled questionnaire there by eliminating the need of conducting an interview with key strategy personnel of CBB or looking for any other qualitative source of data.

### **3.2 POPULATION AND SAMPLING TECHNIQUES**

The research based its population on the employees of Construction & Business Bank who are working at the level of management and professional category. It had reached all of the business processes at the head office and branches found in Addis Ababa and regional cities. Since the target population is found across different business processes and branches at different size, proportional stratified random sampling was appropriate to come up with unbiased and relevant representation of the population from each business process and

branch. The total population contained 1936 employees across 13 business processes at the head office and 121 branches scattered throughout the capital city and regional states, however this since the focus of this study is on these employees working on the managerial and professional level the population falls down to 278. Although, all processes at the head office took part on the primary data collection, the sample size was dependent on the size of work force under each process. The data obtained from the Human Resources & Development process was helpful to identify the exact number of employee and classify it in to strata of Management and other Professional along their respective work process or branch. Since each stratum had its own population size, proportional sample size of 30% was drawn to facilitate gathering of adequate data that can be used to generalize on the entire population opinion. (Mugenda, 2003) The rule of thumb for study with such kind of population recommends 20%

### **3.3 DATA COLLECTION INSTRUMENT**

The primary data required for the study was obtained through a questionnaire designed and issued to managers and professional employees. The questionnaire contained 33 questions and statements broken down to four parts.

Part one contained five general questions which asked the respondent's gender, length of service in the organization, educational level, which position they work.

According to Kim and Mauborgne (2005) value innovation, uniqueness, avoiding competition on the standard features of an industry and simultaneous pursuit of cost and quality through strategy canvas and the four actions framework leads to creating uncontested market space. The statements presented on a Likert scale in the subsequent parts of the questionnaire were designed in light of these concepts.

Part two of the questionnaire contained six statements designed to assess the awareness of employee on the concept of BOS. Part three contained 11 statements dealing with the prevalence of BOS practices. Finally part four also contained 11 statements dealing with the challenges of adopting BOS.

### **3.4 RELIABILITY AND VALIDITY OF THE INSTRUMENT**

Due to difficulty of finding standardized format, the questionnaire was designed by identifying key concepts of the BOS strategy and blending them with demographic questions and other related issues in order to come up with the best result.

The accuracy of data collected largely depended on the data collection instruments in terms of validity and reliability (Mugenda O.M, 2003). Reliability measures if an instrument provides consistent results and validity indicates the degree to which an instrument measures what it is supposed to measure. (Kothari, 2004) For the purpose of this research, Cronbach Alpha test was carried out on sample of 22 respondents. It resulted a coefficient of 0.839 which shows the strength of the reliability of the instrument. The study had put effort to maintain the validity of the questionnaire by incorporating all the relevant issues under the research topic.

### **3.5 DATA COLLECTION PROCEDURE**

The study used both primary and secondary data sources as appropriate. The primary data collection was conducted first by preparing a closed ended Lickers scaled questionnaire containing 33 questions broken down in to four parts. The next step was distribution and collection to a total of 84 samples composed of 13 business processes and 121 branches of CBB throughout the country. The data collection and distribution was made through the banks intranet and printed hardcopies of the questionnaire to respondents outside Addis Ababa and those who were unreachable for various reasons. The he secondary data was

gathered from various publications of the Bankers Association, National Bank of Ethiopia, previous studies and articles made on related topics in different countries.

### **3.6 DATA PROCESSING AND ANALYSIS**

Before the data processing the first 22 questionnaires were checked for reliability. Then after making sure the questionnaire would give reliable and consistent result, they were sorted and entered into a computer using Statistical Package for Social Studies (SPSS) version 20. Counterchecking was made with the original questionnaire to correct errors and invalid values entered during data encoding thereby ensuring its consistency once again. Since a closed ended questionnaire was deployed, the quantitative data obtained was suitable to analyze with descriptive statistics and the frequency tables. The data analysis made produced output relevant to address the research objectives. The data analysis made use of the frequency, standard deviations, and ANOVA tests.

### **3.7 ETHICAL CONSIDERATIONS**

Formal approval was obtained from the Human Resources Management and Development process before the questionnaire distribution and collection. Moreover, the respondents were notified in advance on the questionnaire that their participation was on a voluntary basis and their response would be anonymously used for academic purposes only.

## CHAPTER FOUR

### RESULTS AND DISCUSSION

This chapter presents and discusses the responses of 84 sample employees working at executive, managerial and professional levels. The 61 valid data obtained from the respondents via questionnaire is analyzed and presented below in four parts.

#### 4.1 DEMOGRAPHIC PROFILES OF RESPONDENTS

This section presents the general profile of the respondents with regard to gender, tenure, level of education, position and the process or branch the respondents' are currently working.

Table 2: summary of Demographic profiles

	Gender		Service Year			Education level			Position		
	M	F	1-5	5 - 10	> 10	Master	Degree	Diploma	Executive	Manag.	Prof
Frequency	82	18	3.3	52.5	44.3	4.9	93.4	1.6	0	72.1	27.9
Mean	1.1803		2.4098			1.9672			2.2787		
Mode	1		2			2			2		

As it is evident from table one, the demographic profiles of 61 the respondents revealed 82% or 50 of them are male while the remaining 18% or 11 of them are females. The column on the length of service of respondents in the organization also shows the respondents tenure as 2(3.3%) served less than 5 year, 32(52.5%) fall under 5-10 years and the remaining 27(44.3%) have served more than 10 years. Regarding the highest educational level achieved by the respondents, it consists of 3(4.9%) Master holders, 57(93.4%) Degree holder and 1(1.6%) Diploma holder. Furthermore the table shows that that 44(72.1%) of the respondents are working on managerial level while 17(27.9%) of them are working on professional level.

## 4.2 RESULT AND DISCUSSION

The results and discussion of the questionnaire response are presented below as summarized by the SPSS version 20.

### 4.2.1 AWARENESS ON THE BLUE OCEAN STRATEGY

This section presents the response of respondents for the statements designed to test their awareness on the Blue Ocean Strategy concept.

Table 3: level of awareness on BOS concept

Descriptive Statistics						Frequency %				
	N	Min	Max.	Mean	Std. Deviation	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Took trainings	61	1.00	5.00	3.5902	.91973	4.9	4.9	26.2	54.1	9.8
Took BOS training	61	1.00	3.00	1.7705	.64274	34.4	54.1	11.5		
Know about BOS	61	1.00	4.00	2.4426	1.04123	23	27.9	29.5	18	1.6
Understand current strategy	61	1.00	4.00	2.6393	.65911	6.6	26.2	63.9	3.3	
it is a good strategy	61	1.00	4.00	1.8197	.95757	1.6	16.4	21.3	47.5	13.1
wining the competition is the only way	61	1.00	5.00	3.5410	.97594	1.6	16.4	21.3	47.5	13.1
Valid N (listwise)	61									

Table 3 shows even though majority of respondents 63.9% out of the total sample agreed on different level that they have taken part in trainings, it was not aimed BOS strategy concept. From the total respondents, 34.4% strongly disagreed, 54.1% disagreed and 11.5% remained neutral to the statement that they have participated in training on Blue Ocean strategy. A total of 88.5% respondents gave negative response. The table also shows that 14(23%) strongly disagree, 17(27.9%) disagree, 18(29.5%) stayed neutral, 11(18%) agreed



and finally 1(1.6%) strongly agreed to the statement that they have acquired knowledge on Blue Ocean Strategy through other readings. In aggregate 31(50.9%) responded that they have no knowledge about the BOS while 12(19.6%) responded they have acquired knowledge on BOS through other readings. 18(29.5%) remained neutral. This implies that the bank's trainings are not fine tuned in light of the BOS. Therefore, the results of the trainings are presumed to be seen in increasing the internal competency of the bank to win over its competitors.

As a result of low awareness level on the BOS concept, respondents' response to the statement "winning the competition is the only way to secure a greater market share" shows 1.6% strongly disagrees, 16.4% disagree, 21.3% remain neutral, 47.5% agree and 13.1% strongly agree to the statement. This shows low level of awareness on the BOS, which according to Kim and Maubourgne (2005) is all about making the competition irrelevant and swimming in the blue ocean far away from the red ocean where one need to win the competition to take away rival's market share. The banking industry is open to new entrants which lead to crowded market space where one which does not have an out of box thinking to come up with unique approach will be driven.

#### **4.2.2 ANALYSIS OF VARIANCE**

ANOVA test was made to check if there is a difference on the response of respondents to the various statements on the questionnaire based on the position they assume holds in the organization (management level & other professional level) considering acceptable 5% significance level.

Table 4: ANOVA test results

#### **ANOVA**

		Sum of Squares	df	Mean Square	F	Sig.
Trainings are available	Between Groups	2.968	1	2.968	3.664	.060
	Within Groups	47.786	59	.810		
	Total	50.754	60			
Know about BOS	Between Groups	7.969	1	7.969	.482	.490
	Within Groups	975.769	59	16.538		
	Total	983.738	60			
Understand current strategy	Between Groups	1.933	1	1.933	4.726	.034
	Within Groups	24.132	59	.409		
	Total	26.066	60			
it is a good strategy	Between Groups	.348	1	.348	.376	.542
	Within Groups	54.668	59	.927		
	Total	55.016	60			
winning the competition is the only way	Between Groups	.003	1	.003	.003	.955
	Within Groups	57.144	59	.969		
	Total	57.148	60			

From the result of the ANOVA test, we can accept the null hypothesis that there is no significant difference among the responses obtained from the respondents on managerial level and those of professional level for the statements "I have acquired knowledge about BOS through other readings" and "The bank has laid good strategy to join the increasing competition". However, the current strategy is not understood on equal level between the managers and other professionals. In addition, availability of trainings is not perceived to be similar.

#### **4.2.3 PREVALENCE OF BLUE OCEAN STRATEGY**

This section presents result of questions presented to test the prevalence of Blue Ocean Strategy in the practices of the organization without giving it the name BOS. Table 5: Descriptive summary of prevalence of BOS

	N	Minimum	Maximum	Mean	Std. Deviation	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Strategies designed to win	61	1	5	3.197	1.01357	1.6%	16.0%	21.3%	47.5%	13.0%
New product development unit	61	1	5	1.738	1.04724	52.5%	34.4%	4.9%	3.3%	4.9%
Contributed new product	61	1	5	1.754	1.09019	57.4%	21.3%	14.8%	1.6%	4.9%
Unique product	61	1	3	1.525	0.74401	62.3%	23.0%	14.8%		
Unique technology	61	1	3	1.492	0.69816	62.3%	26.2%	11.5%		
Give all services	61	1	4	2.082	0.6136	11.5%	72.1%	13.1%	3.3%	
Superior quality service	61	1	3	1.984	0.64529	21.3%	59.0%	19.7%		
Long banking hour	61	1	5	4.066	1.03068	8.2%			60.7%	31.1%
Unique market	61	1	3	1.721	0.52061	1.6%	11.5%	1.6%	73.8%	11.5%
Looks for non customers	61	1	5	2.705	0.95471	1.6%	55.7%	16.4%	23.0%	3.3%

Table 5 illustrates the response obtained to 10 statements used to assess the practice and prevalence of Blue Ocean Strategy. From the response it can be observed that 13% strongly agreed and 47.5% agreed (i.e a total of 60.5% positive responses) that the current strategy

is designed in pursuit of winning the competition while 21.3% remained neutral, 16% disagree and 1.6% strongly disagree. As it can be understood from the table, there has been a high rate of negative response (disagreement) to the statements listed concerning new product unit, unique product, unique technology, give all services and superior quality service. The negative response (disagreement) obtained from each item is as high as 78.7%, 85.3%, 88.5%, 83.5% and 80.3% respectively. On the other hand, 81.8% replied that the bank has long banking hours enough to compete with the industry leaders.

According to the authors of the Blue Ocean Strategy (Kim and Mauborgne, 2005), some of the manifestations of the Blue Ocean Strategy are going after uncontested market space in search of non customers, eventually making the competition irrelevant. The questionnaire responses in table 4 not only revealed that the current working strategy is largely designed in pursuit of winning the competition and grabbing larger market share as it can be seen on aggregate of 60.5% positive response. (47.5% agreed & 13.1% strongly agreed) but also the bank hunts for existing customers of the industry rather than looking for non customers (1.6% strongly disagree and 57.7% disagree) and creating new demand. Furthermore BOS is manifested where there is redefining of the market boundary, value innovation through simultaneous pursuit of differentiation and low cost unlike the trade off required between cost and quality in the conventional red ocean (Kim and Mauborgne, 2005) However, the responses for statements 3, 4, 5 and 7 again boldly speak that the bank is within the same market space (73.8% agree and 11.5% strongly agree) swimming in the conventional red ocean.

#### **4.2.4 CHALLENGES TO ADOPT BLUE OCEAN STRATEGY**

This section presents the response of employees for the statements provided to explore the possible challenges to adopt BOS. Table 6 below summarizes the response obtained to 11 statements intended to explore the challenges.

Table 6: Summary of response on challenges to adopt BOS

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Suitable Organizational Structure	18	1.6	49.2	29.5	1.6
Emerging Uniquely is appreciated	16	42.6	27.9	13.1	
Well experienced managers/ professionals	23	44.3	23	9.8	
Good organizational culture	13.1	59	24.6	3.3	
Good Leadership and Management skill	49.2	36.1	14.8		
Has resources to implement change	13.1	60.7	6.6	6.6	13.1
Has good project implementation record	55.7	27.9	16.4		
Has good culture of encouraging new ideas	16.4	62.3	21.3		
Has abundant potential to develop new idea	14.8	26.2	45.9	11.5	
Has motivated employee at all level	13.1	49.2	21.3	13.1	3.3
Uses uptodate technology	8.2	8.2	21.3	59	3.3

To the first statement about suitability of the organizational structure, 1.6% strongly agree, 18(29.5%) agree while 30(49.2%) respondents remain neutral. On the other hand 11(18%) strongly disagree and 1(1.6%) disagree.

To the second statement (i.e the idea of emerging uniquely is easily appreciated by the management) a higher negative response rate is observed, 10(16.4%) strongly disagree and 26(42.6%) disagree. The remaining 17(27.9%) are neutral while 8(13.1%) agree.

It is also evident from table 5 that statement number 3, 4,5,6,7,8 and 10 have provided higher rate of unfavorable response to the extent of an aggregate 85% (Strongly Disagree

and Disagree) as in the case of statement number 5 (i.e the bank has good leadership and management skill to bring about change in a short time).

# **CHAPTER FIVE**

## **SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

This chapter presents the summary of findings, conclusions and recommendations of the study.

### **5.1 SUMMARY OF FINDINGS**

The study was conducted in an effort to assess the landscape to adopt blue ocean strategy at Construction and Business Bank. In doing so, it has explored the awareness level among managers and other professional employees, prevalence of BOS practices embodied in the currently ongoing strategy and the challenges it has to face to adopt the BOS concept.

As it can be understood from the result of the data analysis in the previous chapter, it is evident that the BOS concept is not familiar to the managers and professional employees of CBB as there are no trainings aimed at introducing the concept and only few of the respondents had the curiosity to explore readings on the new concept.

Regarding the prevalence of activities of BOS, the result revealed that the existing practice failed to exhibit the basic assumptions of BOS. Wining the competition is at the very heart of the strategy CBB has been following, which according to the BOS guru (Kim and Maubourgnee) is regarded as the conventional Red Ocean Strategy thinking. This is supported by high rate of unfavorable responses obtained to the core values of BOS concept presented on Table 4.

In order to assess the challenges to adopt the new strategy (BOS), factors responsible for implementation of organizational change and basic concepts of BOS were presented in a statement form on the Likert scaled questionnaire. The response revealed challenges to

have stemmed from inadequate training and experience to conceive a noble idea, poor organizational culture to welcome change, lack of good management skill to bring about change in a short time, de motivated employees, lack of organizational resources, poor project implementation record and culture of motivating staff to initiate new ideas.

## **5.2 CONCLUSIONS**

Business strategies as mentioned in the literature come in different forms at different points in time and it will continue to change in to the future. This is partly because the changes in the external environment, the way business is carried out changes as the society, living style and technology changes. This necessitated the researcher to assess the landscape for adoption of Blue Ocean Strategy at CBB. The questions the research looked for answers for were the extent to which managers and professional employees are awareness of BOS concept, what practices of the BOS are found in CBB and what challenges are facing CBB to adopt the BOS.

According to the analysis, although there are trainings provided on various levels, they are not aimed at introducing or raising awareness on the BOS. Therefore, they largely believe that wining the competition is the only way to secure a better profit which is in contrary to the core concept of the BOS. Hence, it is hardly possible to conclude that the managers and professional employees are well aware of the BOS concept.

It will not be wrong to conclude that CBB is on the conventional Red Ocean strategy chasing the continuously shrinking profit pool with the increasing number of players and cut throat competition. This is mainly due to the strategic choice CBB made to compete on the well established industry standards. This can be substantiated by the fact that major manifestations of the BOS concept included in the literature like value innovation, search of new market space and simultaneous pursuit of value and cost were not observed within



the practices of the currently working strategy as per the analysis of the questionnaire responses.

The research not only identified the low awareness and absence of the BOS concept among the managers and professional employees but also figured out the challenges facing CBB to implement the concept. Factors like lack of experience and training to be able to conceive a noble idea, lack of organizational culture to adopt change as swiftly as possible, lack of leadership skill to bring about change in a short time, shortage of resources (capital & expertise), poor project implementation record and dealing with poorly motivated employees are more likely to challenge the effort to adopt the new concept as a strategy.

### **5.3 RECOMMENDATIONS**

Since the concept of Blue Ocean Strategy is a relatively recent phenomenon, it was hardly possible to find empirical research conducted in Ethiopian context let alone the banking industry. This research only assesses the awareness level, practices and challenges with specific reference to CBB. Ethiopia is rated among countries with least financial inclusive rate. According to IMF Country Report number 13/308, only 8% of the population have access to banking service. This is pure evidence that, the banking industry is lucrative enough if the banks shift their focus towards the Blue Ocean where the large portion of the population is non customer.

The overall result of the research provided that neither the BOS concept is familiar to most of the respondents nor related activities are found within the current strategy of CBB. In addition, several challenges are found to impede its implementation.

Hence, the study put forward the following recommendations in order to pave the way to demand creation and operate in a competition free market space,

- The bank should provide trainings tailored to the needs of different levels of management and professional employees so that they will be introduced to the emerging strategic thoughts like BOS and shape its strategy in light of the 21<sup>st</sup> century business practices endowed with innovative ideas.
  
- Strategies employed at the executive level should get simplified down the organizational structure to ascertain every employee is well aware of what the bank is going after.
  
- Management should improve its skill and motivation to achieve result by optimum resource utilization. Furthermore CBB should create an environment and culture where change is not resisted and employees are encouraged to develop an out of the box thinking which more often than not help to emerge uniquely by focusing away from competing on the existing industry standards to create a new demand than going after shrinking profit pool. So that it will be able to offer high value service with lesser cost to the unbanked society.

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## APPENDEX A



**St Mary's university**  
School of Graduate Studies  
GMBA

Dear respondents,

This questionnaire is developed to collect data for the post graduate thesis being carried out to assessing the landscape for the adoption of Blue Ocean Strategy, at Construction and Business Bank, which hereafter is called the bank. The research is aimed at finding out on which ocean the bank is sailing (Blue Ocean/ the conventional, Red Ocean), test awareness of the management and assess the possible challenges the bank faces to adopt the new strategy, BOS. The Blue Ocean strategy is an out of box thinking that leads companies to enjoy competition free market space. Hence the researcher is highly enthusiastic about testing the landscape if it can be applied to make a breakthrough in the banking industry.

Your patient cooperation in responding to the following questions is highly appreciated

Note that you are not required to write your name and the information you provide will be used only for academic purpose.

### **Part I - Demographic Questions**

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1. Gender      Male      Female
2. How long have you served your organization?  
1-5 years    5-10 years    above 10 years
3. Educational level  
Masters    Degree    Diploma    Other\_\_\_\_\_
4. Which process / branch are you working?

- Branch      CAT      CRM      Credit Analysis & portfolio Mgt  
Trade Service      Internal Audit      Property & Service Mgt  
HR Management & Devp't Financial Management  
Business Devp't      Strategic Mgt & System Devp't  
Property & Services      Information System & Mgt  
Load Rehabilitation & Legal Service
5. In which level of the organization are you working?
- Executive level      Managerial level      Other Professional

## Part II – Awareness on the Blue Ocean Strategy

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Please rate your degree of agreement / disagreement to the following statements by putting a “✓” mark on your preferred choice

1= Strongly Disagree   2= Disagree   3=Neutral   4= Agree   5= Strongly Agree

Statement		Agreement				
		1	2	3	4	5
1	The bank avails trainings to all levels of professionals /management as appropriate					
2	I have participated in a training on the Blue Ocean Strategy provided by the bank					
3	I have acquired knowledge on the Blue Ocean Strategy through other readings					
4	The bank's current strategy is well understood by the employee					
5	The bank laid good strategy to join the increasing competition					
6	Winning the competition is the only way to secure a greater market share					

## Part III – Prevalence of Blue Ocean Strategy

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Statement		Agreement				
		1	2	3	4	5
1	The bank's strategy are designed to win the competition of industry					
2	The bank has a business unit engaged with new product development					
3	The bank has contributed new product to the banking industry					

4	The bank has a product that no other rival in the industry has					
5	The bank has a technology unique to the industry					
6	The bank avails all services rendered by its rivals					
7	The bank avails superior quality service at relatively low cost than its rivals					
8	The bank has banking hours long enough to compete with the industry leaders					
9	The bank has operates with in the same market boundary as its rivals					
10	The bank has a unique market target					
11	The bank looks for non customers instead of getting a bigger share of the market					

## Part IV – challenges to adopt Blue Ocean Strategy

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Statement		Agreement				
		1	2	3	4	5
1	The current organizational structure is suitable enough to accommodate a change in strategy					
2	The idea of emerging uniquely is easily appreciated by the management					
3	The management level staffs of the bank are well experienced and trained to conceive a noble idea					
4	The bank has good organizational culture to welcome change					
5	The bank has a good leadership and management skill to bring about change in a short time period					
6	The bank has the resources (technical, financial, human) required to implement yet another change					
7	The bank has a good project implementation record (with regard to deadlines)					
8	The bank has a good culture of encouraging the management/other staff to initiate new ideas					
9	The bank has abundant potential for development of new Ideas					
10	The bank has motivated employees at all level to implement blue ocean strategy					
11	The bank uses the up to date technology compared to the industry leader to implement change (blue ocean strategy)					

Thank You!

## APPENDEX B

<b>List of Banks</b>	<b>Ownership</b>
Abay Bank	Private
Addis International Bank	Private
Anbessa International Bank	Private
Awash International Bank	Private
Bank of Abysinia	Private
Birhan Bank	Private
Bunna Bank	Private
Commercial Bank of Ethiopia	Government
Construction and Business Bank	Government
Cooperative Bank of Oromia	Private
Dashin Bank	Private
Debub Global Bank	Private
Development Bank Of Ethiopia	Government
Enat Bank	Private
Hibret Bank	Private
Nib International Bank	Private
Oromia International Bank	Private
Wegagen Bank	Private
Zemen Bank	Private



## **DECLARATION**

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Dr. Tlaye Kassahun. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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Name

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Signature & Date

## **ENDORSEMENT**

This thesis has been submitted to St. Mary's University College, School of Graduate Studies for examination with my approval as a university advisor.

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Advisor

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