



Research Article

THE EXTENT OF IMPLEMENTATION OF THE BLUE OCEAN STRATEGY IN JORDANIAN COMMERCIAL BANKS

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ABSTRACT

This study aimed to investigate the blue ocean strategy and the extent of implementing it in Jordanian commercial banks. In order to achieve the objectives of this study, a questionnaire was developed to measure the study's variables.

The study's population consisted of commercial banks operating in Jordan. The study adopted a comprehensive approach due to the small size of the study's population. The researcher has concluded several results, which are represented in the following:

1. There is a high degree of implementation for the blue ocean strategy by Jordanian commercial banks.
2. There is a high degree of implementation for the process of elimination as being one of the dimensions of the blue ocean strategy by Jordanian commercial banks.
3. There is a high degree of implementation for the process of reduction as being one of the dimensions of the blue ocean strategy by Jordanian commercial banks.
4. There is a high degree of implementation for the process of raising as being one of the dimensions of the blue ocean strategy by Jordanian commercial banks.
5. There is a high degree of implementation for the process of innovation as being one of the dimensions of the blue ocean strategy by Jordanian commercial banks.

As for the study's recommendations, they pointed out that Jordanian commercial banks must focus on acquiring entrepreneurial knowledge that is related to the activities of the blue ocean strategy. Furthermore, Jordanian commercial banks should help and encourage the members of their own work team to gain experience in applying the blue ocean strategy. Those members should also select what fits the nature of these banks' works. Furthermore, those members should develop strategic plans to apply the blue ocean strategy positively to achieve a competitive advantage for Jordanian commercial banks.

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INTRODUCTION

During the recent years, strategic and strategic management concepts have been witnessing a considerable development due to the rapid changes and developments occurring in the environment that surrounds these organizations. Such changes and developments have been participating in the growth and development of strategy and strategic management concepts which are considered important in various fields. These changes and developments have also participated in providing in the world with literature in that field. For instance, (Johnson & Scholes, 2002, p.10) defined strategy as being a: "Long-term organization orientation towards achieving its benefits through an arrangement and formation resources in changing environment, and to achieve owners expectations organization and owners."

The concept "strategy" can be defined as "A form of resources distribution so as to help the company to strengthen and improve its performance." (Grant, 2005, p.21).

As for the concept "strategic management", it can be defined as being "A continuous and iterative process aimed to make organization as a whole harmonize with the environment." (Certo & Peter, 1995, p.8).

There are various types of strategies that were developed by many theorists overtime. However, the study aims to addressee and investigate a particular type of strategy which is called "the blue ocean strategy".

The Blue Ocean Strategy Concept

Although the "blue ocean" term is considered a modern concept, but in fact it existed long time ago. The origin of this term goes back to Kim and Mauborgne, who are the authors of a book entitled "Blue Ocean Strategy". This book was published in 2005. The blue ocean strategy is concerned with

the creation of a market space and making competition irrelevant. The "blue ocean" term is considered to be one of the modern terms in the field of business administration. The blue ocean strategy requires searching for new markets which are not known previously by organizations or their competitors. This strategy aims to create a demand, and find new investment opportunities which seek to achieve survival and growth and mutual benefit.

In this manner, organizations will differ in their performance from other and they will be producing things that have not been produced before. In addition, this strategy seeks to make customers adopt common core values to form a new set of values without having any little competition (Yang, 2007: p. 111 – 114).

Kim and Mauborgne (2005) used the blue ocean concept as a metaphor that is related to the company's objectives and strategies, and which seeks to make customers adopt new values and new ways of dealings in the market place. While Changsu *et al.* (2008, p. 22) defined this strategy as being a "Strategic thinking style to create a new market for industry with demand instead of entering competition market with competitors".

The blue ocean strategy aims to create values of creativity and innovation, and it includes a cost reduction strategy. In the same time, it raises the product value for the buyer. The value Innovation principle (which is concerned with achieving differentiation with low costs) is considered the key principles for this strategy. The value innovation can be achieved when the company's tools, prices, and costs are progressing equally. This integrated system can help in applying the blue ocean strategy permanently, because this system integrates all the company's operational and job activities.

#### The Driving Forces behind the Creation of the Blue Ocean Strategy

It is well known that the blue ocean strategy provides a new way of thinking, but it does not have a clear structure for its implementation. This strategy also lays a new challenge. This challenge is represented in having the need to identify and discover new methodological procedures and methodologies which combine several concepts and approaches, with depending on connecting this strategy's tools with the supply chain, and marketing and strategic planning studies (Lawlor, 2006).

There are many driving forces behind the need to create the blue ocean strategy. Such driving forces are represented in the rapid technological progress and developments. These developments have improved industrial productivity and allowed suppliers to produce an unprecedented set of products and services. Hence, industries have been in constant increase, and the supply has exceeded demand. The prevailing trends which are heading towards globalization have been increasing, because trade barriers between countries and regions have been eliminated. These trends have been increasing because products and price information became available immediately on a global level. These trends have been increasing also because specialized monopoly markets disappeared, though the supply remained in constant increase. Furthermore, the global competition has been increasing without having any clear evidence about the increase in

demand all over the world. Statics have indicated that there are declines in many developed markets (Abraham, 2006).

Modern industries revealed that the trademarks of the main products and services are similar to each other. Such similarity resulted in having people choices based on the increased prices and dealing with products and services as commodities and having an increased competition that is based on price. The declination in the profit margins has created a problem which doesn't make people head towards crowded industries. Therefore, differentiation between brands became difficult in the light of the economic booms and recessions (Kim and Mauborgne, 2005).

Ehsan (2013) conducted a study that aimed to introduce the concept of the "blue ocean strategy". It also aimed at investigating its role in achieving a strategic organizational change. The concept of the blue ocean strategy and its scope of work and service organizations were compared with the Red Ocean and Blue Ocean strategies. Since red oceans are the known areas today as the symbols that include all services, industries and organizations in competition areas, while Blue Ocean is considered as unknown space symbol in business. Rawabdeh *et al.* (2012) conducted a study that investigated the company's ability in determining number of new products that could develop new markets for their own blue ocean markets. Furthermore, Emiel *et al.* (2011) conducted a study. They concluded that the framework of the blue ocean strategy can help in identifying unutilized market spaces, which are characterized by a combination of fresh fruit features. Studies have indicated that the blue ocean strategy participates in determining the perceived values and developing new market segments. They concluded that the strategy participates in branding and re-branding commodities and products, and creating hotel atmosphere. It also participates in modifying distribution channels, and establishing strategic alliances (Jen-te, 2010).

#### **Statement of the Problem**

The need for Jordanian banking market opening up to global markets is an inevitable need. Such need shall make Jordanian banks face large institutions, with the need for having more experience. The study requires implementing different strategies to achieve its objectives, including the implementation of the blue ocean strategy. Since the Jordanian banking sector possess a great importance in the national economy, this study shall seek to identify the extent of implementation the blue ocean strategy in the commercial banks operating in Jordan.

#### **Questions of the Study**

The study's objectives shall be achieved through providing an answer for the following questions:

1. To what extent did Jordanian commercial banks implement the blue ocean strategy?
2. To what extent did Jordanian commercial banks implement the process of elimination as one of the dimensions of the blue ocean strategy?
3. To what extent did Jordanian commercial banks implement the process of reduction as one of the dimensions of the blue ocean strategy?
4. To what extent did Jordanian commercial banks implement the process of raising as one of the dimensions of the blue ocean strategy?

- To what extent did Jordanian commercial banks implement the process of innovation as one of the dimensions of the blue ocean strategy?

**The Study's Hypotheses**

The main hypothesis of this study is the following:

H0. There is no implementation for the blue ocean strategy in the Jordanian commercial banks

The following sub-hypotheses are derived from the main hypothesis:-

- Ho-1 – There is no implementation for the process of elimination as one of the dimensions of the blue ocean strategy in Jordanian commercial banks
- Ho-2 - There is no implementation for the process of reduction as one of the dimensions of the blue ocean strategy in Jordanian commercial banks
- Ho-3 - There is no implementation for the process of raising as one of the dimensions of the blue ocean strategy in Jordanian commercial banks
- Ho-4 - There is no implementation for the process of innovation as one of the dimensions of the blue ocean strategy in Jordanian commercial banks

**The Study's Population**

The study's population consists of all the commercial banks operating in Jordan. According to the records of the Central Bank of Jordan, the study's population consist of (16) Jordanian banks.

**The Study's Sample**

The researcher distributed sixteen (16) questionnaire forms to the Jordanian commercial banks he selected. However, fourteen (14) of them were valid for analysis. Thus, the response rate was (87.5%).

**METHODS OF DATA COLLECTION**

The data collection methods which were used in this study are represented in two types. These types are:

- Primary sources: A field survey has been adopted in this study. This survey is represented in the questionnaire which has been developed to achieve the objectives of this study.
- Secondary sources: These sources are represented in referring to theories and previous studies, which are related to the blue ocean strategy. Such theories and studies were available in periodicals, journals and specialized publications.

**Methods of Statistical Processing**

The current study used number of statistical methods to analyze the obtained data. They were also used to test the study's hypotheses. For instance, the researcher used frequencies, means, standard deviations, Cronbach's Alpha and one sample t test.

**Reliability Test**

Cronbach's Alpha test was used in this study to measure the instrument reliability. The value of ( $\alpha$ ) for the questionnaire as a whole was  $\alpha = 0.746$  which represents an excellent ratio, because it the acceptable ratio should be more than (0.60). (Malhotra, 2004)

**Data Analysis and Hypotheses Testing:**

First: Characteristics of the Study's Sample:

Frequencies and percentages were calculated to describe the characteristics of the study's sample. According to table (6), (79.8%) of the participants are males and (20.2%) are females. Furthermore, (69.7) % of the respondents hold a bachelor degree and the rest hold master's and PhD degrees. Most of the respondents (67.2%) are young and under 40 years. In addition, 47.1% of the respondents possess an experience that is less than 10 years and the rest of the respondents possess an experience that is more than 10 years.

**Table 6** The Respondents' Characteristics and Demographic Information

Characteristics	Frequency (n)	Percentage (%)
<b>Gender</b>		
Male	95	79.8
Female	24	20.2
<b>Total</b>	<b>119</b>	<b>100.0</b>
<b>Age</b>		
<30	26	21.8
30-39	54	45.4
40-49	33	27.7
≥50	6	5.0
<b>Total</b>	<b>119</b>	<b>100.0</b>
<b>Educational Level</b>		
Bachelor degree	83	69.7
Master degree	24	20.2
PhD	12	10.1
<b>Total</b>	<b>119</b>	<b>100.0</b>
<b>Years of Experience</b>		
<5	20	16.8
5-9	36	30.3
10-14	30	25.2
≥15	33	27.7
<b>Total</b>	<b>119</b>	<b>100.0</b>

**Descriptive Analysis**

This section represents an analysis for the paragraphs of the study's questionnaire and in accordance with the areas of interest which the questionnaire was divided to.

**Process of Elimination**

**Table 7**

No.	Statement	Mean	Std. Deviation
1	The bank's management has complete records for its resources and its necessary and unnecessary business	4.71	.510
2	The bank's management eliminates unnecessary materials and procedures without affecting the banking service quality negatively	4.08	.993
3	The bank's management reduces the marketing costs to the minimum limit through dispensing inefficient marketing cadres	3.66	1.093
4	The bank's management builds its competitive advantage by eliminating everything that is not necessary for providing banking service process with quality.	3.90	.924
5	The bank's management eliminates everything that does not serve its banking activities	3.74	1.116

Table (7) indicates that the respondents expressed positive attitudes towards the above statements because their means are above the mean of scale (3).

Process of Reduction

Table 8

No.	Statement	Mean	Std. Deviation
6	The bank's management stopped implementing all the ideas that have no feasibility	3.86	1.091
7	The bank's management gets rid of poor quality services in order to attract customers and gain their trust	4.03	1.116
8	The bank's management reduces waste and loss in the requirements of the service production and in the allocated time to complete	4.47	.711
9	The bank's management reduces unnecessary procedures	4.15	.766

Table (8) shows that the respondents expressed positive attitudes towards the above statements because their means are above the mean of scale (3).

Process of Raising

Table 9

No.	Statement	Mean	Std. Deviation
10	The bank's management provides customer with high-quality services in order to increase its dealing volume	4.65	.619
11	High quality service increases customers' trust in the bank's management	4.68	.724
12	The bank's management attracts competent cadres to raise the performance efficiency of the bank's services and improve it	4.52	.675
13	This bank's management is different from the its competitors' managements by adding some procedures and with the high efficiency of its methods	4.60	.587
14	The bank's management expands and develops its performance objectives from time to time	4.42	.808

Table (9) shows that the respondents expressed positive attitudes towards the above statements because their means are above the mean of scale (3).

Process of Innovation

Table 10

No.	Statement	Mean	Std. Deviation
15	The bank's management adopts and provides new service policies that are in line with the community's needs and desires	4.45	.744
16	The bank's management adopts and provides new ideas for the policy it is adopting	4.47	.635
17	The bank's management is using the latest technological techniques to provide services to its clients	4.30	.754
18	The bank's management is using modern means to provide services to its clients	4.61	.491
19	The bank's management seeks to provide everything that is new for its clients to increase their trust in it	4.55	.593
20	The bank's management relies on the use of advanced technological information to achieve a competitive advantage	4.62	.664

Table (10) shows that the respondents expressed positive attitudes towards the above statements because their means are above the mean of scale (3).

Hypotheses Testing

The main hypothesis of this study is the following

**H0. There is no implementation for the blue ocean strategy in the Jordanian commercial banks**

As it is shown in table 3.1 and table 3.2, One Sample T- test was conducted in this study to test the above hypothesis. It is found that  $t=43.173$  and it is considered significant at the significance level of (0.05). Thus, it can be concluded that Jordanian commercial banks is implementing the blue ocean strategy.

Table 3.1, Descriptive Statistics for H Dimension

	N	Mean	Std. Deviation	Std. Error Mean
H	119	4.3218	.33399	.03062

Table 3.2, One-Sample Test

Test Value = 3					
t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
				Lower	Upper
H	43.173	118	3.8 E-74	1.32185	1.2612 1.3825

As for the following sub-hypotheses, they are derived from the study's main hypothesis:

**Ho-1** – There is no implementation for the process of elimination as one of the dimensions of the blue ocean strategy in Jordanian commercial banks

As it is shown in table 4.1 and table 4.2, One Sample T- test was conducted in this study to test the above hypothesis. It is found that  $t=20.578$  and it is considered significant at the significance level of (0.05). Thus, it can be concluded that Jordanian commercial banks is implementing the process of elimination as one of the dimensions of the blue ocean strategy

Table 4.1 Descriptive Statistics for H1 Dimension

	N	Mean	Std. Deviation	Std. Error Mean
H1	119	4.0151	.53814	.04933

Table 4.2, One-Sample Test

Test Value = 3					
t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
				Lower	Upper
H1	20.578	118	7.5E-41	1.01513	.9174 1.1128

**Ho-2** - There is no implementation for the process of reduction as one of the dimensions of the blue ocean strategy in Jordanian commercial banks

As it is shown in table 5.1 and table 5.2, One Sample T- test was conducted in this study to test the above hypothesis. It is found that  $t=20.971$  and it is considered significant at the significance level of (0.05). Thus, it can be concluded that Jordanian commercial banks is implementing the process of reduction as one of the dimensions of the blue ocean strategy.

**Table 5.1** Descriptive Statistics for H2 Dimension

	N	Mean	Std. Deviation	Std. Error Mean
H2	119	4.1261	.58574	.05369

**Table 5.2** One-Sample Test

Test Value = 3						
T	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference		
				Lower	Upper	
H2	20.971	118	1.3E-41	1.12605	1.0197	1.2324

**Ho-3** - There is no implementation for the process of raising as one of the dimensions of the blue ocean strategy in Jordanian commercial banks

As it is shown in table 6.1 and table 6.2, One Sample T- test was conducted in this study test the above hypothesis. It is found that  $t=40.340$  and it is considered significant at the significance level of (0.05). Thus, it can be concluded that Jordanian commercial banks is implementing the process of raising as one of the dimensions of the blue ocean strategy.

**Table 6.1** Descriptive Statistics for H3 Dimension

	N	Mean	Std. Deviation	Std. Error Mean
H3	119	4.5731	.42540	.03900

**Table 6.2,** One-Sample Test

Test Value = 3						
T	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference		
				Lower	Upper	
H3	40.340	118	7.1E-71	1.57311	1.4959	1.6503

**Ho-4** - - There is no implementation for the process of innovation as one of the dimensions of the blue ocean strategy in Jordanian commercial banks

As it is shown in table 7.1 and table 7.2, One Sample T- test was conducted in this study to test the above hypothesis. It is found that  $t=40.770$  and it is considered significant at the significance level of (0.05). Thus, it can be concluded that Jordanian commercial banks is implementing the process of innovation as one of the dimensions of the blue ocean strategy.

**Table 7.1,** Descriptive Statistics for H4 Dimension

	N	Mean	Std. Deviation	Std. Error Mean
H4	119	4.4986	.40097	.03676

**Table7.2,** One-Sample Test

Test Value = 3						
T	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference		
				Lower	Upper	
H4	40.770	118	2.2E-71	1.49860	1.4258	1.5714

### The Study's Results

- 1) There is a high degree of implementation for the blue ocean strategy by Jordanian commercial banks.
- 2) There is a high degree of implementation for the process of elimination as being one of the

dimensions of the blue ocean strategy by Jordanian commercial banks.

- 3) There is a high degree of implementation for the process of reduction as being one of the dimensions of the blue ocean strategy by Jordanian commercial banks.
- 4) There is a high degree of implementation for the process of raising as being one of the dimensions of the blue ocean strategy by Jordanian commercial banks.
- 5) There is a high degree of implementation for the process of innovation as being one of the dimensions of the blue ocean strategy by Jordanian commercial banks.

### Recommendations

- 1) Jordanian commercial banks should focus on helping the members of their work teams in gaining entrepreneurial knowledge that is related to the activities of the blue ocean strategy. That should be done to apply such knowledge for setting the best marketing strategies for them.
- 2) Jordanian commercial banks should encourage and assist the member of their work teams in gaining experience in the field of applying the blue ocean strategy in a way that fits the nature of their works
- 3) The researchers recommend developing a strategic plan which shows the positive impacts of applying the blue ocean strategy on achieving a competitive advantage inside Jordanian commercial banks.
- 4) The researchers recommend benefiting from the blue ocean strategy, avoiding negative competition and looking forward to serious strategic change supported by the boards of directors
- 5) The researchers recommend developing certain strategies which support the process of innovation in order to survive in the banking market and competition

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