Compete or Leapfrog: Creating Blue Ocean through Entrepreneurial Orientation

Arslan Ayub[1], Muhammad Salman Aslam[2], Hanan Iftekhar[3], Adeel Razzaq[4], Sabiha Hafeez[5]

Abstract: The study analyzes the role of entrepreneurial orientation with mediating effect of knowledge creation process to creating Blue Ocean in corporate sector in Pakistan There is an increasing competition among companies due to globalization and technological advancements. Thus, it requires a study to measure the multifaceted influence of entrepreneurial orientation on knowledge creation process and Blue Ocean besides the actual paradigm of this terminology. This concept has been well discussed in this research arena since its inception in 2005. Numerous such initiatives have already been taken, however this concept invites a lot more addition, related companies are still in pursuit to materialize the research concepts. We highlight the contingencies in the shift from a red ocean to Blue Ocean. The study uses exploratory approach; primary data is collected from 391 professionals working in different sectors of Pakistan. The study uses structural equation model (SEM) technique to test the hypotheses. The study found a positive relationship between entrepreneurial orientation and Blue Ocean, entrepreneurial orientation, knowledge creation process, and Blue Ocean. The study throws light on the importance of entrepreneurial orientation and knowledge creation process to head on this fast-paced competition.

Keywords: Entrepreneurial Orientation; Knowledge Creation Process; Innovation; Organizational Performance; Blue Ocean Strategy; Blue Ocean

JEL Classification: L26

[1] MS Scholar, Iqra University Islamabad, Pakistan, Address: 5, Khayaban-e-Johar, H-9 Islamabad, Pakistan, Tel.: +92-51-111-264-264, Corresponding author: ayub_arslan@ymail.com.
[2] MS Scholar, Iqra University Islamabad, Pakistan, Address: 5, Khayaban-e-Johar, H-9 Islamabad, Pakistan, Tel.: +92-51-111-264-264, e-mail: msalman71f@yahoo.com.
[3] MS Scholar, Iqra University Islamabad, Pakistan, Address: 5, Khayaban-e-Johar, H-9 Islamabad, Pakistan, Tel.: +92-51-111-264-264, e-mail: hanan.ifekhar@gmail.com.
[4] MS Scholar, Iqra University Islamabad, Pakistan, Address: 5, Khayaban-e-Johar, H-9 Islamabad, Pakistan, Tel.: +92-51-111-264-264, e-mail: m.adeel67@yahoo.com.
[5] [5]National College of Business Administration & Economics, Bahawalpur, Pakistan, Address: 40-E1, Gulberg III, Lahore 54660, Pakistan, Tel.: +92 (42) 3575-2716, 19, e-mail: sabihapk1@hotmail.com.

1. Introduction

The nudge for businesses to not only offsetting the competition but also staying one-step ahead of competitors comes from the conception of expedited competition and technological advancements in the 21st century. In this era of globalization and the more fierce "global recession" businesses have to face ferocious competition, poorer profitability, and lesser market potential in their specific industries (Ayub et al. 2013). Businesses now days are not confined to their native boundaries instead are operating overseas, consequently resulting in increased product lines/ offerings, hence a variety of alternatives available for their customers.

Service provision in addition with a quality product is central to their core operations. Some businesses are competing against each other in providing quality products while others in providing value added services to their target customers. Businesses especially in under developed countries are not more than a services encounter. The focal is just only competing over the competitors somehow. No doubt, both the products and the services are the core and supplement aspects of businesses. However, in lieu of competitive eccentricity, businesses have to broaden their visionary approach in any of their hard-core contexts *i.e.* administration, products, services, operations, intelligence, technology, innovation etc.

Henceforth, businesses not only necessitate a sustainable growth but also a quantum leap into a new market space. A metaphor in the business parlance is Blue Ocean; defined by Kim and Mauborgne (2004) as "an uncontested market space for an unknown industry or innovation." Businesses therefore are required to look beyond the competition into the Blue Ocean just like Bill Gates "the Founder of Microsoft", one of the greatest business Tycoons of this era. This can be done by using a collaborative approach of need analysis (analyzing the needs and wants of customers) and need creation (creating a need for customers, which they even can't expect). Thus, at the heart of this replica is the untapped market *i.e.* blue ocean.

Majority of research work by Kim and Mauborgne (2004) has been discussed, presented, and implemented on blue ocean strategy *i.e.* achieving Blue Ocean through yellow tail strategy, four action framework, and strategy canvas etc (Sheehan & Vaidyanathan, 2009; Abraham, 2006). However, this study introduces a new model, which combines entrepreneurial orientation and knowledge creation process with Blue Ocean. Much research has been conducted on entrepreneurial orientation and organizational performance (Lumpking & Dess, 2001; Wiklund &Shepherd, 2003; Zahra & Coving, 1995). Barringer and Bluedorn, 1999; Wiklund and shepherd, 2003; Zahra and Garvis, (2000) further validate the construct that entrepreneurial orientation can be an important measure of how businesses exploit and discover market opportunities.

In addition, services and new products development involves intensive and extensive knowledge activities (Li et al., 2008). Studies have also suggested a positive impact of knowledge management on innovation performance. Madhoushi et al. (2011) have confirmed the mediating role of knowledge creation process between entrepreneurial orientation and innovation process. Thus, the current study tries to construct a link between entrepreneurial orientation, knowledge creation process, and Blue Ocean. To leap into Blue Ocean, businesses have intensified their search for strategic orientation *i.e.* entrepreneurial orientation that will give them a sustainable competitive advantage.

Thus, this study addresses the construct by analyzing the role of entrepreneurial orientation with mediating effect of knowledge creation process on Blue Ocean. The following research questions are central to this study:

1. How the contingency in the shift from red ocean to blue ocean be taken place?
2. What is the influence of entrepreneurial orientation on knowledge creation process?
3. What is the role of entrepreneurial orientation on knowledge creation process and Blue Ocean?

The next sections discuss theoretical background, hypotheses development, theoretical model, research methods, results and discussions, and finally study concludes with important findings and managerial implications.

2. Theoretical Background and Development of Hypotheses

We can't solve problems by using the same kind of thinking we used when we created them. The inception point of Blue Ocean can be traced in 2005 when Kim and Mauborgne based on a study of 150 strategic moves introduced Blue Ocean Strategy. The motive behind Blue Ocean was the shifting paradigm of markets across overseas, resulting in expedited competition among businesses. In today's congested industries, competition head on results nothing but a "red ocean" of foes competing with each other for a shriveling pool of profits. Thus, there arises an intense need for businesses to give a nudge to their strategic moves from red oceans to Blue Oceans where they solely can be the monopolists.

Wim and Mauborgne (2005) argued that there are neither eternally excellent industries nor eternally excellent companies; they only rise and fall based on their strategic moves. Extending this idea it is suggested that strategic moves consist of various actions and decisions taken by management in making a major market creating business offerings (Abraham, 2006; Sheehan & Vaidyanathan, 2009) and value innovation. Leavy (2005) stated that value and innovation for Blue Ocean

strategy are inseparable *i.e.* value innovation puts equal emphasis on innovation and value.

Accordingly, the study focuses on five dimensions of Blue Ocean given by Win and Mauborgne (2005).

1. Industry assumption (business' perception about conditions of any particular industry can be shaped);
2. Strategic focus (strategic leap into an uncontested pool of buyers to dominate the market);
3. Customers (opting for the mass buyers in terms of embracing key commonalities of customers values);
4. Assets and capabilities (a sky-scraping visionary approach of thinking free from existing assets and capabilities of businesses to carry out something new-fangled);
5. Product/services (offering solutions to buyers' major bottlenecks).

2.1. Entrepreneurial Orientation and Blue Ocean

Recently, managers are fervent in their organizations to practice entrepreneurial activities due to a variety of critical problems they come upon *i.e.* rapid growth of new rivals in market place, ongoing escalating weaknesses in conventional methods of management, needs of vivid and spectacular changes and innovations, and increased global competition (Kuratko & Welsch, 1994; Kuratko & Hodgetts, 2001). Lumpkin and Dess (2001) referred entrepreneurial orientation as the processes and activities of businesses that employ entrepreneurial behaviors and actions. Much research has been conducted on entrepreneurial orientation because of the fact that it has been recognized by managers and practitioners as a strategic move for sustainable growth and success for businesses. Many other studies including Coving and Miles (1999); Wiklund and Shepherd (2005) stated businesses that have high entrepreneurial orientation render high willingness to innovate, to opt for new mass of buyers, to take risks, and to be highly proactive towards opportunities in the marketplace.

The study focuses on the five dimensions of entrepreneurial orientation *i.e.* innovativeness, risk-taking, proactiveness, competitive aggressiveness, and autonomy for achieving Blue Ocean in this fast-paced business environment. Knight (1997) defined innovativeness as creativity and uniqueness in offerings in order to encounter threats that businesses face. In lieu of uniqueness and creativity, Lumpkin and Dess (2001) argued EO to be the willingness in support of creativity and experimentation for introducing new products and services, for achieving technological leadership and R&D in the development of new processes.

Furthermore, Madhoushi et al. (2011) emphasized on the significance of entrepreneurial innovativeness in developing new capabilities to achieve higher performance.

Entrepreneurial firms or entrepreneurs are high-risk takers; hence develop different products and services targeted to new market segments/ niches (Miller, 1983; Morris & Kuratko, 2002). Lumpkin and Dess (1996) referred proactiveness as the dimension of entrepreneurial orientation to be the business' agility in anticipation of dramatic changes and future needs and problems. Moreover, competitive aggressiveness is the tendency of a business to outperform rivals in the marketplace by intensely and directly challenging its competitors (Certo et al., 2009). In addition, Certo et al. (2009) stated entrepreneurial autonomy as the independent inclination of a team or individual in bringing forth a vision and seeing it through completion.

2.2. Entrepreneurial Orientation, Knowledge Creation Process, and Blue Ocean

The concept of creating Blue Ocean is viewed and practiced with different variables including four action framework, strategy canvas etc. This study introduces a new model, which combines entrepreneurial orientation, knowledge creation process, and Blue Ocean. This is a unique study in the context that it introduces a new strategic approach through entrepreneurial orientation, the theoretical model of the study is presented in Figure 1. Researches proved that entrepreneurial orientation is critical for new ventures to facilitate the exploitation of new and existing knowledge in order to discover numerous market opportunities (Wiklund & Shepherd, 2005). Wiklund and Shepherd (2005) proposed that knowledge creation process *i.e.* socialization, externalization, combination, and internationalization describes twisting interactions between precise and inferred knowledge. Zhang et al. (2004) stated that socialization processes such as brainstorming sessions, direct interactions help employees to share and exchange valuable knowledge, consequently results in value innovation.

In the course of externalization, employees can articulate implicit knowledge into considerable concepts and notions by enhancing understating in new products developments or idea generations (Nonaka & Konno, 1998; Nonaka & Toyama, 2005). Furthermore, Li et al. (2008) emphasized on the significance of combination and internalization process in making innovative ideas more exploitable and promoting the actualization of innovation and development within the organization. Additionally, Li et al. (2008) stated that new products and services development involves extensive and intensive knowledge activities. Thus, the current study investigates the nexus between entrepreneurial orientation, knowledge creation

process, and Blue Ocean in one theoretical model. The hypotheses in Table 1 can be developed based on previous theoretical discussion.

Table 1. Development of Hypotheses

Hypotheses	Statements
H1	Knowledge creation process is positively influenced by entrepreneurial orientation
H2	Entrepreneurial orientation positively correlates with Blue Ocean
H3	Knowledge creation process positively correlates with Blue Ocean

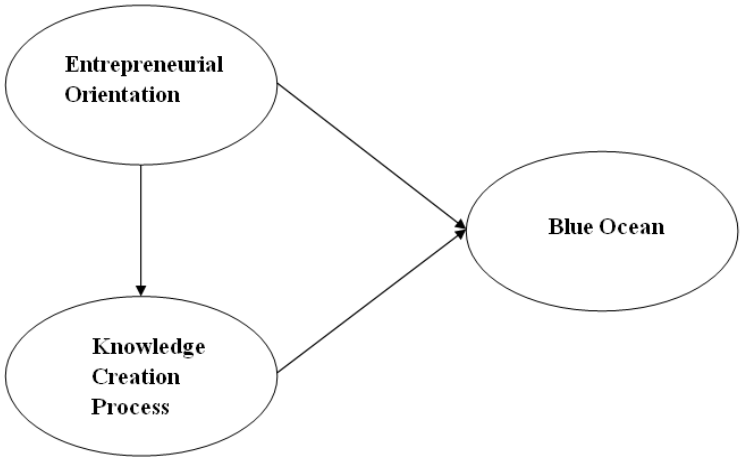

Figure 1. Entrepreneurial Orientation, Knowledge Creation Process, and Blue Ocean

3. Research Methodoly

3.1. Sample and Sampling

The study is conducted to analyze the influence of entrepreneurial orientation on knowledge creation process for achieving Blue Ocean. This is an exploratory research based on primary data. The primary data is collected from professionals working in different corporate sectors of Pakistan. The sampling population is the employees working in different organizations. A sample of 500 employees and survey questionnaire distribution process was personally administered by the research team. A total of 391 usable survey questionnaires were returned leaving a response rate of 78%. The authors used convenience-sampling technique to select respondents. The sample included respondents from genders, diverse backgrounds, and different industries so that results can be generalized. In two phases, the survey

was conducted, in first phase the self-explanatory questionnaires were distributed among respondents. In second phase, the questionnaires were collected from respondents after a reasonable time. Moreover, a reminder was also given to respondents to ensure maximum response.

3.2. Measurement and Instrument

3.2.1 Dependent Variable

There are two dependent variables in the study, firstly knowledge creation process because this study analyses the dynamic effects of entrepreneurial orientation on knowledge creation process. Secondly, Blue Ocean is also dependent variable in this study because this study analyses the role of entrepreneurial orientation with mediating effects of knowledge creation process in achieving Blue Ocean. The instrument to measure knowledge creation process has been adopted from Li et al. (2008). The instrument contains 16 items addressing different dimensions on knowledge creation process and is measured on 5-point Likert scale (1 for Strongly Agree and 5 for Strongly Disagree). The second dependent variable in this study is Blue Ocean, which has been measure on 5-point Likert scale (1 for Strongly Agree and 5 for Strongly Disagree). The instrument contains 8 items; the scale is manipulated based on the dimension given by Wim and Mauborgne (2005).

3.2.2 Independent Variable

The study analyses the role of entrepreneurial orientation with mediating effects of knowledge creation process on Blue Ocean, therefore the independent variable in this study is entrepreneurial orientation. The instrument to measure entrepreneurial orientation has been adopted from Li et al. (2008). The instrument contains 13 items addressing different dimensions on entrepreneurial orientation and is measured on 5-point Likert scale (1for Strongly Agree and 5 for Strong Disagree).

3.3. Data Analysis

The data collected was initially fed into SPSS software and transformation of variables was done to make it usable for AMOS. Structural equation model (SEM) technique was used to analyses data and test hypotheses. The structural equation model is an important technique for identification of variables and development of theoretical model (Rehman et al. 2010).

4. Results and Discussions

The study is undertaken to analyze the role of entrepreneurial orientation with mediating effects of knowledge creation process in creating Blue Ocean in

corporate sector in Pakistan. The correlations analysis is produced in Table 2. Table 2 shows positive correlation between entrepreneurial orientation, knowledge creation process, and Blue Ocean. The analysis of data is given in Table 3 and structural equation model (SEM) is presented in Figure 2. Table 3 shows very encouraging results. The value of P should be less than 0.05 in order to accept any hypothesis. All three value of P in Table 3 are well below than 0.05, therefore we accept our hypotheses H1, H2, and H3. H1 refers towards the positive relationship between entrepreneurial orientation and knowledge creation process, which is confirmed by this analysis. H2 refers towards the positive relationship between entrepreneurial orientation and Blue Ocean, which is confirmed by this analysis. Finally, H3 describes positive relationship between knowledge creation process and Blue Ocean, which is also confirmed by Table 3. Figure 2 describes the positive nature of relationship among all three variables in structural equation model form. The results of reliability analysis are also very sound with 0.955 value of Cronbach's Alpha of all 3 vaiables that were used in the scale. The results of this study are quite encouraging and well supported by previous studies for instance; Coving and Miles (1999); Lumpkin and Dess (2001); Wiklund and Shepherd (2005); Li et al. (2008) stated that entrepreneurial orientation influences knowledge creation process and results in privileged creativity and innovation.

Table 2. Correlations

		EO	KCP	BO
EO	Pearson correlation	1	-	-
	Sig. (2-tailed)		-	-
	N	391	-	-
KCP	Pearson correlation	.894(**)	1	-
	Sig. (2-tailed)	.000		-
	N	391	391	-
BO	Pearson correlation	.910(**)	.932(**)	1
	Sig. (2-tailed)	.000	.000	
	N	391	391	391

**Correlation is significant at the 0.01 level (2-tailed).

Table 3. Regression Weights

	Hypotheses	Estimate	S. E.	C. R.	P	Decision
H1	KCP < --- EO	0.794	.020	39.426	.000	Accept
H2	BO < --- EO	0.260	.024	10.663	.000	Accept
H3	BO < --- KCP	0.447	.027	16.289	.000	Accept

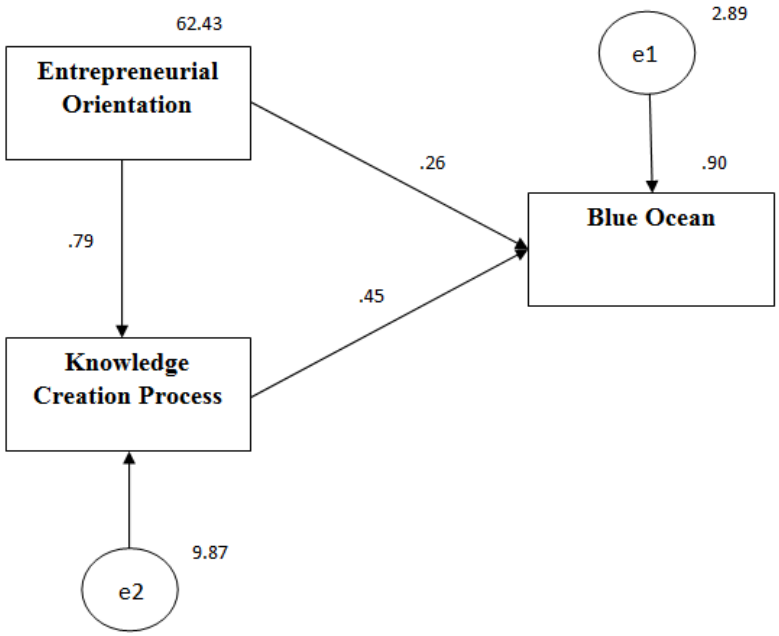

Figure 2. Structural Equation Model

5. Conclusion

This study is conducted to analyze the role of entrepreneurial orientation in creating Blue Ocean through knowledge creation process. It is the important study in the context that it provides additional and significant insights to management about the importance of entrepreneurial orientation in creating Blue Ocean besides the actual paradigm of this terminology. The study found highly significant positive relationship between entrepreneurial orientation and Blue Ocean, entrepreneurial orientation, knowledge creation process and Blue Ocean. Thus, these findings are very meaningful for managers and entrepreneurs, and for

researchers. The study demonstrates that businesses not only can cope up with fast-paced competition but also can stay ahead of their rivals by leaving competition far behind through entrepreneurial orientation. Moreover, it also provides useful references for future researchers on this subject matter.

6. References

Abraham, S. (2006). Blue Oceans, Temporary Monopolies, and Lessons from Practice. *Strategy & Leadership, Vol. 34, No. 5*, pp. 52-57.

Ali, I., Rehman, K. U., Ali, S. I., Yousaf, J., & Zia, M. (2010). Corporate Social Responsibility Influences, Employee Commitment and Organizational Performance. *African Journal of Business Management, Vol. 4, No. 12*, pp. 2796-2801.

Ayub, A., Aslam, M. S., Razzaq, A., & Iftekhar, H. (2013). Impact of Gender based Selling on Consumer Buying Behavior: Cultural Analysis of Consumer Markets in Pakistan. *International Journal of Contemporary Research, Vol. 4, No. 11*.

Barringer, B. R. & Bluedorn, A. C. (1999). The Relationship between Corporate Entrepreneurship and Strategic Management. *Strategic Management Journal, Vol. 20, No. 5*, pp. 421-444.

Certo, T. S., Moss, T. W., & Short, J. (2009). Entrepreneurial Orientation: an Applied Perspective. *Business Horizon, Vol. 52*, pp. 319-324.

Covin, J. G. & Mile, M. P. (1999). Corporate Entrepreneurship and Pursuit of Competitive Advantage. *Entrepreneurship Theory & Practice, Vol. 23, No. 3*, pp. 47-64.

Kim, W. C. & Mauborgne, R. (2004). Blue Ocean Strategy. *Harvard Business Review, October*, pp. 76-84.

Kim, W. C. & Mauborgne, R. (2005). Value Innovation: a Leap into the Blue Ocean. *Journal of Buiness Strategy, Vol. 26, No. 4*, pp. 22-28.

Knight, G. A. (1997). Cross-Cultural Reliability and Validity of a Scale to measure Firm Entrepreneurial Orientation. *Journal of Business Venture, Vol. 12, No. 3*, pp. 13-25.

Kuratko, D. F. & Hodgetts, R. M. (2001). *Entrepreneurship: A Contemporary Approach.* Mason, OH: South-Western Thomson Learning.

Kuratko, D. F. & Welsch, H. P. (1994). *Entrepreneurial Strategy Text and Cases.* Fort Worth, TX: Dryden Press.

Leavy, B. (2005). Value Pioneering – How to Discover Your Own "Blue Ocean": Interview with W. Chan Kim and Renee Mauborgne. *Strategy & Leadepship, Vol. 33, No. 6*, pp. 13-20.

Li, Y. H., Huang, J. W., & Tsai, M. T. (2008). Entrepreneurial Orientation and Firm Performance: The Role of Knowledge Creation Process. *Industrial Marketing Management.*

Lumpkin, G. T. & Dess, G. G. (1996). Clarifying the Entrepreneurial Orientation Construct and Linking It to Performance. *Academy of Management Review, Vol. 21, No. 1*, pp. 135-172.

Lumpkin, G. T. & Dess, G. G. (2001). Linking Two Dimensions of Entrepreneurial Orientation to Firm Performance: The Moderating Role of Environment and Industry Life Cycle. *Journal of Business Venturing, Vol. 16, No. 5*, pp. 429-451.

Madhoushi, M., Sadati, A., Delavari, H., Mehdivand, M., & Mihandost, R. (2011). Entrepreneurial Orientation and Innovation Performance: The Mediating Role of Knowledge Management. *Asian Journal of Business Management, Vol. 3, No. 4*, pp. 310-316.

Miller, D. (1983). The Correlates of Entrepreneurship in Three Types of Firms. *Management Science, Vol. 29, No. 7*, pp. 770-791.

Morris, M. H. & Kuratko, D. F. (2002). *Corporate Entrepreneurship: Entrepreneurial Development within Organizations.* Orlando, FL: Harcourt College Publishers.

Nonaka, I. & Konno, N. (1998). The Concept of „Ba": Building a foundation for Knowledge Creation. *California Management Review, Vol. 40, No. 3*, pp. 40-54.

Nonaka, I. & Toyama, R. (2005). The Theory of Knowledge Creation Firm: Subjectivity, Objectivity, and Synthesis. *Industrial & Corporate Change, Vol. 14, No. 3*, pp. 419-436.

Sheehan, N. T. & Vaidyanathan, G. (2009). Using a Creation Compass to discover „Blue Ocean". *Strategy & Leadership, Vol. 37, No. 2*, pp. 13-20.

Wiklund, J. & Shepherd, D. (2005). Entrepreneurial Orientation and Small Business Performance: A Configurational Approach. *Journal of Business Venturing, Vol. 20, No. 1*, pp. 71-91.

Zahra, S. A. & Covin, J. G. (1995). Contextual Influences on the Corporate Entrepreneurship – Performance Relationship: A Longitudinal Analysis. *Journal of Business Venturing, Vol. 10, No. 1*, pp. 43-58.

Zahra, S. A. & Garvis, D. M. (2000). Entrepreneurship and Firm Performance: The Moderating Effect of International Environmental Hostility. *Journal of Business Venturing, Vol. 15, No. 5*, pp. 469-492.

Zhang, Q., Lim, J., & Cao, M. (2004). Innovation-driven Learning in New Product Development: A Conceptual Model. *Industrial Management & Data Systems, Vol. 104, No. 3*, pp. 252-261.