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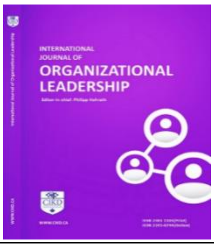

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The Effect of Blue Ocean Strategies on Organizational Performance in Some Selected Commercial Banks in Mogadishu, Somalia

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Abstract

This research explores the impact of Blue Ocean Strategies (BOS) on organizational performance within selected commercial banks in Mogadishu, Somalia. Utilizing a descriptive research approach, the study examines how critical components of BOS—such as Breaking the Value-Cost Trade-Off (BCT), Creating and Capturing New Demand (CCND), and Pioneering Uncompetitive Markets (PUM)—influence organizational performance. Data were gathered from 308 participants across five significant banks and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The results reveal that BCT, CCND, and PUM significantly enhance organizational performance, while Differentiation and Low Cost (DLC) and Making the Competition Irrelevant (MCI) show no significant impact. The findings underscore the strategic importance of BOS in improving banks' competitive positioning and overall performance in a developing economy context. The study contributes to the growing body of knowledge on BOS by providing empirical evidence from Somalia. It suggests avenues for future research on the role of BOS in different sectors and environments.

Blue Ocean Strategy (BOS) is an innovative strategic framework introduced by Kim and Mauborgne (2005) that encourages organizations to create uncontested market spaces, termed "blue oceans," to make competition irrelevant and drive growth through value innovation. Unlike traditional strategies that focus on competing within established market boundaries, often called "red oceans," BOS emphasizes breaking away from competitive pressures by creating new demand and finding unique market opportunities (Kim & Mauborgne, 2019).

In recent decades, the competitive landscape of corporate strategy has undergone substantial transformation, shifting from conventional approaches focusing on outperforming rivals to exploring novel market opportunities. Traditional competitive strategies, including cost leadership and differentiation, have been central to achieving market dominance (Porter, 1980). However, these approaches must be revised to address the evolving dynamics of global markets, particularly in emerging economies (Ciarli et al., 2021). This shift has paved the way for innovative frameworks like the Blue Ocean Strategy (BOS), which encourages businesses to create uncontested market spaces—commonly known as "blue oceans"—to make competition irrelevant (Kim & Mauborgne, 2019).

Blue Ocean Strategy is built on three core constructs: Breaking the Value-Cost Trade-Off (BCT), Creating and Capturing New Demand (CCND), and Pioneering Uncompetitive Markets (PUM). These constructs help organizations break away from the competitive pressures of red ocean markets by introducing value innovations and tapping into new opportunities (Mancuso et al., 2023). Recent studies emphasize the applicability of BOS in various industries, demonstrating its capacity to enhance profitability and market share while overcoming infrastructural and operational challenges (Karitu & Muathe, 2023; Mukira et al., 2024).

Despite the broad adoption of BOS across numerous sectors, the banking industry remains underexplored in developing countries such as Somalia, and this still needs to be explored. Emerging economies are characterized by a rapidly evolving market landscape, infrastructural limitations, and regulatory complexities, which make conventional competitive strategies challenging to implement effectively (Awladthani et al., 2023). The Somali banking sector, while playing a crucial role in the country's economic development, continues to face challenges related to limited financial infrastructure and a need for regulatory maturity (Alghamdi & Agag, 2024). These challenges allow Somali banks to adopt Blue Ocean Strategies to discover new market niches and address unfulfilled customer needs.

Previous research has predominantly focused on implementing BOS in developed markets or industries such as manufacturing and technology, where competition is fierce (Mancuso et al., 2023; Mirghaderi et al., 2023). However, its implementation in the banking industry, particularly in less competitive environments like Somalia, must be adequately investigated. This study aims to fill this gap by examining how BOS constructs—BCT, CCND, and PUM—can be applied in the Somali banking sector to improve organizational performance. Specifically, this study evaluates the impact of these constructs on key performance indicators, including profitability, market share, customer satisfaction, and brand image.

The adoption of BOS in the Somali banking sector can offer numerous benefits, such as increasing financial inclusion and enhancing competitiveness through value innovation. By identifying uncharted market spaces and delivering innovative solutions, banks can effectively meet the population's financial needs while contributing to the broader economic development of Somalia. Recent findings suggest that applying BOS in emerging market contexts enhances performance outcomes, mainly when targeting underserved populations (Crnogaj & Rus, 2023). This study, therefore, contributes to the existing literature by examining the efficacy of BOS within the Somali banking sector and provides practical insights for banking institutions seeking to leverage innovation as a strategic tool for competitive advantage.

This research is significant as it seeks to explore the potential of BOS to address unique challenges Somali banks face, such as limited regulatory support and infrastructure. Doing so not only extends the body of knowledge on BOS but also offers practical implications for commercial banks and policymakers in Somalia, supporting them in adopting innovative strategies for long-term success and economic stability.

Literature Review

Recent empirical studies have largely focused on the application of Blue Ocean Strategy (BOS) in developed markets or highly competitive industries, leaving a significant gap in understanding its application in emerging markets, especially in highly regulated sectors like banking. Kim and Mauborgne (2005) first introduced BOS, proposing that firms should aim to create uncontested markets where competition becomes irrelevant. Since then, numerous studies have explored how organizations implement BOS to enhance their competitive advantage, market share, and profitability. However, while these studies highlight the benefits of BOS, they often fail to explore its challenges in specific sectors like banking, especially in developing countries.

For instance, Selim and Shoman (2013) conducted a study on Egyptian banks and found that BOS implementation led to significant market growth by allowing banks to pioneer uncompetitive markets. This study highlights the potential of BOS in the banking sector but fails to critically engage with the unique regulatory and economic challenges that banks face in developing economies. The authors did not address how these banks balance innovation with the need to comply with strict financial regulations, a critical issue for banks in regions like Somalia. Additionally, the study focused primarily on large, well-established banks, leaving a gap in understanding how smaller banks or those in less competitive markets might implement BOS.

Similarly, Awladthani et al. (2023) explored the effects of BOS on Nigerian banks and found that while BOS helped banks increase their market share, it was not without challenges. Specifically, the study noted that regulatory constraints and customer expectations posed significant barriers to fully implementing BOS. While this study provides valuable insights into the difficulties of executing BOS in a developing market, it did not offer solutions for overcoming these barriers. Moreover, the focus was on market share as the primary measure of success, neglecting other important aspects of organizational performance such as customer satisfaction and operational efficiency. This gap in the literature is particularly relevant for Somali banks, which operate in a similarly constrained regulatory environment but with fewer established competitors.

In a study on Turkish banks, Yazici and Rüzgar (2019) found that BOS positively impacted profitability and customer loyalty by enabling banks to offer unique services that differentiated them from competitors. However, the study did not explore how these banks managed to balance cost reduction with the creation of innovative services, a core tenet of BOS. This gap is significant for banks in emerging markets like Somalia, where operational costs are high and profit margins are often slim. The study’s focus on profitability and customer loyalty also leaves out a critical discussion of how BOS impacts other dimensions of organizational performance, such as risk management and regulatory compliance, which are crucial for banks in less developed financial systems.

Further, Jindal and Chavan (2023) conducted a study on Indian banks and their use of BOS to enhance customer satisfaction and expand market share. While the study highlights the positive impact of BOS on customer acquisition and retention, it lacks a critical discussion of how banks in uncompetitive or developing markets can apply these strategies. The authors assume that customer needs in developing economies mirror those in more developed markets, which may not be the case. For instance, in Somalia, where access to formal banking services is limited, the needs and expectations of customers may differ significantly, presenting a unique challenge for banks attempting to implement BOS. This gap underscores the need for further research into how BOS can be tailored to the specific needs of customers in developing economies.

Other studies (Islami et al., 2020; Vaníčková & Szczepańska-Woszczyna, 2020), have examined how BOS facilitates market entry and expansion in various sectors. These studies emphasize that firms using BOS can capture new customer segments and reduce competition by offering innovative services. However, they do not sufficiently address the unique challenges faced by banks in emerging markets, such as Somalia, where regulatory frameworks are often underdeveloped, and the banking sector itself is still in its infancy. This presents a critical gap in the literature, as most studies on BOS focus on mature markets where competition is already fierce, leaving little room for understanding how BOS can be applied in markets with fewer competitors and weaker regulatory oversight.

In terms of empirical studies, Yunus (2021) provides insights into how BOS can help banks in China expand their customer base by offering services that competitors cannot replicate. However, this study assumes that the success of BOS in one highly regulated market will translate to others, neglecting the fact that regulatory environments vary significantly between countries. Somali banks, for example, operate in a vastly different context, with less regulatory oversight but also fewer resources to invest in innovative strategies. This gap in the literature highlights the need for studies that focus on the specific challenges and opportunities of implementing BOS in less regulated, developing markets like Somalia.

The limited empirical focus on breaking the value-cost trade-off in the banking sector also presents a gap. Houssard et al. (2022) have explored how organizations in other industries break the traditional trade-off between value creation and cost efficiency, but there is little empirical evidence on how banks, particularly those in emerging markets, manage this trade-off. Given the high costs associated with banking operations in developing countries, such as infrastructure development and risk management, understanding how banks can break the value-cost trade-off is critical for the successful implementation of BOS. The absence of this discussion in the existing literature further highlights the need for research that examines the specific challenges of applying BOS in the banking sector of emerging economies like Somalia.

In summary, while the existing empirical literature provides valuable insights into the benefits of BOS, significant gaps remain. First, there is a lack of empirical studies on how BOS operates in the banking sector of emerging markets like Somalia. Second, the literature does not sufficiently address the unique regulatory, economic, and customer-related challenges that banks in these markets face. Third, there is a limited exploration of how banks in developing economies break the value-cost trade-off, a core principle of BOS. This study aims to fill these gaps by examining how BOS can improve organizational performance in Somali’s commercial banks, with a specific focus on market entry, customer satisfaction, and overcoming regulatory challenges.

Theoretical Framework

Theoretical frameworks provide the foundation for understanding the underlying principles that drive the relationship between Blue Ocean Strategy (BOS) and organizational performance, particularly in the banking sector of emerging economies like Somalia. Several theories offer insights into how BOS can be operationalized to create new market spaces, improve profitability, and enhance customer satisfaction. These theories support the conceptual model developed for this study, which links BOS with various dimensions of organizational performance in Somali banks.

The Resource-Based View (RBV) (Barney, 1991) is a critical theory that underpins the relationship between BOS and organizational performance. The RBV posits that a firm's competitive advantage is derived from its ability to leverage unique resources and capabilities. In the context of BOS, this theory helps explain how Somali banks can use their internal resources, such as local knowledge, customer relationships, and technological innovations, to create new demand and capture uncontested market spaces. Studies such as Ren et al. (2023) have applied RBV to show how firms use innovation to differentiate their offerings in a way that competitors cannot easily imitate. The RBV supports the idea that Somali banks, through BOS, can turn their unique resources into a competitive advantage by creating value in ways that their competitors have not yet explored.

The Value Innovation Theory (Kim & Mauborgne, 2005) is another core theoretical framework that is closely tied to BOS. Value innovation refers to the simultaneous pursuit of differentiation and low cost, allowing firms to break free from the traditional trade-off between the two. This theory underpins the BOS construct of "breaking the value-cost trade-off," where firms seek to reduce costs while enhancing the value offered to customers. In the banking sector, studies like Yazici and Rüzgar (2019) have demonstrated how value innovation can lead to improved profitability by attracting new customers while reducing operational inefficiencies. However, empirical research is lacking in emerging markets, especially in Somalia, where the banking sector is nascent, and banks face higher costs due to infrastructure and regulatory challenges.

Another relevant theoretical model is the Disruptive Innovation Theory (Dan & Chieh, 2008), which posits that firms achieve competitive advantage by introducing innovations that disrupt existing market structures. This theory aligns well with the BOS concept of "making the competition irrelevant" by offering services or products that competitors cannot easily replicate. Christensen’s theory has been widely applied in industries like technology and manufacturing, but its application to the banking sector is underexplored. In the context of Somali banks, the idea of disrupting traditional banking models by offering new, customer-focused services through BOS strategies could help banks bypass competition and capture new demand.

Porter’s (1980) Value Chain Theory also plays a role in understanding how Somali banks can implement BOS. The value chain framework emphasizes that firms gain a competitive advantage by creating value in their activities that competitors find hard to replicate. This theory supports the BOS notion of pioneering uncompetitive markets by identifying areas where banks can offer unique value, such as mobile banking services in a market with limited financial access. Studies such as Jindal and Chavan (2023) suggest that value chain analysis can be used to identify where BOS strategies can be most effectively implemented within an organization's operations. For Somali banks, this could involve creating innovative financial products tailored to the needs of unbanked or underserved populations (Zugay & Zakaria, 2023).

Click or tap here to enter text.The Ansoff Matrix also informs this study by providing a framework for understanding how firms can grow through market development and diversification. The Ansoff Matrix outlines four growth strategies: market penetration, market development, product development, and diversification. BOS can be viewed as a market development strategy where firms seek to grow by entering uncompetitive markets and creating new demand. In the context of Somali banks, this framework helps explain how banks can use BOS to pioneer new markets, offering financial services to previously unbanked populations or underdeveloped sectors of the economy.

Finally, Ramírez and Mannervik's (2016) Value Creation Strategy further strengthens the theoretical foundation by emphasizing that firms create value by offering differentiated products and services that meet the unique needs of their customers. This theory supports the BOS construct of creating and capturing new demand, where Somali banks can use their knowledge of local market conditions to develop services that appeal to new customer segments, such as rural populations or small businesses that have traditionally been underserved by the banking sector.

The Study Model and Hypotheses

Based on these theories, the study proposes the following conceptual framework, which links the main constructs of BOS to organizational performance in Somali banks (See Figure 1). The constructs are derived from the literature and are designed to explore how BOS can improve various aspects of organizational performance, including market entry, customer satisfaction, and profitability.

Pioneering Uncompetitive Markets: This construct is grounded in the Disruptive Innovation Theory and the Ansoff Matrix. It posits that Somali banks can improve their organizational performance by using BOS to enter uncompetitive markets where there is little or no competition. By offering services that cater to underserved customer segments, banks can achieve early market dominance, improve profitability, and enhance customer satisfaction.

H1: Somali banks that implement BOS by pioneering uncompetitive markets will experience improved organizational performance through early market entry and reduced competition.

Making the Competition Irrelevant: This construct draws on Porter's Value Chain and Disruptive Innovation Theory. It suggests that BOS enables Somali banks to sideline their competitors by offering unique, differentiated services that competitors cannot easily replicate. This differentiation can enhance customer loyalty and market share, leading to improved organizational performance.

H2: Somali banks that make the competition irrelevant by offering differentiated services will enhance customer satisfaction and market share.

Breaking the Value-Cost Trade-off: Based on Value Innovation Theory, this construct explores how Somali banks can simultaneously lower costs and increase the value provided to customers. By breaking the traditional trade-off between value and cost, banks can improve their profitability while maintaining high service quality, which is particularly important in a developing market like Somalia.

H3: Somali banks that break the value-cost trade-off through BOS will increase profitability by lowering operational costs while maintaining service quality.

Differentiation and Low Cost: This construct, supported by both Porter's Value Chain and Ramirez's Value Creation Strategy, suggests that banks that achieve both differentiation and low cost will perform better than those that focus on only one of these strategies. For Somali banks, this means offering innovative services at a lower cost to attract a larger customer base while keeping operational expenses down.

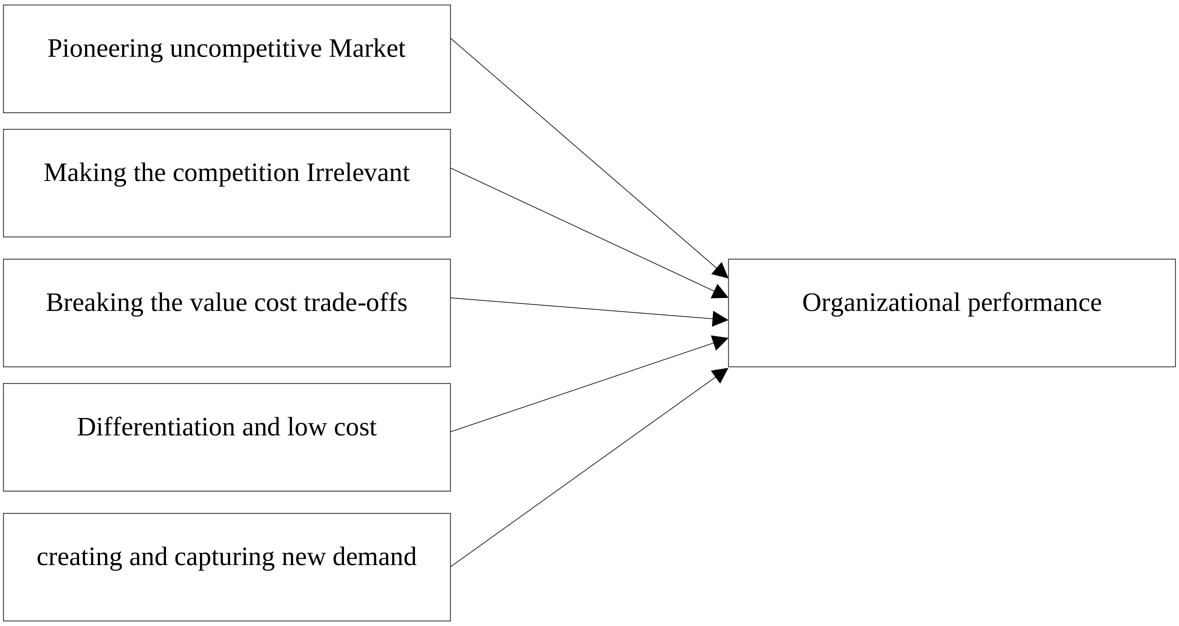
H4: Somali banks that achieve both differentiation and low cost through BOS will experience superior performance compared to competitors who do not implement these strategies.

Creating and Capturing New Demand: This construct is grounded in the Resource-Based View and the Ansoff Matrix. It proposes that Somali banks can create new demand by targeting previously underserved customer segments, such as rural populations or small businesses. Capturing new demand will allow banks to expand their market share and improve overall performance.

H5: Somali banks that create and capture new demand through BOS will see improved organizational performance, particularly in terms of customer acquisition and retention.

Figure 1

Study Model



Method

This study employed a descriptive research approach to examine the relationship between blue ocean strategies and organizational performance. A cross-sectional survey design was chosen for its cost-effectiveness and efficiency in gathering quantitative data from a large population. The study targeted 308 participants drawn from the top management and strategic business units of four licensed commercial banks in Mogadishu, Somalia—Dahabshiil Bank, IBS Bank, Amal Bank, Premier Bank, and Salaam Bank. These banks were selected based on their relevance to the study's objectives, which focused on understanding the impact of blue ocean strategies on organizational performance.

The sample size was determined using the (Krejcie & Morgan 1970) method, ensuring that the sample was representative of the broader population. A non-probability purposive sampling technique was employed, allowing the selection of participants based on their strategic roles within the banks, thereby enhancing the study's validity.

Data were collected through a structured questionnaire to capture respondents' perceptions of various blue ocean strategies. The study consists of three components of Pioneering an uncompetitive Market, three items of Making the competition Irrelevant, three items of Breaking the value cost trade-offs, five items of differentiation and low cost, three items of creating and capturing new demand, and three constructs of employee performance adopted from the Blue Ocean Strategy book by (Kim & Mauborgne, 2014) ensuring that all items were relevant to the study's focus. The questionnaire included items on key blue ocean strategy components such as breaking the value-cost trade-off, creating and capturing new demand, and pioneering uncompetitive markets, all measured on a 5-point Likert scale.

The questionnaire was distributed electronically via Google Docs, utilizing platforms like email, WhatsApp, and Telegram to efficiently reach respondents across different regions. The collected data were then analyzed using Partial Least Squares (PLS) path modeling. The PLS algorithm was used to assess the indicators for convergent validity, Average Variance Extracted (AVE), Cronbach's alpha, and composite reliability, ensuring the robustness and reliability of the findings.

Results

Demographic Information

Table 1 reveals that most respondents are male, comprising 85.88% (264 individuals) of the sample, while females represent 14.12% (44 individuals). The age distribution shows that most respondents are between 31 to 40 years old (43.5%, 135 individuals), followed by those aged 20 to 30 years (31.97%, 99 individuals), with smaller percentages in the 41 to 50 age group (15.6%, 48 individuals) and those aged 50 and above (8.84%, 26 individuals). This indicates that most respondents are in the 20-30 and 31-40 age ranges. In terms of educational background, 49.66% (153 individuals) have a bachelor's degree, 22.11% (68 individuals) hold a master's degree, 14.46% (45 individuals) have secondary education, and 13.78% (42 individuals) have no formal education. This highlights that most respondents have attained a degree level of education. Regarding marital status, 56.46% (174 individuals) of the respondents are married, while 43.54% (134 individuals) are single, indicating a higher proportion of married individuals in the sample.

Table 1

Profile of Respondents

Variable	Category	Frequency	Percentage
Sex	Male	264	85.88%
	Female	44	14.12%
Age	20-30	99	31.97%
	31-40	135	43.54%
	41-50	48	15.65%
	Above 50	26	8.84%
Educational Background	Other	42	13.78%
	Secondary	45	14.46%
	Bachelor	153	49.66%
	Master	68	22.11%
Marital Status	Single	134	43.54%
	Married	174	56.46%

Measurement Model

The measurement model was subjected to analysis using both convergent and discriminant validity.

Convergent Validity

Convergent validity pertains to an internal reliability measure that evaluates the extent to which a scale's items demonstrate a satisfactory correlation to identify a common underlying construct (Mohd Dzin et al., 2021). In this study, various statistical measurements were determined, including Cronbach's Alpha (CA), Composite Reliability (CR), and Average Variance Extracted (AVE). According to the results presented in Table 2, the item loadings were all above .60, indicating acceptable reliability. The AVE values above the threshold of .50 confirm that the constructs capture a significant portion of the variance. The Cronbach's Alpha values, ranging from .62 to .85, suggest good internal consistency across the items. Similarly, the Composite Reliability values, ranging from .79 to .89, further validate the reliability of these constructs. These results collectively demonstrate that the measures employed in this study possess good convergent validity.

Table 2

Convergent Validity

Item	CA	CR	AVE
BCT	.82	.90	.75
CCND	.70	.83	.63
DLC	.85	.89	.61
MCI	.71	.84	.63
OPM	.62	.80	.57
PUM	.67	.82	.60

Discriminant Validity

Following the test for convergent validity, the next step was to check for discriminant validity. The approach used in this study is the very commonly adopted Fornell-Larcker criterion among research populations. According to Table 3, the constructs have adequate discriminant validity if the AVE square root is greater than the correlation between all the reflective constructs.

Table 3

Fornell–Larcker criterion

Item	BCT	CCND	DLC	MCI	OPM	PUM
BCT	.87					
CCND	.88	.79				
DLC	.12	.07	.78			
MCI	.92	.86	.18	.79		
OPM	.92	.78	.18	.91	.75	
PUM	.57	.82	.12	.71	.63	.78

This study assessed the appropriateness of a Partial Least Squares Structural Equation Modeling (PLS-SEM) model fit by analyzing goodness-of-fit statistics presented in Table 4. The SRMR, ULS, d_G, and NFI metrics were employed to compare the observed and expected correlation matrices (Hair & Alamer, 2022). The suggested values for these parameters are SRMR (less than 0.10), d ULS (more than .05), d_G (greater than 0.05), and NFI (greater than .90). The model's fit was deemed satisfactory since it met the acceptable standards, as indicated by the analysis in Table 4.

Table 4

Model Fit

Findings	Saturated model
SUMMER	0.20
d_ULS	8.29
d_G	0.19
NFI	0.91

Structural Model

The present study employed Partial Least Squares (PLS) regression, a modified version of the multiple linear regression model. According to (Hair et al., 2020), the structural model assessment should be done using several statistical measures such as the standard beta, R-squared, and t-values. In Table 5, they propose that the estimation is done using a bootstrapping procedure with a resample size of 5000 for reliable results. During the structural model assessment, they also propose that effect size—f^2—should be considered, together with the R-squared coefficient of .95, indicating that including all five variables together explains around 95% of the variation observed in organizational performance. Moreover, the value of Q^2 should be higher than zero (Sarstedt et al., 2021).

Table 5

Saturated Model Results

Item	R-square	R-square adjusted	F Square	Q Square
OPM	.95	.95		.03
BCT			2.4	
CCND			1.4	
DLC			0.0	
MCI			0.0	
PUM			1.2	

Table 6 reveals that "Breaking the value cost trade-offs" (BCT) significantly impacts "Organizational Performance" (OPM), as evidenced by a strong sample mean of 1.51, a t-value of 14.74, and a p-value of .000, thus supporting the hypothesis. Similarly, "Creating and capturing new demand" (CCND) also significantly influences OPM, with a sample mean of -1.04, a t-value of 11.70, and a p-value of .000, confirming the hypothesis. On the contrary, "Differentiation and low cost" (DLC) and "Making the competition irrelevant" (MCI) do not have a significant effect on OPM, as indicated by their respective non-significant t-values and p-values, leading to the rejection of these hypotheses. However, "Pioneering Uncompetitive Market" (PUM) does show a significant positive effect on OPM, with a sample mean of .64, a t-value of 9.94, and a p-value of .000, thus supporting the hypothesis. These results suggest that while some strategies under study are crucial for enhancing organizational performance in the context of the selected commercial banks in Somalia, others contribute less. The results of the examination of each matrix and parameter are shown in Table 6, together with Figure 2.

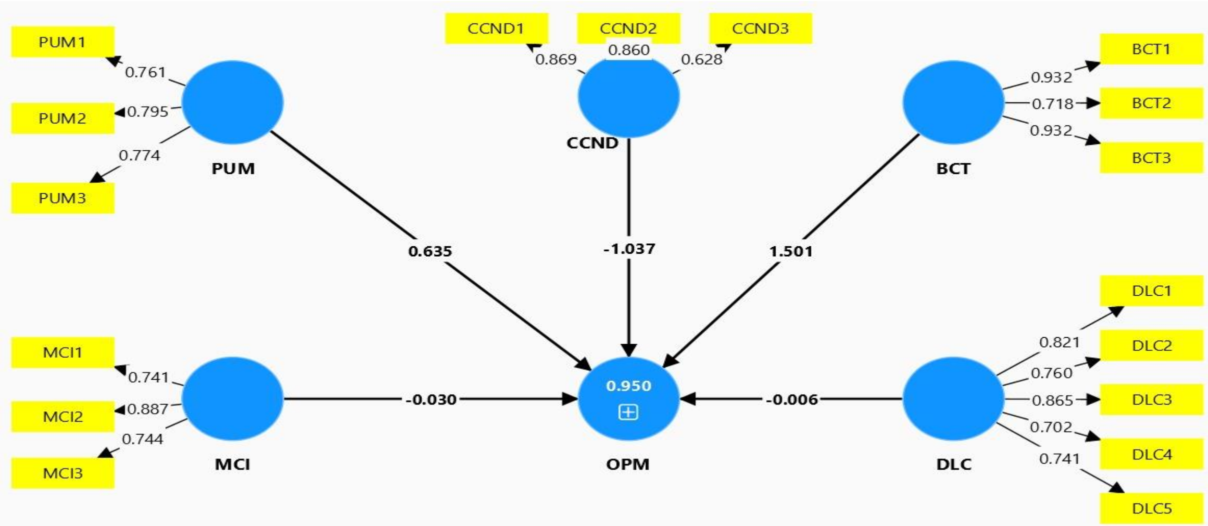
Table 6

Structural Model-Hypothesis Testing

Item	Sample mean	STDEV	T statistics	P values	Decision
BCT -> OPM	1.51	0.10	14.74	0.000	Supported
CCND -> OPM	-1.04	0.09	11.70	0.000	Supported
DLC -> OPM	-0.01	0.01	0.43	0.67	Not Supported
MCI -> OPM	-0.03	0.06	0.52	0.60	Not Supported
PUM -> OPM	0.64	0.06	9.94	0.000	Supported

Figure 2

Structural Model



Discussion

The findings of this study provide significant insights into the influence of various Blue Ocean Strategies (BOS) on the organizational performance of selected commercial banks in Somalia. Notably, the study reveals that "Breaking the Value-Cost Trade-Off" (BCT), "Creating and Capturing New Demand" (CCND), and "Pioneering Uncompetitive Markets" (PUM) are significant predictors of organizational performance, while "Differentiation and Low Cost" (DLC) and "Making the Competition Irrelevant" (MCI) did not show a significant impact.

The positive and significant relationship between BCT and organizational performance aligns with the findings of (Onwuzuligbo & Audu, 2023), who argue that one of the core principles of BOS is to break the value-cost trade-off by simultaneously pursuing differentiation and low cost. This principle enables organizations to create a leap in value for both the company and its customers, leading to a significant improvement in performance. In the Somali banking context, BCT's success may be driven by the ability to offer cost-effective banking services while still delivering innovative solutions that meet customer demands despite regulatory and infrastructural challenges. By breaking the value-cost trade-off, Somali banks can navigate the limited competition and achieve competitive advantages that significantly enhance organizational performance.

Furthermore, the significant impact of CCND on organizational performance is consistent with recent literature, where it is widely acknowledged that identifying and capturing new demand is critical for sustaining competitive advantage. For example, a study by (Alam & Islam, 2017) found that firms engaging in demand-creation strategies substantially increased market share and overall business performance. This finding is particularly relevant in the Somali context, where many potential customers remain untapped due to the underdeveloped financial infrastructure. The ability of Somali banks to capture this latent demand through innovative products, such as mobile banking, offers a significant opportunity for growth. Additionally, the study emphasized that demand creation, particularly in untapped markets, is essential in driving organizational success, especially in emerging economies.

The success of Pioneering Uncompetitive Markets (PUM), which enhances market entry and customer satisfaction, can be viewed through the lens of Disruptive Innovation Theory (Christensen, 2015). Somali banks, by entering uncompetitive markets, have positioned themselves as pioneers, offering financial products and services tailored to the needs of previously overlooked market segments. This supports the findings of studies in similar emerging economies, where firms adopting BOS have experienced significant growth by catering to unmet customer needs (Hokianto, 2023). By pioneering new services that meet the specific needs of Somali customers, banks can position themselves as market leaders, further enhancing organizational performance.

The non-significant impact of DLC and MCI may also be explained by the characteristics of emerging markets like Somalia. Studies such as those by Awladthani et al. (2023) emphasize that banks may find it more beneficial to focus on foundational innovations and market penetration rather than cost leadership and direct competition in developing economies. In Somalia's underdeveloped financial sector, where there is still a significant unbanked population, reducing costs or making competition irrelevant might not yield immediate performance improvements. This divergence from BOS's expected impact highlights the contextual dependency of strategy effectiveness, reinforcing the importance of adapting strategic models like BOS to the local environment, where customer acquisition and service expansion hold greater value than cost optimization.

Furthermore, the Somali banking sector's reliance on pioneering uncompetitive markets and creating new demand aligns with the Resource-Based View (RBV), which suggests that competitive advantage is derived from a firm's ability to exploit its internal resources. In Somalia, these resources include local knowledge and relationships with underserved customer segments, allowing banks to introduce unique, customer-specific services, such as mobile and digital banking solutions. This has been particularly effective in enhancing organizational performance in a market with limited formal banking infrastructure. Research by Yunus (2021) supports the idea that banks in emerging economies can leverage such innovative strategies to bypass traditional competitive dynamics and expand their market presence. This shows the importance of BOS constructs that prioritize innovation and demand creation, especially in markets where competition is still in its infancy.

Conclusion

The study concludes that Blue Ocean Strategies, particularly Breaking the Value-Cost Trade-Off, Creating and Capturing New Demand, and Pioneering Uncompetitive Markets, are vital in enhancing the organizational performance of commercial banks in Mogadishu, Somalia. These strategies enable banks to create unique market spaces, offer innovative value propositions, and achieve a competitive edge, contributing significantly to their overall success. However, the study also highlights that not all BOS components equally impact performance. Differentiation, Low Cost, and Making the Competition Irrelevant did not show a significant effect, suggesting that the effectiveness of these strategies may be context-dependent, influenced by external factors such as market instability and regulatory challenges.

The findings emphasize the need for banks to focus on value innovation and explore uncharted market spaces to drive growth and sustainability. Moreover, the study has implications for policymakers and practitioners in the Somali banking sector, encouraging the adoption of BOS to foster competitiveness and economic development.

While this study provides valuable insights into the application of Blue Ocean Strategies in the Somali banking sector, future research could explore the long-term sustainability of these strategies in different economic environments. Additionally, investigating the role of organizational culture and leadership in successfully implementing BOS could offer a deeper understanding and practical guidelines for banks and other organizations. Further studies could also examine the impact of BOS on customer satisfaction and loyalty, which are critical factors in sustaining competitive advantage in highly dynamic markets.

This research is significant as it fills a gap in the literature on Blue Ocean Strategies in the context of developing economies, particularly in Somalia. The study's findings provide empirical evidence of the effectiveness of BOS in enhancing organizational performance, offering practical insights for commercial banks and other organizations seeking to innovate and differentiate themselves in competitive markets. The study also contributes to the broader understanding of strategic management by highlighting the importance of context in determining the success of different strategic approaches.

Declarations

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