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Thinking of the blue ocean - strategy beyond the competition

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Abstract

Throughout history, the competition had been the dominant strategy of different businesses that based on, the companies were trying to gain a greater share of the market. It should be noted, however, that the fierce competition causing it to be an oversupply. It should also be noted, that always gain a greater share of the market, and it does not mean increased profits. Hence, Researchers of blue ocean strategy convinced that the only way to win the competition is stop trying to win the competition. Instead of entering into a bloody competition of the Red Ocean, have to enter the infinite market space of Blue Ocean and try to create new demands. Blue Ocean market is a market that is still not clear the rules of the game and there are many opportunities for growth and profitability. In a word, blue ocean thinking argues that instead of getting a share of more than cake, we should seek to enlarge the cake. On the other hand, unfortunately, widespread negative effects of the global recession, in our country, also, is quite evident. Therefore, to solve the problems facing organizations in different areas of management, this study was conducted. This paper introduces the blue ocean strategy, then, provides the positive effects of using it. This article is a kind of applied research and the method of doing it, there is a description and analysis and library studies.

Keywords: Strategic Management, Blue Ocean Strategy, Red Ocean Strategy.

1. Introduction

In management science, often, can be divided the considered theory to the two main categories. The first group of theories are the need to change the system, find solutions and new strategies for development, such as neoclassical organizational theory, bureaucracy, etc. , that these theories suggest changes to improve business. However, the second group of theories are merely the result of the conducted surveys on organizational systems, human and commercial. For example , Abraham Mazlow's theory (pyramid of human needs) , or theories of organizational behaviour , which offer study on the human individual and social behaviours that These theories are very helpful in understanding the complexities of organizational and right decision-making to identify strategic experiences . Due to the special conditions of business in today's world and constantly changing of environment variables, again, we cannot freeze a lot of data and act on long – term planning in the future. (Chan and Mabourn, 2011)

In the past twenty - five years, the main focus of strategic thinking's had been based on competitive strategies and competition issue has been the center of attention of strategy development patterns. With such an attitude, it is not surprising that organizations, skilfully, have learned how to compete with each other and take for themselves, with through of analyse the fundamental principles of the economy, which is currently underway, a strategic position, such as : differentiation, cost reduction or focus. Hence, nowadays, there are a large arsenal of analytical tools and frameworks, such as: Porter's competitive model, which is lit the lights of competition in the heart of the strategy. With this interpretations, one important question that arises, is that according to the current competitive environment, the presence of powerful competitors, an entrepreneur for success in their presence, what preparations should provide ? Maybe the Blue Ocean Strategy is an appropriate response to this question. One of the most important developments in strategic management, which has led to the emergence of a revolution in this field, is "the Blue Ocean Strategy" that the approach to strategic thinking, with innovation, has taken steps to provide a set of specific tools and approaches for achieving the strategic goals of the organization. Strategy (thinking) of Blue Ocean is a systematic approach to find businesses that compete in them, loses meaning which is the traditional markets. In other words, to be meaningless of competition through finding new space for business, is the issue of "blue ocean strategy".

However, in the past, finding thin markets in traditional markets, to some extent, has been like this idea (Where the competing for market share was limited), but with this difference that in the Blue Ocean strategy, you do not have to limit your target market and customers, but also the focus of your organization is on the creation of an valuable innovation and enter into new areas (Tavallaee, 2010). Renowned researchers in the field: Kim and Maborn offered the blue ocean strategy with emphasis on the avoidance of competition and to create those valuable innovation, which leads to lower costs and increase value for customers (Chang, 2010).

This model is new approaches of innovation and strategy, which is aim to sustain the company's growth and performance. In contrast of competitive strategy, firms, normally, instead of creating value, in fact, try to divide or seize the existing value. The logic of the new strategy is based on a number of fundamental principles, which seeks to create value both for buyers of products and services and for company. With using of these principles and designed tools and frameworks, companies will be able to convert innovate into a repeatable, systematic and continuous process activity, which all employees in participating in it. In fact, innovation is brought into the working lives of employees in the company and develop culture that target capacity and responsibility of all employees (Golpayegani and Pirouz far, 2009).

The modern concepts of strategic, work and service areas of organizations is likened to two ocean: the blue oceans and the red oceans. Red oceans, in fact, are the known area and symbol for all industries and services, which, nowadays, there are and organizations in which to compete. On the other hand, Blue Ocean, basically, are not known spaces in various fields of business and symbol of all areas that currently do not exist. Today, a strategy that will lead the organization into the blue ocean are not the traditional strategies, such as : product and services development (including police services , urban , etc. .), homogeneous variety , scopes of work and service development , intrusions in other areas of work and services , participation , cost reduction and transfer . Also, it is a valuable innovation as a strategy that by adopting it, in addition to reduce costs and also, worth more create for stakeholders of organization.

Thus, we can conclude that the blue ocean strategy relies more on "value innovation ", when it was realized as a business, simultaneously, create new values to their customers and themselves.

2. The necessity and importance of research:

Many experts believe that in the global economic crisis , the same and pre-written strategies of management, (even correct solutions, as yet, they not been used in Iranian businesses), they cannot be lifesaving again and fully, they has worked for the businesses in the country, which sometimes are unstable. Today, government support, the use of foreign currency reserves, low-energy, different rents, etc. is in decline and they are unwanted serious and more serious in competition discussion, too, not only with Iranian competitors, but also with global competitors, every day, in our country and in all areas of industry and services.

So in today's world, which is called the period: "a knowledge - based economy ", organizations need to think to issues beyond the competition. To seize opportunities for growth and profitability, thus, the different organizations need a new approach to the issue of competitiveness, for creating their own strategies, which could have a lasting presence in the market for domestic and foreign businesses. One of these strategies is a blue ocean strategy (Debi, 2006).

Blue Ocean Strategy is a consistent pattern with strategic thinking and with focus on creating new industries and markets, in which, instead of war and struggle over the appropriation of buyers, new demands arise and competition law would be meaningless to them. In this context, the Blue Ocean Strategy creates guidelines for the company, which teaches companies how relieved with creating a new space in the market, where there is not competition in it, which are present in the fierce competition in the market. (Place that there are a limited number of customers and increased number of competitors) (Kim et al, 2008). In this research, we provide the various aspects of blue ocean thinking and the effect of using this strategy for the Iranian organizations.

3. Theoretical Framework:

Although the term of blue oceans is a new word, but the existence of it is as old as life in all businesses. Blue oceans, both past and present, always is a prominent feature in most businesses. For example : If we look for a hundred years ago, we'll see many of our today main and basic industries, which at that time, were completely unknown or newly emerging. Such as: Automobile, petrochemical, health and management consulting. If you go back 31 years ago, again, we will see that many of the multi – billion dollar industry in the last three decades, significantly, did not exist. Such as: the cell phone industry, biotechnology, home videos, and etc...

However, despite this, so far, the nature and meaning of the blue oceans, largely remain unknown and undetermined. The Blue Ocean idea, first, in 1988 by Professor Hill was presented at Michigan State University. He claimed that the popular idea of Porter is incomplete, because the distinction in the sense of leadership, could be cost and the company that offers its products with lower prices, in fact, have the aspect of a strategy of differentiation. He points out that companies, to achieve a sustainable competitive advantage, have to apply a combination of cost leadership and differentiation strategies (Hill, 1988).

Professor Ridrastral and Nourdastourm, too, have raised this issue. They claim: Competitiveness strategy is not the final strategy, but also, companies need to develop strategies that create a sense of excitement (Nordstrom and Ridderstrale, 1999). This theory and the Blue Ocean Strategy, in some sense, like being together. For example, competitive factors in the Blue Ocean Strategy is the same definition of finite and infinite dimension, which is presented by Ridrastral and Nourdastourm. Both of them insist on this issue, that companies need to play differently with competitors.

3.1. The concept of color in strategy:

In space that the most companies and the current industry are present in it, in fact, shape the red ocean. In this field, the range of industrial activities are defined and accepted and competitors are specified and the rules of the game, too, are defined. Those companies, in this space, compete together that trying, in fact, to get or to steal their market share of each other's products and services. If the competitive environment is busier and the congestion of competitors is more, so the market share is lower and profitability and growth, too, will be less. More products are consumer goods or cover a particular area of the market. This competition led to the disappearance of many organizations and this will be more bloody the ocean.

On the other hand, in recent years, a new concept has emerged that called the Blue Ocean on the strategic issues. The blue ocean, it is said to all industries and companies, today, there aren't, that market, which is unknown and competitors do not conquer it. Demand is more than anything, that is, the war is over. There are many opportunities for rapid and profitable growth in this field, the competition are not defined and determined. Because the rules of the game, yet, have not been defined and developed. Concept of blue color is namely: innovation and purpose of innovation, here, is to create a new demand or to make a selection and replacement for current markets customers.

In fact, the blue ocean is metaphor of untapped and intact and wide market that it's deep, still, has been undiscovered. Basis of this strategy is based on "value innovation ". The Blue Ocean, when was created that a company creates values, simultaneously, for their customers and themselves. Product innovation (goods or services) or style of presentation of products, will lead to create value for the market. At the same time, the activities which have less value for current and future markets, are removed from the carousel (Golpayegani and Pirouz far, 2009). With regard to the content above, you can see a summary of the differences between the two concepts mentioned, in Table (1).

Red ocean	Blue ocean
Competition in the current market	Create new markets
Battle of competition	Ineffective the competition
Take advantage of the demand	Create and capture new markets
Choose between value and cost	Follow the same time of two factors: value and cost
Coordinate the overall system and the activity of	Coordinate quantitative systems and company
the company with the strategy of differentiation or	activities and simultaneously pursue of
low cost	differentiation and low cost
There are preset standards and regulations	Set limits and standards by explorers or creators
Severe turbulence , water has been bloody	The absence of turbulence and relative calm, blue

Table 1 – Differences of outlined two oceans in the strategy literature

3.2. The Blue Ocean Strategy concepts:

Chan Kim and Renee Mabourn criticized the dominant paradigm in the field of strategic thinking, which is based on the presence in the competitive field, straight faced, blood flow and eventually forming a red ocean (ocean of blood). They suggest that new and innovative philosophy, which is based on the business that is done in a peaceful environment, away from the bloody rivalry and the expanse of Blue Ocean. They challenge many of the assumptions of the dominant thinking in the business world and place new horizons in front of leaders, managers and organizations strategists.

Management courses of most of organizations strategies is derived from military models, which is based on a counter and exposure. When businesses involved direct confrontation and fight scene is crowded, all involved parties are faced with declining market share, reduced growth and falling profits. Basically, thirty years ago, there were not businesses, such as: mobile phones and biotechnology, that these cases are clear examples of the blue ocean. Target of the Blue Ocean Strategy is to create a business in an area that previously did not exist, by the way, the turbulence and relaxed atmosphere place in front of new business creators.

Large monitor for detecting such areas is essential, therefore an organization never not outsourcing itself monitoring. Industries in the Blue Ocean are more profitable than industries, in which, competitors have together direct exposure. It should be noted, that as soon as a company in the Blue Ocean extends and achieve to more successes, more and more companies and organizations try to enter this market. Thus, the issue of creation barriers is considered very important to entry of new competitors and suppliers of imitation.

Finally, we state a number of imitation barriers that specify, why competitors cannot imitate, easily, from the Blue Ocean Strategy? (Chang, 2010):

- Value innovation, in most cases, does not comply with the current logical thinking.
- Change operations for the company, with a well-known brand and genuine and authentic culture, will not be a simple phenomenon.
- Natural and entity monopoly will be prevented from entering other activists in business area to the target market.
- Patents and copyright will stop imitation.
- Advantages of the being first, such as: cost advantage and external networks, will dissuade imitators in the case of market entry.

3.3. Innovation and its strategy:

The term of "innovation "refers to major or minor changes in mentality, objects, processes or services (Mckeown, 2008). The phenomenon of "innovation ", as new ways is known to create value and is as life - saving blood which boiled in the veins of organizations that are looking to grow and survive and develop of their products and services . Innovation has a vital role for gaining competitive advantage and the company's long - term success (Sauber and Tshirky, 2006). Innovation is a key source of competitive advantage for organizations, which have led organizations, in a way, expand their abilities that will support the long - term business performance (Chen et al. 2009).

Also, innovation play the critical role to create new markets for existing products and new products for existing markets and increase the use of technologies (Matthews and Shulman, 2005). Successful innovation provide a unique feature to the organizations that the competitors do not have this feature. Types of innovations, including : product innovation, process of engineering design, research and development, production, management and necessary operations for the marketing of new products or services (or improved) or the selection and development of new products.

Innovation in the production process refers to changes in processes or technologies that organizations use to produce goods and services. These changes lead to an increase in the rate of production and reduce production costs (Barkema et al. 2002). This kind of innovation will help the company to gain advantages over competitors, which include: increase speed of the production process and increase the production of one product to another product. Innovation of Foundation leads to the creation of new markets that create for the companies, patent and give to the company, a superior technology compared to competitors.

To obtain such innovations in the market, companies need to do heavy and continuous investment on employee skills and equipment (Talebi, 2010). Innovation is the creation of an idea and turn it into results means presentation of service or new products to customers and that can be created new services and products with a new idea or a new combination of events, that there are before, and can be benefit for customers from it (Talebi, 2010). An innovative organization needs to an innovation strategy, because organizations, without a clear strategy of innovation, have not the ability to fundamental changes in the future.

To develop an integrated innovation, is needed an innovative management approach, which checks modernization of the company from a holistic approach angle. Therefore, the management of innovation is facing two major challenges, one: how to develop a strategy for innovation and two: design of the innovative organization and use the innovative initiatives. Many researchers have given particular emphasis on the importance of innovation strategy. In their vision, strategy of innovation will lead to the strategic goals of innovation has been developed as a dependent, clear and going in different directions and route of planning and implementation, completely, is cleared in the process of innovation.

For developing Innovation strategy, it requires understanding of the innovation system. Malik (2001) believed for understanding the system, before decision - making, you should pay attention to three aspects: complexity, system interaction and system evolution. In the innovation system, these three sectors is important, both for the decision – making and to determine the strategy. Thus, innovation strategy, it is as one of the building blocks of innovation management (Rahman Seresht and Hashemi, 2009).

Due to the above , innovation strategy , as follows : " set of paths , determined directions and the focused efforts , with regard to comprehensive innovation , barriers to innovation , being new of innovative and relevant knowledge with needed innovation , cause organization design and insurance stability in the innovation system " (Sauber and Tshirky, 2006). Editing style of innovation strategy, is also important. There are different ways to edit and develop an innovation strategy. Quinn (1985) argues that innovation strategies can be integrated in the company's strategy concept. He says: Innovation strategy must specify that innovation is desirable which in the range.

Quinn, also, states that because, innovation strategy, fully is not programmable, so flexibly, strategy must be designed, in order to identify and react spontaneously that provide the emerging opportunities. Others numbers of the researchers believe the integrated and emerged innovation strategic vision is kind of a lack of attention to the issue of planning and emphasis on strategic innovation process (Rahman Seresht and Hashemi, 2009).

3.3.1. Value innovation: the cornerstone of Blue Ocean Strategy:

Creators of the blue oceans, amazingly, do not place competitors as: the criteria and basis and ever do not use the modeling approach from the best (benchmarking). Instead, they follow a different logic strategy that management scholars reminisce from it as: "innovation of Value "or "value innovation ". " Creation of value "is necessary for the success of the company, but not enough for being an outstanding and leader in the market. Innovation without value , too , is inclined the company toward the technology – oriented , market leadership and foresight and Thus , it will be forgotten things that are acceptable for buyers , as they are ready to pay money in exchange for it .

Therefore, the concept of value innovation, focused equally on both factors: "innovation and value ". Innovation and value, only, when to occur that the companies coordinate component of innovation with the price situation, utility and cost. Companies that are looking to create blue oceans, will be able to simultaneously follow both strategies: "cost reduction and differentiation ". Figure (1) describes the foundation of blue ocean strategy.

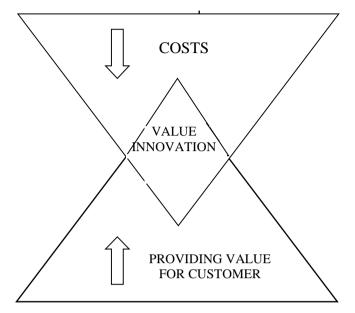


Figure 1. The value of innovation, the foundation stone of the Blue Ocean Strategy

The dynamics: Differentiation - cost reduction imaged strategic planning for value innovation and clearly, we can observe how to reduce costs while simultaneously increasing value to customers. Value innovation takes place in the region, in which the company and management decisions improve, simultaneously, the company's cost structure and increase grants providing value to customers. With the elimination and reduction, cost loss happens and on the other hand, the increasing and creating components and elements that industry, ever, did not offer them, increase the value provided to buyers.

Over time, the strategy to create value (including the provided value to the customer and the value was created by the company's role), increases the volume of sales and also, with emerging economies scale, more than ever, costs to decrease. Thus, we will witness a solution win - win for both the sellers and buyers. This approach creates a blue ocean strategy and by integration of functional and operational activities, the company will continue.

It should be noted that values innovation is a phenomenon beyond the initiative and new activities. "Value innovation "is one strategy, which includes all systems and activities of a company. This strategy requires the efforts of all company complex to achieve an advantage for buyers and the company itself (Chang, 2010).

3.4. Blue Ocean Strategy executive instructions:

Blue Ocean Strategy will focus on four principles:

3.4.1. Reconstruct of market boundaries:

Enforcement agencies of Blue Ocean, where they are looking for, the competitor does not care about them. Examples of these places, include: industries that, over time, provide substitution products,

emotional or application appeal and anticipate the changing needs of customers. Net Jens Company, provider of idea sharing in the jets aircraft, began his career with the search of different markets and finally, reached the spot which was placed between the possession of small jet aircraft and flying first class.

Home Depo Inc., also, career counseling of domestic arrangements, provided the lower price than the home appliance stores. Cubi House company in Japan, men's hair salon by a personal experience changed that had been become time consuming and expensive and provided the service, as: functional, fast and cheap. Finally, we mention the action of "swatch company ", which entered cheap wrist watches in the field of fashion.

3.4.2. focus on the big picture rather than the numbers:

Kim and Mabourn believe tools (ecological of approach), can be replacement of spreadsheets, data and budget - oriented process.

3.4.3. Move beyond the current demand:

Kahlo Golf Company discovered that a lot of people, because play golf, which was hard - hit ball for them and due to this, the above company designed Golf wood, which had the larger end tail and easier to hit the ball.

3.4.4. Proper selection of sequencing strategy:

Proper selection of sequencing strategy should be as follows and if the answer to each question is negative, we should revised the project:

- 1) <u>The advantage for the buyer</u>: Does the offered product or service creates unique advantage for the buyer? (Essentially, advantage is not synonymous with advanced technology).
- 2) <u>Price</u>: Does your price is acceptable for most buyers? Innovation, traditionally, provided a high price, however, in over time, the price is reduced. (Which is called to the "cream making "). But, in the blue ocean, what is important, is that we know, from the beginning, what price absorbs most of your target customers? High volume compared with the past, is more efficient and in buyers opinion, too, may be the value of the product depend on the extent and the number of users of it.
- 3) <u>Cost:</u> Can you reach your goals of cost and also, had a profit, according to the price of your strategy?
- 4) <u>Market penetration rate:</u> What are the barriers to market penetration and if we could solve the obstacles (barriers) in the beginning? Ideas of blue ocean, threatening the exist status and may create fear among employees, partners of Business and people. To those who have taken a defensive stance, given the necessary training (Rostami and Ehteshami Akbari, 2011)

4. Examples of implementation of Blue Ocean Strategy:

The coolest and most famous example of a company that has captured the blue ocean, is a Canadian company namely: the "Sun Circus ". The circus clients are adults. Circus had the services in decline and

sun circus changed the fate of the industry, in its establishment in 1984. Children preferred the computer games rather than the circus and animal protection groups have under the supervision of circus. For this reason, managers of "Cirque du Soleil "dropped out of the race and overtaking the competitors. Instead of hiring more popular clowns, the circus manager decided to create new market for new customers. These customers have had to pay a higher price. Other resident companies of Blue Ocean , are : MASTER A PRET company that cook the food quality like : fast food , CURVES company that is a chain of women's sports complex , DECAUX JC company that the use of street furniture launched a new style of urban advertising .

Kim and Mabourn, authors of The Blue Ocean Strategy, believe that certain strategic logic of this company and other companies in the blue ocean is the "innovation in value" (Rostami and Ehteshami Akbari, 2011). Another example, the implementation of blue ocean strategy is the company MediaTek. Over the past decade, the brand issue, is considered one of the top competition in the mobile market, but a MediaTek company and its partners have changed the rules of the game by creating a new business model in China and then rest of the world. MediaTek Inc That has been established in 1997, is a leading company in the field of Digital and in particular multimedia products. Main Base of the company is in Taiwan and its subsidiaries are active in countries , such as : China , India , America , England , Korea , Japan and Ireland .

According to the statistics of the World Union of the semiconductor industry, this company is considered among the top five companies in this field. Lower costs and create high added value for mobile phones has helped to MediaTek Inc. that to be considered the largest supplier of chips for industry of (bandit cellphone). However, in the past, large companies, such as: Samsung and Birdcom had captured in this field.

MediaTek Inc., in 2003, began the construction of production units, which can be translated this phrase in Persian as: (bandit cellphone) in China. In this business, cell phones were supplied in boxes without brand and or unknown brand as: (white box). In October 2007, the Chinese government announced that will no longer apply no restrictions for the construction of mobile phone factories. This new policy will lead to encourage for most small and medium enterprises to start activities in the field of mobile phones. In this situation, the company of MediaTek, in enabling these companies to provide solutions and good facilities for making it easier and faster to produce the considered products than in the past. During a certain time, more than one hundred million (bandit cellphone) has been produced that the company of MediaTek have produced chips to more than 50 % of them (Chang, 2010).

As already pointed out, "value innovation "is the most important phenomenon in the blue ocean strategy. If MediaTek and its partners create "value without innovation ", quickly, they will imitate. Also, if they create "innovate without value "and produce and offer products and services, this is far from the thing that the buyer is willing to purchase or use it (Chang, 2010). MediaTek Inc. provides all services and facilities for small and medium enterprises in China, which will help to assembly operations of mobile phone.

These factories allocate few resources for related activities to research and development (R & D), therefore, through the creation of factors, the industry never did not provide them, increase the value for buyers. This factories, easily able to provide by means of innovative designs, demand and the needs of this segment of the market. Thus, mentioned companies, will be able quickly sent new models of "Bandit Cellphone "to the market. In addition, providing an agile distribution, the Internet minimized the costs of advertising, too, for this sector of industry. Also, costs will be reduced by economy of more scale.

5. Discussion and Conclusion :

Todays, most developed countries have and officially, have known entrepreneurial and innovation activities in prioritize its activities, as: one of the most important of economic policies. The Blue Ocean Strategy forcing the company to destroy bloody compete of Red Ocean with creating an uncompetitive market space. This new thinking, instead of dividing of the demand among competitors, due to the growing demand, on the one hand and nullify competition, on the other hand. This is, not only, a challenge to the company, to edit and develop a new strategy, but it shows to them, how to overcome them?

Achievements of this new approach is to introduce a set of principles, tools and analytical frameworks, which states way of dealing, systematically, with the blue ocean strategy challenges and distinguishes it from strategic thinking based on the competition. Based on the mentioned content in the article, it can be concluded that the formation of the phenomenon of Blue Ocean is quite an accomplishment and dynamic process. When a company or organization create own competitive advantage and has displayed its superior product or performance; sooner or later, will be appeared imitators of this market.

A good and adequate Blue Ocean Strategy, easily, cannot be imitated. Those of the Company 's operations, which can have the effect desired on the cost structure and the value provided to buyers, Create value innovation, which, in fact, is the main theme of the blue ocean. A large and credible value innovation, effectively, prevent the entry of imitators to the market and can be cost saving with deleting and or reduction of factors that the industry compete on them. Low power of competitiveness of Iranian companies and the lack of development of the concept of a free market economy, the need to move towards creating without competition and taking maximum advantage of the potential of market has become the inevitable affair for the conservation of organizations.

Therefore, according to the above subjects, the entry of thinking of the blue ocean in strategic management of businesses and different organizations in Iran, can provide favourable conditions for growth and development of national and industrial of Islamic Republic of Iran.

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