“Pioneer or imitate? An analysis of business imitations”

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Pioneer or imitate? An analysis of business imitations

Abstract

Pioneering is meant to create a competitive advantage for businesses and yet imitations are accelerating globally, leaving businesses not knowing whether to pioneer or imitate. The purpose of this study was to make an analysis of the benefits and costs of pioneering and imitation, with the aim of possibly helping businesses to decide on which route to take, after considering their strengths and weaknesses. This was a desk research study which analyzed literature on business imitation and pioneering. It focused on imitation driven by technology, be it in products or services with a bias towards legal innovative imitation. The analysis was primarily dominated by literature obtained from developed countries because of the rich pool of research output on both concepts. Based on the findings, the paper concludes that most businesses are innovative imitations and technology has facilitated most of these imitations. Recommendations are that businesses should adopt innovative imitation, but do so legally and ethically. There is also need for more research studies on business imitation in order to come up with strategies that will accommodate global players.

Keywords: pioneers, competitive advantage, innovative imitation, global players, first mover.

JEL Classification: L26, M19.

Introduction and background

Business imitation is a phenomenon that has been in existence for a long time although it might take time to appreciate its usefulness. As far back as 1966, Levitt postulates that imitation was more abundant that innovation and was a more prevalent road to business growth and profits. Despite its possible positive contributions, business imitation has been a stigmatised phenomenon to the extent that even those businesses that imitate do not want to be labelled thus. According to Shenkar (2010), imitation has been regarded as undignified, objectionable and done by people who are unoriginal and yet, in his view, imitation is a complex and demanding process that requires high intelligence and advanced cognitive capabilities. The researcher concurs with the afore said that imitation requires a high level of mental capacity, because an imitator who really wants to generate revenue from the imitation, first, has to decide what to imitate, the skills and resources required when imitating and the possible reactions of customers; otherwise, the whole exercise will come to naught. Milan, Iryna and Karl (2014) allude to the fact that imitation has been viewed negatively and in some cases, considered to be immoral, illegal and a harmful phenomenon and yet imitation or copying is a natural phenomenon and that the world works on the basis of imitation. Negative sentiments have also been expressed in the music industry where some prominent musicians have accused upcoming artists of illegally copying their music. However, Muranda and Maguraushhe (2014) argue that these popular musicians developed their music by modelling on foreign popular musicians’ songs, which were locally available in Zimbabwe. The implication is that even those who accuse others of having imitated their business ideas are also imitators.

The question that quickly comes to the fore is “Is imitation a bad strategy after all?” Contrary to negative connotations, available literature indicates that despite the stigma that goes with imitation, there are businesses that have recorded successes as a result of following the innovating pioneers. These businesses include McDonalds, Visa, Walmart and Microsoft who imitated, but improved on the ideas found by others (Shenkar, 2010). According to the Economist (2012), even in High Technological Product Development, it is not the pioneers, but the imitators that have led these successful businesses. For example, the iPod was not the first portable MP3 player; the iPhone was not the first smart phone and the iPad was not the first tablet, but are now three products that dominate the category. It is because Apple imitated and made them more appealing to the consumers. The researcher holds similar perceptions. A closer look at businesses in everyday life shows that most of the business ideas were copied but improved upon. In some cases, imitation has been done so well that it is almost difficult to say who the imitator was. It is important to note that these successful businesses did not just plagiarise; they imitated and improved on the ideas.

Despite the outcry by business players who call themselves pioneers that businesses similar to theirs are imitations, the reality is that imitation is with us. Therefore, there is a need to carry out research studies to find out the benefits and costs of imitation to enable businesses to decide whether it would be more beneficial to pioneer or imitate. Shenkar (2010, p. 2) suggests that:

“We need to understand the specific edges of imitation without oversimplification: how it works, what capabilities it requires, as well as the specific
strategies it applies to. It is not about deciding overnight that imitation is more beneficial. We need to understand why it is more beneficial, use it as an intellectual tool in the academic field and as a strategic object in company management”.

It is in the above context that this analysis was conducted, because before a business can decide whether to pioneer or imitate, there is a need to fully understand what the strategy entails, its positives and negatives and whether the business has capacity or not. Okpara (2007) asserts that in a competitive environment, there is a need for businesses to seek out new opportunities which they can convert into goods and services. This situation calls for managers to make appropriate, relevant and timeous decisions in order to survive. However, the researcher is of the view that even if businesses might want to imitate, the stigmatization that goes with imitation presents managers with challenges of which route to take. Because businesses are part of the global village and are now faced with global competition, they have to make decisions on whether to pioneer or imitate. The same author further argues that pioneering is an important strategy for a business in today’s dynamic and competitive environment. The researcher is of the belief that while this might be true, financial constraints faced by businesses, especially in developing countries, might make this strategy a difficult one to adopt. All the same, results from such a study, where the pros and cons of pioneering and imitation are exposed, might assist managers in making informed decisions.

1. Statement of the problem

The rapid rate of technological and environmental changes has made the order of entry one of the most crucial decisions for business survival and performance in today’s world (Mittal and Swami, 2004). While businesses might want to pioneer, they find out that their ideas are immediately imitated and yet they will have borne the costs of pioneering. Choosing imitation as the route to take might not be the best option, as it is a stigmatized phenomenon. This creates a dilemma for managers on whether to pioneer or imitate given the global competition that they are faced with. This scenario, therefore, creates a need for managers to be informed of the pros and cons of choosing either strategy. While there is abundant literature on pioneering and imitation, especially in developed countries, this study is the first of its kind to focus on whether businesses should pioneer or imitate in developing countries such as Zimbabwe. Therefore, the purpose of this non-empirical study was to analyze the costs and benefits of pioneering and imitation with the aim of possibly enabling businesses in developing countries to decide on which route to take in order to survive in this technologically competitive global environment.

2. Research questions

The study was guided by the following research questions:

1. What are researchers’ perceptions regarding pioneering?
2. What are researchers’ perceptions on business imitation?
3. What are the managerial implications that can be drawn from these perceptions?

3. Literature review

It is crucial right from the outset to explain the terms that were used in this study for contextualization purposes. This study focused on pioneers sometimes referred to as first movers, trendsetters, inventors, innovative pioneers, creative imitators and early entrants. According to Okpara (2007), invention means creating something new; something that has never existed before which is yet to be desired by customers. It is in the context of coming up with new products and services that the term pioneering was used in this study. Imitators in this study were used to refer to people who do not originally own the ideas and are sometimes called copycats, emulators or followers. Any other terms that people synonymously use for imitations such as counterfeits or product pirates did not form part of the study. According to Militaru (2011), counterfeits or product pirates are copies that carry the same brand name or trademark as the original and these are strictly illegal. Counterfeits are usually low quality, shoddy goods, but sold under the guise of a premium price of the seller’s respected brand names. Counterfeits were excluded from the study, as the main emphasis was on legal imitation.

3.1. Pioneering – benefits and costs. Pioneers are developers of products or services. Mittal and Swami (2004) define pioneering businesses as those that produce new products, use new processes and are the first to enter new markets. Pioneers derive the following advantages by being the first to hit the market. Robinson and Min (2002) assert that pioneers have significant higher survival rates than early followers do. The pioneer’s temporary monopoly and its first mover advantage tend to offset the survival risks of market pioneering. The longer the first entrant can dominate the market in monopoly before the entry of first rivals, the greater is the head start. Pioneers may possess some amount of customer loyalty, distribution network and an established product line. Boulding and Christen (2001) posit that pioneering offers a large and lasting impression on customers, strong brand recognition and the first right to choose suppliers. Mittal and Swami (2004) contend that besides the long term competitive advantage enjoyed by pioneers, research has shown that in the developed markets of the world, pioneers have better performance and profitability than followers.
However, Cottrell and Sick (2002) feel that a first mover strategy should be approached with skepticism. Hamel (2001) postulates that if you want to profit from a first mover advantage, you have to make sure you start with a unique strategic insight, at least initially unattractive to would-be competitors, protected by a wall of patents. Cottrell and Sick (2002) emphasize that being the first is not the essence, but being the first so that the first mover’s temporary monopoly position can be exploited long after the monopoly has been lost is what matters. The same authors further propose that a choice of entering a market as a first entrant should be compared to the option of delaying the entry and keeping an eye on competition. Being well prepared to enter the market as the second mover might be a good strategy (Cottrell and Sick, 2002). What is important is to be the first to put together the precise combination of features, value and sound business economics that unlocks a profitable new market.

Pioneering is important, because prior to any imitations and innovations, there have to be pioneered ideas. Imitations and innovations are of existing business ideas. Therefore, if there are no pioneers, there could be a risk of running out of ideas, and businesses cannot afford that risk considering the pace at which change is occurring. However, while pioneering might have its advantages, there are also disadvantages. According to Zhou (2006), in the high technological industry, there are high risks faced by pioneers in terms of choosing to follow the true technology and of product acceptance by the demand. Robinson and Min (2002) add that on the whole, a market pioneer or a first mover meets a significant amount of uncertainty in forecasting customer response, technological development and the maturity of the first generation technology. Mittal and Swami (2004) agree that it is risky and expensive to be a pioneer. The costs of development are huge, as the first business to enter the market has to conscientize the consumers of the product and convince them to buy that particular product. The risk of failure might be high, as the potential demand might not be certain. Having exposed the benefits and costs of pioneering, the next section focuses on imitation along similar lines.

3.2. Imitation – benefits and costs. Shenkar (2010) opines that although innovation is a highly praised value, the road to success could lie in the art of imitation. Shenkar (2010) also remarks about the pace of imitation that has increased significantly, because from 1870 it took about 40 years to imitate something. It now takes an average five years to and with generic drugs it only takes an average two months to imitate. This raises questions of what imitation is and what its costs and benefits are.

According to Milan et al. (2014), imitation is the search for new ideas and a permanent copy that enriches innovation and makes it acceptable. Imitators’ work is based on the market reaction to the initial innovation and that the process of copying is often accompanied by functional improvement of original ideas. According to Shenkar (2010) in Milan et al. (2014), imitations are prevalent in the automotive, textile, leather, fashion and cosmetics industry and construction machinery. In the services industries, imitations are found in the banking systems, tourist destinations, shops, supermarkets and electronic shops among others.

Baradello and Salazzaro (2012) postulate that there are two types of imitation: duplicative and creative imitation. The former refers to the transfer of technology for the production of identical goods to those of the competitor. The latter provides an active participation at the process of production by businesses that have focused the business not only to copy existing products, but also to make improvements to the previous versions of the product or adapt it to new uses. Milan et al. (2014) assert that creative imitation is not meaningless copying and plagiarism, but is a smart quest for improved functional and other characteristics of products or services. The researcher is of the view that duplicative imitation might not make economic sense anymore. Consumers, for which these products or services are developed, are now exposed to global products and, therefore, it is imperative that these businesses work towards meeting the consumers’ needs in this globally competitive business environment though doing business differently. Creative or innovative imitation would create variety for the consumers and, thus, add value to the business and society at large. The researcher feels that duplicative imitation might be costly in the sense that it requires that a business should possess adequate financial and human resources to be able to produce replicas of the products and services that are being imitated.

This study focused on innovative imitation driven by technology whether in product development or in offering of services. The focus was not on imitation in the technological industry per se, but looked at technology being a driving force or a facilitator in a lot of imitations that are occurring today. Taking into cognizance what has been unveiled by literature, most of these businesses are imitations and a close analysis of the examples that have been given indicates technology as the facilitator in the imitation process. In addition, examples given subscribe more to creative or innovative imitation than duplicative imitation, because imitators did not just copy, but they made improvements to the products and services that they had imitated, making them more acceptable and appealing.

Those that have chosen imitation as the route to follow have identified the following benefits. There are lower Research and Development (R & D) costs (Valdani
and Arboe, 2007; Shenkar, 2010 and Mittal and Swami, 2004). Shenkar (2010) adds that imitators benefit from hindsight and avoid all costly teething problems. Robinson and Min (2002) concur that early followers get to learn from the mistakes their predecessors have made, and may enter the market equipped with an improved solution. According to Baradello and Salazzaro (2012) and Mittal and Swami (2004), there is less risk of failure in imitation, because the product or service being imitated will already have been tested in the market and customer adoption issues will have been well understood. Pioneers capture only a small fraction of the market share for their product over time, while imitators, copycats and others gain the lion’s share of the available market. While imitation might appear to have benefits, there are costs incurred. According to Gary, Larsen and Markides (2006), by imitating, a firm gains legitimacy and access to resources, but it also loses its differentiation and resorts to profit-eroding price competition. Baradello and Salazzaro (2012) agree that although copying is fairly common, success is not guaranteed. In the high technology industry where there is a high concentration of a large number of imitations, most businesses in this sector focus more on technology than on the needs of the market. By so doing, these businesses open doors to clever imitators who already have their own customers to serve and to those able to create differentiated products.

3.3. Justification for and against imitation. Some research studies have unveiled some of the reasons behind business imitations. According to Markides and Geroski (2005), imitative strategies may provide more sustainable sources of competitive advantages for the business. Bloodgood (2013) agrees and further posits that businesses seeking competitive advantage often rely on a combination of innovation and imitation to improve their capabilities and performance.

Some imitators are forced by necessity to imitate. According to Muranda and Maguraushe (2014, p. 46).

“Trendsetters tower as iconic figures. Upcoming artists end up emulating trendsetters, because they do not have control over the means of production. Impoverished by machinisations, they are left with no option, but to create around what is perceived as lucrative by record producing companies, not mere intent to plagiarise others’ intellectual property”.

What is implied in this citation is that musicians imitate due to inadequate resources.

While imitation may be the preferred route compared to pioneering, it is imperative to briefly discuss legal aspects pertaining to imitation; that of intellectual property to enable imitators to make informed decisions. According to Jacobs (2014), intellectual property refers to all creations or products of the human mind that can be used for commercial gain. Many small businesses are started with original business or product ideas. To ensure that these entrepreneurs or creators of the intellectual property (or their employers) will derive the full commercial benefit of it and not an unauthorized user or infringer using the intellectual property, it is essential that legal protection be obtained. Intellectual property can be protected by means of copyright, the registering of a patent, a trademark or a design. Jacobs (2014) further asserts that the Berne Copyright Convention covers most countries of the world and lays down basic principles of copyright law that all member countries have to comply with. Copyright protects the author of original works from others making a reproduction of the copyright work. Works that qualify for copyright are literary works, musical works, and published editions among many. Copyright law protects the reputation and identity of the creator by giving a right of action against unauthorized distortion or mutilation of the work in a way that is to the detriment of the honour or reputation of the creator.

Baradello and Salazzaro (2012) argue that imitators capture opportunities and are attracted by the industry for the weakness of industrial property rights, technological interdependence and the uncertainty of technological trends. In the development of high tech products, companies implement imitative strategies depending on their objectives, resources, capabilities and technologies and are organized in collaboration with the direct competitors to win the definition of the standard technology in the market. Shenkar (2010) postulates that the rise of imitation was also made possible by the multiplication of alliances and partnerships which have led to sharing of technologies. Technological interdependence facilitates the flow of information that leads to imitation within the industry. To protect themselves, some companies have even decided not to enter into alliances though this is a difficult move considering the global scale in which companies operate these days. Shenkar (2010) further asserts that all these elements have weakened the leading role of “proprietary” knowledge. This leaves traditional protections such as trademarks or licences also under threat. In addition, Baradello and Salazzaro (2012) posit that the continuous contacts with other companies within the value network, the absence of a global regulation to defend industrial property rights and the uncertainty about the industry are the determinants that stimulate the activation of company imitation strategies.

According to the Economist (2012), it is critical that risk takers are able to harvest the rewards when those ideas materialize. Therefore, imitators need to be kept at bay, granting legal protection through various legal protection tools offered by the market economy such as patents, copyrights, trade secrets and trademarks. However, since these protections are offered country
by country, the costs of filing in all possible markets is costly, laborious and complicated and for these reasons, small businesses limit their global expenses to the most likely or key markets, leaving the rest of the world unprotected, including countries with very poor enforcement track records. Therefore, the researcher is advocating for legal and ethical creative or innovative imitation; imitation that is not meant to kill other people’s businesses or violate the copyrights of others, but meant to benefit other businesses through cross pollination of ideas. Whether we like it or not and whether we accept it or not, imitations are with us.

Besides the issue of possible violation of property rights, the argument against imitation could be that it promotes laziness. Knowing that there are business ideas to be imitated does not incentivize people to come up with new business ideas. Knowing that imitation and innovation is a faster way to making money might actually encourage laziness.

4. Research methodology

The literature review was dominated by articles from the western perspective because of the extensive research that has been conducted on pioneering and imitation. Of note was the immense contribution by Oded Shenkar (2010) on the topic, while the absence of articles on the topic under study in the Zimbabwean context was of concern. A qualitative approach was adopted for the study so that only those studies concerning the costs and benefits of pioneering and imitations would be identified. To begin with, 104 studies were initially identified and from that list the researcher narrowed down the search and 17 relevant articles were purposively selected and reviewed in more depth. These were articles mainly published in the last 16 years so as to establish the trends in the topic under study. Key words such as business imitation, innovation, creative imitation, pioneers, first mover, costs and benefits were used as search terms. This study focused on pioneers sometimes referred to as first movers, trendsetters, inventors, innovative pioneers, creative imitators and early entrants. The articles that were finally excluded were those whose content did not match the selection criteria.

The purpose of this study was to use findings on costs and benefits of pioneering and imitation to assist businesses in deciding on which strategy to adopt. Content analysis was used in the review. Although research studies from developed countries were used, the idea was to draw from their experiences and perhaps come up with lessons for developing countries such as Zimbabwe, as the researcher did not access any such study in the Zimbabwean context. The world is now a global village and even though environmental factors might differ, there are lessons to get from the experiences of the developed countries.

5. Results and discussion

What has emerged from this literature review is that businesses are forced by different circumstances to imitate and, as Baradello and Salazzaro (2012) postulate, imitation will continue to have a role in product development. Milan et al. (2014) assert that imitation has become a respectable factor of economic development. In this regard, the researcher feels that the attitude towards this phenomenon has to be changed. Shenkar (2010) argues that although China denies imitating products when they speak to the West, imitation is readily accepted in Chinese contemporary culture. Today China’s dramatic growth is closely tied to its talent as an imitator.

Imitation or copying is a natural phenomenon and it is difficult to eliminate it just as children imitate their parents and workers their leaders. Imitation is present in the sphere of business, as companies look up to each other and benchmark against each other’s way of doing business (Milan et al., 2014). Therefore, businesses should refrain from regarding imitation as unintelligible, as imitators too undergo a thinking process. There are a lot of considerations an imitator should make such as the location of a business, availability and accessibility to resources and what features to add among other considerations. Instead of looking only at the negative side of business imitation, there is a need to focus on the positives that imitation can bring or has brought. There are some businesses that might appear to be duplicative imitations at face value, but when searched deeply, they are actually creative or innovative imitations.

The researcher is of the view that because of the global competition and the easy availability of ideas, there is no time to really sit down and think of coming up with a brand new business idea. There is pressure to make quick money that investing in new ideas might not be worth it in the end. Businesses would want to take quick options as long as the quick options pay dividends in the end. The other factor that could be discouraging to the pioneers is flooding of the market by imitated goods which are cheap and, because customers are price sensitive, they purchase these cheaper products. Furthermore, the level of unemployment is high especially in developing countries forcing consumers to buy basic necessities. In the end, it becomes a waste of money, time and effort to worry about coming up with a brand new idea as long as one can imitate, innovate and make profits. Some products and services have been imitated and innovated so many times that they appear like new business ideas.

Conclusions and managerial implications

Based on the above discussion, the researcher concludes that most businesses are what Shenkar
(2010) calls innovators; a combination of imitation and innovation. This is where imitators will copy the idea and, then, improve on it and do business differently. While businesses especially in developing countries might want to pioneer, resources are inadequate. Even if some businesses were to set aside some of their resources for purposes of pioneering, the risk of losses might not be worth the effort considering global competition. Moreover, businesses might not have the time to come up with brand new ideas considering the pace of global competition. The best could be to imitate, but innovate in order to meet the ever changing customers’ tastes and preferences.

Literature findings do not provide conclusive views per se on whether to pioneer or imitate. However, based on the costs and benefits of pioneering and imitation exposed in the literature review, this paper argues that before managers decide on whether to pioneer or imitate, the following considerations should be made. Firstly, managers should conduct an analysis of both the external and internal environments. It is crucial to assess the political, economic, socio-cultural, technological, legal and international sub-environments, as all these have factors that can positively or negatively impact on the business. For example, it is the economic environment that will determine the demand and supply of goods and services; the type of goods and services, the level of competition and the prices to charge among other factors. If there is stiff competition perhaps, combining imitation and innovation would be ideal, because duplicative imitation might not work. Legally, a company should find out whether imitation is permissible or not, lest the business finds itself having to deal with law suits. As alluded to earlier on, the pace at which technological changes are occurring is very fast making it necessary for businesses to assess the level and intensity of competition, the number and size of competitors. It is in this regard that an environmental analysis is key.

Secondly, it is important to conduct an environmental analysis because some environments are more favorable to pioneering than others. If the environment is more conducive for the imitation strategy, then, managers should adopt the imitation strategy, but if more benefits would be gained in pioneering, then, the pioneering strategy should be embraced. Managers should realize that what works in one environment might not necessarily work in another environment.

Thirdly, managers should do a SWOT (strengths, weaknesses, opportunities and threats) analysis of their own businesses. An assessment of the internal environment should focus on the available infrastructure, capital, competences and skills to either pioneer or imitate. Such an assessment would help managers to determine whether they have the expertise and resources necessary to exploit situations and make informed decisions of what strategy to adopt in order to create a competitive advantage. Managers should not just adopt a strategy, because company X has done so, because they will not be knowing the competences, the competitive advantage, the resources and sources of resources of that company. Fourth, there is a need for a risk assessment of the strategy to be adopted, because whatever strategy is adopted, there is a risk element. Finally, instead of looking down upon themselves, imitators should actually develop capabilities to learn more or better from benchmarking and, therefore, imitate in a more innovative way. Although it does not sound ethical, but that is probably the route businesses today could take in order to survive. As businesses in Africa, particularly small and medium sized businesses, continue to face liquidity challenges, it might be difficult to pioneer. If America that has the resources will outsource and produce in China, to cut down on costs (Baradello and Salazzaro, 2012), what more countries and businesses in Africa?

Based on the literature review, it would appear as if imitations are unavoidable and pioneers have to accept that as long as their businesses show signs of profitability, other businesses are bound to imitate them. While a business might be guided by its vision and mission in its operations, it should incorporate the market needs, assess its strengths and weaknesses in making decisions of whether to pioneer or imitate. At the end of it all, managers should understand that money comes from the customers and it is the customers that determine what should be produced. Therefore, managers should study the market and make decisions that satisfy the market. If managers decide to imitate, they should not do so in a confrontational way such as using similar advertisements, brands and logos of the companies that they imitate. This would be tantamount to duplicative imitation or plagiarism which might not be healthy for businesses. What should be borne in mind is that the owners of the brands would have paid for them and, therefore, their rights should be respected. Where possible, consultations should be made with holders of patent rights.

Given that no studies were accessed on whether companies should adopt the pioneer or imitation strategies, further research could be conducted on the impact of either pioneering or imitating on a company’s performance.

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