The Role of Imitation-Based Strategies in the Context of Latecomers

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Abstract

According to numerous investigations (mostly in the context of developed countries), innovation is recognized as a more valuable solution than imitation. As Ordanini, Rubera and DeFillippi (2008) state, ‘the basic assumption is that innovative activity creates positive values, not only for the innovator but also for society as a whole, so that imitation must be limited’. For such emerging economies as latecomers, however, imitation is an important path to innovation and learning (Guo et al., 2013). Imitation occurs frequently in emerging countries and it is acknowledged as an indispensable learning process for latecomer firms. However, there are gaps in understanding successful imitation-based strategies for latecomers. Recognizing this gap, the paper focuses on the imitation-based strategies by clarifying their alternatives, advantages, and limits. The paper closes with exploring the challenges of employing the imitation-based strategies in the context of latecomers.

Keywords: imitation, imitation-based strategies, latecomer economy, latecomer firms, advantage and limit of imitation.

Introduction

Studies investigating technology development and innovation activities in latecomer companies (for example, Kim, 1997; Ouyang, 2010) show that these firms began mainly as imitators. These firms often initially catch up technologies from developed countries, copy or adapt the original innovative solution, and then build their own technological and innovative capabilities step by step. For example, Chen (2011) points out that Japan’s successful industrial development has been achieved through copying foreign products and absorbing advanced technologies as well as through developing its capabilities in introducing product innovation, based on imported models. So, imitation often is the first step for latecomer firms and countries towards learning how to build their own technologies, competencies, and resources and become more innovative.

Imitation is a significant phase in many countries or enterprises on their transition process from the imitation to innovation paradigm. For example, in his examination of South Korea’s automobile industry, Kim suggests that Korean firms have followed the path from duplicative imitation to creative imitation, and then innovation (Kim, 1997). Kale and Little (2007) show how the Indian pharmaceutical industry has made a remarkable shift from an imitator to an innovator of drugs. Lee et al. (2009) analyze the evolution of technological capability of Taiwan’s electronic industry. There are other examples of remarkable progress in some industries of latecomers such as China, India, Brazil, and Mexico that have moved or are on their transition from imitation into innovation. So, successful imitation can be the basis for innovative activities.

When imitation is legal, involving investment in research and development, requiring creativity and expertise, it can be a smart solution for companies and the whole industries. Using the data for 55 developing and developed countries, Madsen, Islam and Ang (2010) have examined in their research that growth in developing countries is driven by imitation. Mukoyama (2003) research shows that subsidizing imitation may increase an economy-wide rate of technological progress. According to the author, promoting imitation enhances not only static efficiency but also dynamic performance of the economy. Imitators’ actions encourage a rapid diffusion of new products, processes, and organizational agreements (Pil and Cohen, 2006). Among other positive effects, imitation allows excluded consumer access to new products, stimulates competition, and encourages innovative activity.

The role of imitation-based strategies, however, too often is not fully recognized. As Ulhoi (2012, p. 38) states, ‘given that the majority of firms are imitators, surprisingly little attention has been devoted to the different imitation strategies available’. The main focus is primarily made on encouraging innovations and not developing imitation-based strategies.

Some attempts have been made to analyze different kinds of imitation on which one or another imitation-based strategy can be grounded. Several classifications of imitation have been created on this basis (Schnaars, 1994; Valdani and Arboe, 2007; Ulhoi, 2012). These classifications, however, present more the variety of imitation or alternatives for imitative practices and less focus on specific strategies that companies can employ when they decide to enter the market with an imitation or to increase their competitiveness through imitating activities. Lee and Zhou (2012) also point out that the literature tends to treat imitation as a uniform strategy, ignoring the richness of imitation alternatives.
The paper focuses on two related questions. First: what imitation-based strategy can be successful for latecomers in order to narrow their technological and innovative gaps with the market leaders or even overcome them? Second: what challenges do the latecomers meet by focusing on imitation-based strategies and what advantages they gain?

Research literature analysis is used as the main method for research purposes. The paper critically reviews recent literature on the topic of imitation by focusing on imitation-based decisions and activities and their possible effects on strategic choice of the companies. This paper extends the previously accumulated literature by exploring potential challenges of employing imitation-based strategies by latecomers.

The paper is structured into three sections. The first part underlines the essence of imitation and explores strategic alternatives for companies that could range from replicating to surpassing the competitor the products, processes, or business models of which are imitated. The second part summarizes the advantages and limits of imitation-based strategies for the firms. The third section explores the challenges of using imitation-based strategies in the context of latecomers.

### Exploring Imitation-Based Strategies

In distinguishing among the types of imitation-based strategies, the paper opens with the concept of imitation and different modes of imitation.

As the object of research in different disciplines (biology, psychology, economics, management, marketing, etc.), imitation can be defined and understood in different ways. As the object of management research imitation is explored at both interorganizational and national levels. At the inter-organizational level, imitation occurs when one or more decisions made by one or more organizations are also made by other organizations (Ordanini, Rubera and DeFillippi, 2008). At the national context, a process of imitation is referred to the rapid assimilation of technology and management techniques borrowed from more advanced nations (Chui et al., 1996). For example, Sevon (1996) presents an example of imitation which occurred in Japan during the period of 1868 through 1912. During this period, Japan emulated many organizations from Britain, France, the United States, Germany, and Belgium. Japan developed different areas, such as army, school system, police system, etc. by borrowing the ideas from other countries and adapting them to its own context. For example, the police system was an emulation of the French system, but also partly of Japan’s own traditions.

Imitation is often opposed to innovation. Levitt (2006) explains the essence of imitation as follows: ‘when other competitors in the same industry subsequently copy the innovator, even though it is something new for them, then it is not innovation; it is imitation’. Imitation is typically understood as the act of copying or mimicking the action of others with the intent to achieve the same, or similar, consequences. For example, according to Shenkar (2010), imitation is the copying, replication, or repetition of an innovation or a pioneering entry.

Imitation, however, should not be confused with piracy or counterfeiting. Counterfeiting refers to a 100 percent ‘direct’ copy that carries the same brand name or trademark as the original. Counterfeits are produced illegally, are inexpensive, and are generally of low quality. Because of their illegality counterfeits are not a part of our discussion in this article. The focus here lies on legal forms of imitation and the related imitation-based strategies.

Imitators who perform legally do not copy ‘directly’; they only borrow or copy some aspects or attributes of the original innovation (Wilke and Zaichkowsky, 1999). In this case, product imitations are products that look similar to other products but are not identical. Other types of imitation (for example, process imitation, strategy imitation, or business model imitation) also consider that only certain features are borrowed from another organization. As Sevon (1996) points out, organizations modify the borrowed idea in order to adjust it to their own conditions. Rogers (2003) also assumes that the imitation process is not simply the replication of products or processes since there may be a substantial component of adapting ideas to suit local conditions or even improving ideas.

Imitation is also often seen as the learning process which includes observing others and learning from others. As Sevon (1996) points out, it is a way of learning from others’ experience of having done and achieved something.

In strategic management literature, imitation is defined as a strategic response to competitor activities whereby imitators take advantage because different risks associated with product development, attraction and education of customers, and infrastructure development have been assumed by the first-movers (Lieberman and Montgomery, 1988).

There are different types of imitation or imitative activity which vary by the imitation object, process, and other characteristics. Different classifications are developed and various terms are used by the authors in order to describe different modes of imitation.

On a broad scale, two types of imitations can be underlined by the essence of imitation: technological and organizational imitation.

Technological imitators are those that import, modify, and adapt technologies. As technological imitators, companies acquire technology in a number ways, for example, purchase patents, technical services, and equipment from other firms or foreign countries.

Organizational imitators replicate business models, routines, and other organizational components (Niosi, 2012). Haunschild and Miner (1997) suggest that there are three main types of organizational imitation: 1) frequency imitation (copying very frequent practices); 2) trait imitation (copying specific traits of other organizations); 3) outcome imitation (copying the apparent impacts of other organizations’ traits).

More specifically, imitations can differ by the object of imitation. As it is acknowledged, imitation is not restricted to products and services (Schnaars, 1994). It is also possible to imitate procedures, processes, practices, managerial systems, marketing strategies, business models, etc.
Product imitation refers to the development of products that are similar to the already existing products. It usually refers to copying new technological products. In order to succeed in product imitation, a firm should first overcome market entrance barriers, such as patents, customer habits, and dominant competitors.

Process imitation refers to mass design and manufacture of products that imitate the characteristics of demand and supply, i.e. with identical primary and accessory characteristics, similar price levels and an identical perception of demand (Brondoni, 2012).

Brand imitation refers to borrowing or copying some special attributes of a famous or leading brand, such as a name, shape, or colour. Brand imitations are also known as ‘knock-offs’. Research concerning brand imitation is abundant in marketing literature.

Strategy imitation refers to copying some elements of competitor’s strategy. According to Grant (2010), for one firm to successfully imitate the strategy of another, it must meet four conditions: 1) the firm must be able to identify that a rival possesses a competitive advantage, 2) the firm must believe that by investing in imitation, it can earn superior returns, too, 3) the firm must be able to diagnose the features of its rival’s strategy that give rise to the competitive advantage, and 4) the firm must be able to acquire, through transfer or replication, the resources and capabilities necessary for imitating the strategy of the advanced firm.

Business model imitation refers to copying someone else’s core aspects of a business including purpose, target customers, offerings, strategies, infrastructure, organizational structures, trading practices, and operational processes and policies. Business model imitation may proceed in two ways: literally copying the business model and copying the model, but moving it to a different industry.

Ulboi (2012) points out that imitation is a rather ambiguous concept, because as it can involve both creative imitative behaviour and pure replicative behaviour. According to this, imitation can differ by a degree of creativity in the process of imitation or by a degree of modification which can vary from marginal to remarkable.

Schnaars (1994) discusses various types of imitations according to their creativity. According to the author, counterfeits are the least creative attempt at imitation, and creative adaptations are the most innovative kind of a copy.

Knockoffs, or clones, are similar copies of the original product (typically of an expensive or designer product). Typically, these are the same products, but at a lower price and usually under a different brand name or none. The absence or expiration of patents, copyrights, and trademarks makes them legal (Schnaars, 1994). For example, there are many knockoffs in food or fashion industry. Recipes are unprotected by copyright, so anyone can copy each other’s recipe. Also, fashion designs are not covered by copyright law. It is illegal to copy brand names, such as Gucci, but clothing designs can be copied by anyone (Raustiala and Sprigman, 2012). Legal clones reproduce the original product via a licence.

Design copies, or Trade Dress, mean imitating the visual features (visual characteristics, text, sounds) of the original product or brand (for example, imitating the lilac colour of the Milka chocolate brand). Design copies follow the market leader but live on the market with their own brand name and specific engineering features (Brondoni, 2012).

Both knockoffs (clones) and design copies (trade dress) include marginal modification when an imitator modifies only marginal elements by developing a different design, reconfiguring the product, using new alternative materials, or using different manufacture processes.

Creative adaptation means making an incremental improvement of original products or adapting the existing products to new situations. They are what Theodore Levitt calls ‘innovative imitations’, and other authors call ‘creative imitations’ (Kale and Little, 2007), ‘incremental imitations’ (Valdani and Arbore, 2007), or ‘innovations’ (Shenkar, 2010).

Creative imitator aims at making some changes to the original concept, with the goal of creating new applications for the pioneer product to meet the needs of new customer segments or to enter new markets or new sectors. In this case, an imitator enters the market with a significant technological contribution thereby innovating and overtaking the pioneer innovator (Valdani and Arbore, 2007). With a creative imitation strategy firms not only replicate but also improve competitor’s products (Lee and Zhou, 2012). Creative imitation involves not only such activities as benchmarking, but also notable learning through substantial investment in R&D activities to create imitative products, which may have significantly better performance features than the original (Shenkar, 2010).

Technological leapfrogging is another mode of imitation. Tukker (2005) defines leapfrogging as a situation in which newly industrializing countries learn from the mistakes of developed countries and directly implement more sustainable systems of production and consumption, based on innovative and ecologically more efficient technology (cit. in Binz et al., 2012). Furthermore, Binz et al. (2012) view leapfrogging not as simply skipping one step of technology development, but as leaping ahead of the existing industries and becoming a technological leader. According to the author, three general conditions are necessary for leapfrogging: 1) technological and organizational absorptive capacity, 2) government interventions that strengthen incentives for the uptake of innovative technologies, and 3) technology transfer and financial assistance from developed economies.

Adaptation to another industry in one more type of imitation which means applying an innovation developed in one industry for the use in another. In this case, an equivalent to a product, process or a solution (such as technology, specific knowledge, business process, or whole business model) is new to a specific country or to a specific organization, but not new to the world. Such adaptation is also called cross-industry innovation (Enkel and Gassmann, 2010). In cross-industry innovation, already existing solutions from other industries are creatively imitated and retranslated to meet the needs of
Reverse engineering is generally understood as the process of constructing a new, similar company’s current market or products (Enkel and Grassmann, 2010).

**Different kinds of imitative activities**, such as reverse engineering and technology adaptation can be employed by imitators.

Reverse engineering is a common imitative practice. Reverse engineering is generally understood as the process of taking something (a device, an electrical component, a software program, etc.) apart and analyzing it in detail, usually with the intention of constructing a new, similar but different or improved device or program that does the same thing without actually infringing any intellectual property from the original (Minagawa, Trott and Hoecht, 2007).

The reverse engineering strategy was widely used in Indian pharmaceutical firms. Kale and Little (2007) describe the essence of reverse engineering as such: ‘in reverse engineering, scientists study different sequential steps involved in the making of the final compound. In some cases, scientists keep all these steps and change the

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<tr>
<th>Strategic choice</th>
<th>Related concepts and strategies</th>
<th>Main features</th>
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| **Strategy of replicating the original innovative solution and following the leader through competing in the same market** | ● ‘Me-too’ strategy (Kane, 1989)  
● A replica strategy (Ulhoi, 2012)  
● Blind imitation (Li and Kozhikode, 2008)  
● Duplicative imitation (Kim, 2000)  
● Exercise power strategy (Valdani and Arbore, 2007)  
● Knockoffs or clones (Schnaars, 1994)  
● Learning-by-watching (Bolton, 1993)  
● Lower prices strategy (Schnaars, 1994)  
● Parasite imitation (Valdani and Arbore, 2007)  
● Pure imitation (Lee and Zhou, 2012)  
● Reflective imitation (Bolton, 1993)  
● Strategy of repositioning the innovator’s product (Valdani and Arbore, 2007) | ● Firm copies the solution or technology that already exists and competes in the same market.  
● Innovator’s solution (products, service, strategy, etc.) can be easily duplicated.  
● Firm can offer more competitive prices.  
● Firm attracts consumers who would otherwise be unwilling to pay the prices demanded by the pioneer.  
● The market has weak barriers of intellectual property.  
● Firm employs benchmarking, observation and assimilation of external information.  
● Firm shows a low level of learning.  
● Firm’s investment in R&D and information channels is extremely limited.  
● Firm does not try to catch-up with the leader in the industry but follows at some distance. |
| **Strategy of replicating the original innovative solution and competing in the different market** | ● Adaptation to another industry (Schnaars, 1994)  
● Cross-industry innovation (Enkel and Grassmann, 2010)  
● Strategy of lateral entrance (Valdani and Arbore, 2007) | ● Firm copies innovator’s solution and adopts it to new context.  
● Firm reproduces the original via a licence. |
| **Strategy of modifying the original innovative solution and trying to catch-up with the leader in the industry** | ● An analogue imitation strategy (Ulhoi, 2012)  
● Creative adaptation (Schnaars, 1994)  
● Design copies or Trade Dress (Schnaars, 1994)  
● Imitate-and-improve strategy (Schnaars, 1994)  
● Learning by emulation (Li and Kozhikode, 2008).  
● Marginal imitations (Valdani and Arbore, 2007)  
● Mimicry strategy (Ulhoi, 2012)  
● Reverse engineering (Kale and Little, 2007) | ● Firm is responding to innovator’s solution (for example, new product); however, the firm’s primary goal is to improve the initial solution.  
● Knowledge conversion requires few trials and errors.  
● Firm employs benchmarking activities and ‘learning by doing’.  
● Firm resembles the original very closely, but does not seek to clone the pioneer’s product.  
● Firm does not seek to compete on the basis of lower prices.  
● Firm resembles only certain properties of the original solution.  
● Firm requires reverse engineering skills.  
● Presence of an ongoing research and development program is an important success factor. |
| **Strategy of overcoming the innovator through significant contribution into the original innovative solution** | ● Creative imitation (Schnaars, 1994)  
● Emulation (Ulhoi, 2012)  
● Innovation (Shenkar, 2010)  
● Incompatible or redundant imitation (Valdani and Arbore, 2007)  
● Incremental imitation (Valdani and Arbore, 2007)  
● Innovative imitation (Levitt, 2006)  
● Market power strategy (Schnaars, 1994)  
● Technological leapfrogging (Schnaars, 1994) | ● Knowledge conversion is difficult.  
● Knowledge conversion requires many trials and errors.  
● Assimilation of available knowledge is difficult.  
● R&D and manufacturing capabilities, related to the technology, are required.  
● Firm strives to equal, excel, and/or surpass the original.  
● Competitive advantage is based on strong differentiating features rather than price alone.  
● Firm shows a high level of learning.  
● Firm creates an entirely new solution that differs from competitors. |
The essence of the first possible imitation-based strategy is replicating the original innovative solution and following the leader through competing by price in the same market. The second imitation-based strategy means replicating the original innovative solution and competing in different markets. Employing the third imitation-based strategy, the firm follows the leader with marginal modifications. And the fourth imitation-based strategy means surpassing the leader with significant improvements.

It should be noted that these results reflect partially the studies of other authors who have tried not only to explore the modes of imitation, but also investigated possible imitation strategies. For example, according to Schnaars (1994), imitators and later entrants succeed using one or a combination of three strategies. They (1) offer lower prices than the pioneer, (2) sell a superior product, or (3) use their market power to overwhelm the weaker pioneer. Valdani and Arbore (2007) pointed out that successful strategies can be as follows: (1) exercise market power that enables competing with a product and the same position as that of the innovator, (2) repositioning innovator’s product, based on one of the following: lower price and/or quality; higher quality; new applications, and (3) lateral entrance, i.e. competing with a similar products, but in different markets.

Table 2

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<th>Source of advantage</th>
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<td>Faster market entry</td>
<td>Mansfield (1984) claims that the imitation time (time elapsed between the beginnings of research by the follower and its product launch) was 70 percent of the pioneer’s innovation time (cit. in Niosi, 2012). Jacobson’s (1992) studies show that for innovations, not protected by law, imitation time is reduced to less than a year (cit. in Valdani and Arbore, 2007).</td>
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<td>Improvement of technological capabilities</td>
<td>Imitation can facilitate catching-up of incumbent’s technological expertise. Technological capabilities gained from imitative learning give firms a solid base for the development of competence in advanced innovative R&amp;D (Kale and Little, 2007).</td>
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<td>Learning from errors and experience of the innovator</td>
<td>Through imitation, organizations learn better ways of performing their own activities. Learning through imitation may enable firms to improve existing technologies and processes and to develop those that are more efficient than used by the first mover (Glass, 2000).</td>
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<td>Lower costs</td>
<td>Imitators can reduce costs, especially during the early stages of product development and distribution. According to Bischoff’s (1980) research, ‘imitation costs are 61 percent of innovation costs in the area of market research, 49 percent in the area of development, 71 percent in the area of marketing, and 84 percent in the area of distribution’ (cit. in Schewe, 1996). The innovator can also avoid costs for customer education and awareness of new products (Valdani and Arbore, 2007).</td>
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<td>Lower risks</td>
<td>New product creation and development is risky. The innovator takes a risk by putting money into something that might not work or might not be accepted by customers. For example, ‘almost 90 percent of drugs under development fail in the trial phase after a billion-dollar investment’ (Shenkar, 2010). Golder and Tellis (1993) study shows that the average failure rate of pioneers is 47 percent, and their market share is only 10 percent. In comparison, latecomers enjoy low failure rates (8 percent) and large average market shares (28 percent) (cit. in Zhou, 2006).</td>
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<td>More freedom of movement</td>
<td>Customer needs are dynamic. So, later developments in demand may create new opportunities for later entrants, who may take up more desirable and attractive positions (Valdani and Arbore, 2007).</td>
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<td>Potential increasing sales volumes</td>
<td>‘Assuming that an imitator enters the market a certain span of time after the innovator, and assuming that there is a classical product lifecycle, the imitator enters the market in a period of strongly increasing sales’ (Schewe, 1996).</td>
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Advantages and Limitations of Employing Imitation-Based Strategies

Imitation is often judged negatively, especially when it is confused with piracy and counterfeiting. The main negative outcome of imitations is reducing innovator’s profits. That is why the actions of imitators are strictly limited by the law of intellectual property and other barriers. However, when it is legal, it provides advantages for enterprises and may lead to the economic growth of the industry and the country.

Many firms and whole industries are highly successful within the imitation paradigm. This is especially true for latecomer economies.

Latecomers are basically not the focus on innovations, especially at the early stages of their industrialization. Instead of inventing new technologies, they mainly rely on the adoption and imitation of technologies developed outside their own country. For example, South Korea, Taiwan, China, Malaysia, Indonesia, and Thailand, have begun to follow Japan’s path by imitating technologies from abroad. Firms from these countries are now beginning to innovate (Glass, 2000).

New entrants from the emerging markets rely heavily on imitation to compensate their lack of capital and know-how (Shenkar, 2010). For example, the recent impressive export performance of Chinese firms and industries, even the electronics industry, has been the result of their Excelling at an imitation strategy (Xi and White, 2006, p. 235). Such success was gained by co-ordinating firms and industries to manufacture the product at lower costs and to compete primarily on price.

Imitation is considered a good strategy for latecomer organizations as it saves time and resources. As Shenkar (2010) points out, if latecomers can efficiently acquire and absorb external technology they may enjoy significant economic advantage. Imitation costs are lower than innovation costs in most industries (Lieberman and Montgomery, 1988). Research suggests that the cost of imitation is typically 60 to 75 percent of the costs borne by the innovator (Shenkar, 2010).

Table 2 summarizes arguments why companies choose imitation-based strategies.

The main advantages of are imitation usually associated with lower costs, faster learning, less technological and market uncertainty, and lower risks compared to those that innovators have. Lower risks are achieved through analysis and study. For example, through market survey such things as what customers are buyers, how they buy products, and what values can the products bring them, etc. can be learned (Jin, 2009). For an imitation case the market is already proven, technical standards are set, and customers are educated. The imitators also save on research and development, and also on market research, distribution, and other areas (Schewe, 1996). They may not repeat the mistakes made by innovators and save resources, time, and so on by drawing on the experience of others.

Imitation is positive for firm development (Brondoni, 2012). Research by Accenture shows that the leading banks are simultaneously cutting costs and boosting growth by copying techniques from the manufacturing sector (Nunes, Mulani and Gruzin, 2007).

Although imitation is considered a less complex and easier way for the firms compared to innovation, some negative aspects and limitations of the imitation-based strategy should be discussed. Table 3 presents arguments for limitations of the imitation-based strategies.

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<th>Source of disadvantage</th>
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<td>Entering the market at a later time</td>
<td>An imitator takes a risk of reaching the market when there are many competitors. Entering the market at a later time, the profits of the imitator can be lower (or shorter in duration) than those of the innovator.</td>
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<td>Imitation generally occurs with a lag</td>
<td>By the time firms successfully imitate and produce the clones, consumers could have moved up the ‘quality ladder’ (Grossman and Helpman, 1991). So, the innovator can pursue the next technological generation and always stays one step ahead of lagging entrants (Schnaars, 1994).</td>
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<td>Imitation is costly</td>
<td>Imitation requires time, money, and human resources. The time spent on imitation is between 10 months and 2 years.</td>
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<td>Lack of innovative activity</td>
<td>Imitation weakens the incentive of innovation. Enterprises may remain focused too long on imitating foreign competitors, making small product adaptations and design improvements, and be unable to develop the capabilities to introduce new products or processes (Dobson and Safarian, 2008).</td>
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<td>Patents and other barriers to entry</td>
<td>Although property rights offer only limited protection, it takes time and resource for the imitator to overcome the barriers caused by patent rights. Mansfield et al. (1981) have found imitation within four years of 60 percent of the patented successful innovations in their sample of 48 innovations.</td>
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<td>Required absorption capability</td>
<td>Li and Kozhikode (2008) show that firms which lack the requisite absorptive capacity can adopt only blind-imitation. Only having absorption capability firms can start innovating on their own and choose a creative imitation strategy which has a stronger positive effect on financial performance of imitators.</td>
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<tr>
<td>Smaller shares of the market</td>
<td>Later entrants, entering the market with an identical offering, will garner smaller shares of the market.</td>
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Imitation, like innovation, requires resources and entails uncertain prospects (Grossman and Helpman, 1991). Moreover, unlike innovators, imitators have less potential to create markets, create loyal customers and shape their preference, to set product standards, and benefit from first entrance.

In general, imitation-based strategy may be both the advantage and the disadvantage for the firms. In discussing if the imitation-based strategy is a good choice in latecomer economy and how imitation-based strategies can be beneficial for latecomers, some cases of latecomer firms and industries should be explored in more detail (for example, the case of the Chinese mobile phone industry (Li and Kozhikode, 2008); the case of the Asian shipbuilding industry (Sohn, Chang and Song, 2009; others). Surely, the development path of latecomers from different countries and industries can be unique or have unique aspects. However, it is very important to understand the key points of the successful implementation of imitation-based strategies in latecomer context.

**Latecomers’ Internal Challenges for Carrying out Imitation-based Strategies**

For latecomer economies, innovation may initially be difficult (Glass, 2000) as firms in emerging markets typically do not have the internal knowledge or capabilities to engage in extensive R&D activities (Li et al., 2009). Accordingly, many authors indicate that latecomer firms essentially start as imitators and then learn (Li and Kozhikode, 2008).

Li and Kozhikode (2008) define a firm as a latecomer when it is ‘a domestic player in an emerging economy that enters (or diversifies) into a global industry that resource rich incumbents dominate’. According to Hobday (1998), a latecomer firm is an enterprise that confronts at least two major barriers to entry in attempting to compete in advanced markets. First, latecomers face technological disadvantage that means that they produce in the countries which industrial and technological infrastructure is poorly developed (Hobday, 1998). Latecomer firms are behind technologically, lacking research, development, and engineering capability. This technology gap represents the potential that latecomers could learn from their foreign counterparts in the same industry (Guo et al., 2013). Second, latecomer firms are located in developing countries and face market disadvantages. It means that latecomers often confront with underdeveloped, often small, local markets, unsophisticated users, and poor domestic market growth prospects (Hobday, 1998).

So, there are different external constraints that firms face when performing in latecomer economies. These constraints require regulations on the national level and need to be the object of separate research. This paper focuses on those aspects that depend on internal capabilities of latecomers and can be successfully developed in order to use imitation-based strategies.

The development of internal capabilities may offer major competitive advantage as latecomers could not only copy directly, but also may add significant value to foreign products or technologies in order to develop new products to satisfy specific domestic demands. This allows them not only to become leaders in their domestic markets, but also to be able to compete in international markets.

There are some internal challenges that a latecomer firm should meet in order to carry out an imitation-based strategy successfully. As Bolton (1993) states, successful imitation rarely occurs in a vacuum. It requires considerable expertise to absorb, imitate and adopt a solution or technology. So, an imitator must have certain absorptive and technological capabilities in order to succeed through the imitation-based strategy.

The absorptive capacity of latecomers is of key importance, as in most cases innovative technologies need to be adapted to specific regional and local contexts of the country. According to Cohen and Levinthal (1990), absorptive capacity is firm’s ability to recognize, assimilate, and apply external knowledge which helps the firm better internalize external resources (cit. in Li and Kozhikode, 2008). Latecomers have to accumulate a substantial amount of absorptive capacity until they become able to acquire sophisticated, cutting-edge technology (Sohn, Chang and Song, 2009). The study of Li and Kozhikode (2008) shows that the absorptive capacity and the complementary assets (which include assets, such as specialized manufacturing capabilities, access to distribution channels, service networks, and the related technologies) are two key factors which decide whether a latecomer firm chooses emulation or blind imitation.

Absorptive capacity is built during the process of imitative learning such as duplication and reverse engineering of the existing products (Sohn et al., 2009). According to the authors, imitative learning is the foremost option for latecomers with weak technological background. Through imitation and learning, domestic firms from emerging markets may evolve from being suppliers or contract manufacturers for foreign firms to becoming major competitors.

Technological capability is another key factor for any successful creative imitation. Technological capability is the ability to use technological knowledge to imitate and assimilate the existing technologies, to create new technologies, and to finally develop new products and processes (Kim, 1997). It is the prerequisite for successful technology transfer and also for independent technological developments. Cho and Lee (2003) argue that the networking capability plays a critical role in the development of the technological capability of catch-up firms in developing countries. Their technological development relies heavily upon accessing external technological resources and developing the networks that provide them with these external resources.

According to Li et al. (2009), innovative capability is also the main factor that allows firms in the emerging markets, as latecomers to the world market, overcome their latecomer status. Innovative capability includes the ability to create and commercialize innovative product, service or process technologies. In order to improve their innovative capabilities firms in emerging markets should have the access to external, advanced foreign knowledge. The
relationship between the imitative firm and intellectual property holders is very important in this case. Firms also need to enhance their internal R&D capability in order to accelerate the development of innovative capabilities (Li et al., 2009). R&D capability is defined as the ability to restructure the current knowledge and produce new knowledge. It is the core of both innovative and technological capabilities.

Lee and Zhou (2012) study also demonstrates that marketing capability plays an important role in imitation strategy. Marketing capability refers to the ability of firms to differentiate products and services from competitors. It includes market survey ability and sales ability. Li et al. (2009) also point out that customer knowledge is crucial for firms in the emerging markets. According to Lee and Zhou (2012), marketing capability can help an imitator reduce its negative image associated with being a copycat and develop a unique image that enables it to differentiate itself from a pioneer.

Schewe’s (1996) research with sixty-six firms interviewed has shown that successful imitators must have certain capabilities in order to succeed in overcoming barriers to market entry built up by the innovator. These are: strengths in the areas of technology, marketing and production, and the existence of suitable information gathering capabilities.

Summarizing, it can be acknowledged that successful development of the imitation-based strategy requires from the firms the combination of internal competencies and capabilities. Moreover, the more capabilities a latecomer develops, the more comprehensive imitation-based strategy it can implement. Due to the lack of accumulated capabilities, latecomers can only follow the given technological trajectory. Whereas strong absorptive, technological, innovative, and marketing capabilities allow latecomers to benefit through imitation-based strategies by modification of original innovative solution and creating new solutions wishing to satisfy customers’ needs and to compete in domestic and even in international markets.

Conclusions

For latecomers, imitation is an important strategy for several reasons. First, it is the real solution when the surrounding environment in which firms operate (for example, lack of R&D infrastructure, low governmental support of innovation, or insufficient human capital) is not proper to conduct innovative activities and research. Second, it is a good decision for latecomer firms in order to develop internal capabilities on their way to innovate.

Four main imitation-based strategies have been presented in the paper. They differ according to two main aspects: the scope of competition (in the same or different market) and the level of modification of the original innovative solution (direct copy, marginal modification, or significant modification). In particular, this paper has argued the important role of the fourth imitation-based strategy that means overcoming the innovator through significant contribution into the original innovative solution. Implementing this strategy, latecomers have the potential to catch up with more advanced rivals and benefit by offering a new solution both for domestic and international markets.

There are a number of factors that need to be considered for latecomers to be able to implement imitation-based strategy more successfully and maximize the benefits. The success requires a certain level of absorptive capacity, technological, innovative, marketing, and other internal capabilities that let to access, absorb, imitate, and adopt innovative solutions to their local contexts and to satisfy the international customers’ needs.

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References

Imitavimas yra reikšmingas etapas daugelyje kompanijų ir šalių, ypač tada, kai norima pasiekti konkurencinio pranašumo. Imitavimas ypač stulbius švelniausias sąvokas, kuriose yra imitavimas, išmokti nuo kitų. Štai kai kurių imitacijos formų ir iššūkių.
Strategijos esmė yra originalaus inovacino sprendimo dubliavimas, arba kopijavimas, bei sekimas pasiūk rinkos lyderi, kuri yra perkeliantį į kitas rinkas. Trečia strategija nunato sekiam pasiūk novatorų bei konkuravimą iš jų ir pateikiant rinkai, tarpautinėse rinkose, tei, struktūri rankai iš esmės patobulinant sprendimą.

Antroje straipsnio dalyje analizuojami įmonių įgyti pranašumai bei trūkumai, su kuriais jos susiduria įgyvendinant imitavimus grindžiamas strategijas. Pagrindiniai pranašumai siejami su mažesnėmis sąnaudomis mokslieni neišvengti sukurti ir eksperimentuoti pietrai, greitesniu mokymusi, mažesnį technologijos ir rinkos neapibrėžtumu. Kita vertus, įmonių imitatorės turi mažesnes galimybes įtakoti rinkos vystymąsi, formuoti vartotojų nuostatas, kurti technologijos standartus.

Trečioje straipsnio dalyje analizuojama, kokius vidinius iššūkius turi įmonės, veikianti vėluojančiose šalyse, nes jų įmonės turi išimti iš esmės patobulinant rinką, bet nėra pritaikant naujus rinkos įmonių įmonių gebėjimus, leidžiantis mokytis ir švietis reikiamų kompetencijų.

Absorbicinis gebėjimas, t.y., įmonės gebėjimas identifikuoti, įsivaizduoti ir panaudoti žinias iš išorinių šaltinių yra esminis įmonių gebėjimas, kadangi žmogus turi gebėjimus, išvaizduoti ir panaudoti žinias iš išorinių šaltinių. Absorbicinis gebėjimas ypač aktualus vėluojančių įmonių gebėjimas, kurių įmonės neturi pajėgumų vystyti naujų produktų bei paslaugų plėtros tyrimus savo organizacijose.

Kitas įmonių gebėjimas, yra technologinis, t.y., įmonės gebėjimas panaudoti technologines žinias, siekiant imituoti ir įsigyti egzistuojančias technologijas, kuri vystosi technologijos ir vystyti naujus produktų bei procesus. Stiprus technologinis gebėjimas yra svarbi sąlyga, siekiant perkelimui bei savarankiškai technologijų vystymui organizacijoje. Pasak Cho ir Lee (2003), norint stiprinti technologinius gebėjimus, įmonėms reikia skatinti įmonių gebėjimus, leidžiantis mokytis ir švietis reikiamų kompetencijų.