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How Smart Companies Use Imitation to Gain a Strategic Edge

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MAIN IDEA

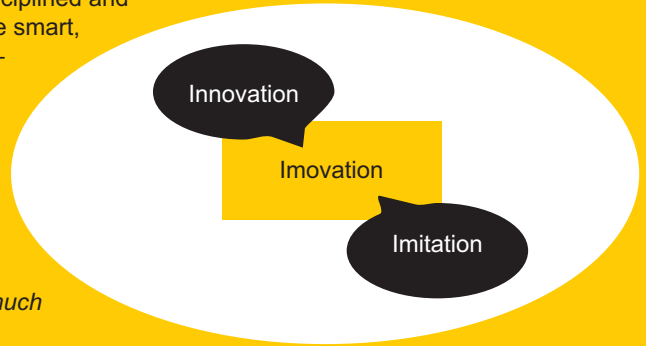
Innovation gets all the good press but the reality is imitation is just as important as innovation – if not more so.

With this in mind, companies should approach imitation in a more disciplined and systematic manner rather than leaving this to chance. In fact, if you're smart, you'll fuse innovation and imitation together to generate "imovation" – great ideas which have already been proven to work elsewhere combined with innovative new thinking.

If you can learn to make a conscious decision when to innovate and when to build on the capabilities which exist in the various platforms and products which are now available, you'll be far more creative and pragmatic at the same time. Don't look at imitation as an embarrassing nuisance – bring it front and center and do it with pride.

"Imitation is not only more abundant than innovation, but actually a much more prevalent road to business growth and profits."

– Theodore Levitt, 1966



1. The true value of imitation Page 2

Some firms are reluctant to admit they imitate others but the simple reality is you ignore imitation at your own peril. Imitation, done well, is not only consistent with innovation but is an enabler of practical innovation. To be competitive and stay that way, you need to both innovate and imitate simultaneously.

2. Imitation in the arts and sciences Page 3

Imitation has always been essential for the survival, growth and prosperity of all species. The same is true in the world of business. To get ahead, build your imitation capabilities at the same time as you attempt to bulk up your innovation competencies.

3. Why imitation is flourishing today Page 4

The need to imitate is being driven by globalization, outsourcing and the codification of knowledge. That means you will face more competitors than ever before. To get ahead and stay ahead of diverse competitors, you have to combine innovation with savvy imitation practices.

4. Case Studies – Imitators in action Page 5

To genuinely imitate someone else, you've got to understand all the cause-and-effect relationships which underpin what works. Rudimentary forms of imitation which attempt to duplicate the results alone usually fall well short of the mark. The most successful imitators always end up doing lots of innovating as well.

5. How to be a successful imitator Page 6

To prosper as an imitator, six basic skills are required:

- | | |
|---|---|
| ▶ 1 Identify people who value imitation | ▶ 4 Put imitation into its proper context |
| ▶ 2 Find the right model to imitate | ▶ 5 Understand what's beneath the surface |
| ▶ 3 Scan and filter for opportunities | ▶ 6 Be able to implement what you want |

6. Imitation strategies Page 7

Imitation can be as viable as innovation. The essential imitation strategies are:

- | | | | |
|--|---|---|---|
| <p>1</p> <ul style="list-style-type: none"> • Where? • What? • Who? • When? • How? | <p>2</p> <p>Correspondence</p> <p>Make certain you genuinely understand cause-and-effect</p> | <p>3</p> <p>Value Proposition</p> <p>Don't imitate unless the potential benefits are substantial</p> | <p>4</p> <p>Timing</p> <ul style="list-style-type: none"> • Pioneer importer • Fast-second • Come-from-behind |
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7. Conclusion – The ten rules of imovation Page 8

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| <ul style="list-style-type: none"> 1. Never reinvent the wheel 2. Put buzz into imitation 3. Be open about copying competitors 4. Expand the gene pool for ideas 5. Be aware of your environment lens | <ul style="list-style-type: none"> 6. Avoid oversimplifications 7. Remember timing isn't everything 8. Build more value into your imitations 9. Be both offensive and defensive 10. Get started immediately |
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Imitation

1

The true value of imitation

Some firms are reluctant to admit they imitate others but the simple reality is you ignore imitation at your own peril. Imitation, done well, is not only consistent with innovation but is an enabler of practical innovation. To be competitive and stay that way, you need to both innovate and imitate simultaneously.

“Humans, as well as other species, have always relied on imitation to survive in a hostile environment, make tools, and outdo rivals and protagonists. They have learned not to reinvent the wheel – even before there was one. As communication and transportation have advanced, opportunities for imitation have burgeoned: globalization and technological advances have expanded the ranks of the imitators and have made imitation more feasible, more cost effective, and much faster.”

– Obed Shenkar

The pace with which imitation is happening is accelerating rapidly. In the 1930s, it generally took about 23 years for a good idea to be widely imitated. Today, most successful products are imitated within twelve to eighteen months maximum. And similarly some of today’s highly successful corporations started operations as imitators. Examples:

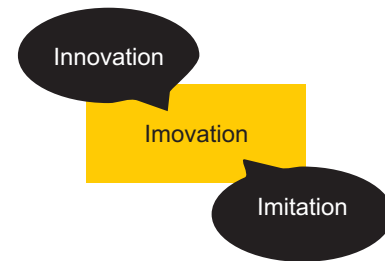
- Boeing saw the de Havilland Comet at the Farnborough Air Show in 1950 and realized the future of civil aviation would be moving to jet engines. Boeing then developed its iconic 707 to compete in that market.
- The first mainframe computer was released by Remington Rand. IBM liked what it saw and within four years had claimed market leadership in this market segment. Similarly, when IBM saw the success of the Commodore and Apple personal computers, it then released its own PC which ultimately came to have market leadership.
- When Atari released its Pong video game in 1975, Nintendo was just one of seventy-five imitators. Nintendo would ultimately come to dominate the market Atari built.
- Chrysler was the first automaker to sell a minivan, with Ford and GM then following suit when consumers started buying. All three US automakers were then pushed out of the market they had created by Honda and Toyota.

The great thing about being an imitator is the pioneer bears the costs of figuring out how to make a viable product and seed a sizable enough market to make that product worthwhile. The imitator can save on research and development costs because no dead ends are pursued. It’s also cheaper to market when customers are familiar with the product on offer. The benefit of hindsight also means imitators can capitalize on the shortcomings of earlier generation products and come to market with something which is demonstrably better and often cheaper as well. Imitators are also aware of the need to differentiate so it’s not at all unusual for imitators to bring several models to the marketplace which offer superior features.

Sometimes imitation happens by chance. Ray Kroc, who would go on to build the McDonald’s restaurant chain, came across the fledgling hamburger restaurant operated by the McDonald brothers when he called in to sell them a milkshake machine. Japanese automakers came up with the idea for their just-in-time production system when they visited U.S. supermarkets and noted merchandise was being automatically replenished.

At other times, imitation is a much more deliberate act. Walt Disney noted the pioneer animation studios were reluctant to adopt sound and color as they became available and he moved quickly to imitate what they were doing but also integrate next-generation technologies. Similarly, Dell didn’t invent the PC and has never really had a competitive advantage in technology. Instead, Dell has imitated other PC makers in most operational areas but has then added its own innovations in the areas of time to market and a direct sales model.

This last example, Dell Computers, illustrates the fact the best imitators mix replicating what is already being done with their own innovations in other areas. Effective imitation is always intertwined with innovation. Establishing the optimum balance between innovation and imitation is vital – and this is almost always something of a moving target.



Put another way, the fusing together of innovation and imitation to generate what can be termed as “imovation” is where the most value can be created in today’s markets. Imovators make a deliberate decision where they will innovate and where they will seek parity with existing products. In this way, imovators try to come up with products which will hit the market sweet spot.

The point of fusion where imitation and innovation comes together is called the “key strategic junction”. This is the “moment of truth” which defines the customer experience, the purchase decision or the overall product usage. Imovators focus on putting together capability platforms which will deliver a superior experience at each key strategic junction. Sometimes, that superior experience will be developed by capabilities offered by innovations while at other times it will be generated by imitating what others are already doing. Imovators concentrate on getting that blend just right.

“Even if we’re trying to innovate, we also want to know what other people have out there, so some of the innovation, as funny as it is now that you think about it, is driven by imitation. Even when we look to imitate, we say we’ve got to make it better and turn it into an almost innovation. Innovation we see as a clear competitive advantage; the purpose of imitation is to make sure we’re not disadvantaged.”

– Lionel Nowell, former treasurer, PepsiCo

“Imitation, once thought of as a primitive instinct, has come to be viewed as a complex, intelligent, and creative endeavor, the capabilities for which are rare and highly valuable. Businesses must act now to develop imitation capabilities – ranging from the referencing of appropriate models to the understanding of context – so that they are put in a position to conduct true, or full-fledged, imitation.”

– Obed Shenkar

Imitation

2

Imitation in the arts and sciences

Imitation has always been essential for the survival, growth and prosperity of all species. The same is true in the world of business. To get ahead, build your imitation capabilities at the same time as you attempt to bulk up your innovation competencies.

“Imitation is a fundamental part of biological and social life. It is a way by which various species learn, make sense, survive, compete, and evolve as they acquire traits and behavior that help them thrive in their respective environments. It is a vital mechanism used by human beings to acquire basic skills such as language, by organizations to learn and compete, by cultures and societies to instill values and norms of behavior, and by nations to keep up with each other. Imitation has underpinned the survival of the human race through the use of tools and the building of competencies, and it is a way to impart complex social traditions from generation to generation. It has been essential for human evolution because, through the so-called ratchet effect, it facilitates the diffusion of new ideas, technologies and inventions.”

– Obed Shenkar

Simply put, human development would not be possible without ongoing imitation. Species have always freely borrowed from each other and will continue to do so. Newborns learn what to do to survive by imitating what their parents do. The same thing happens widely in the business world. Everyone studies the companies which prosper in order to pick up on their “keys to their success.” Companies will attempt to clone or otherwise duplicate whatever successful enterprises are doing.

The real key to imitating correctly is to solve what can be termed the “correspondence problem.” In practice, it is sometimes difficult to discern all the cause-and-effect pairings which are at play. Even when you break a system down into components and then reassemble the elements, it may still not be obvious what the driver of some specific benefit is. Imitators have to unravel complex and sometimes contradictory relationships to understand the underlying linkages that matter.

Historians and scholars have always tended to look down on imitation as being the poor cousin of innovation. Innovation and imitation have generally been seen as contrasting activities rather than as elements which can be fused together. The same has applied in business scholarship. Economists have frequently spoken of:

- *Information cascades* – where individuals or companies observe the actions of successful competitors and duplicate that without any material enhancements.
- *Rational herding* – where imitators repeat the actions which have generated favorable outcomes for others without any changes whatsoever.

In general, economists tend to describe commercial imitation as a crude form of “naive learning” whereas innovation is enshrined as a “superior activity” which earns the innovator “the fruits of success.” To accept this point of view, however, ignores the facts. Numerous studies have highlighted the fact innovators typically end up capturing only around 7 percent of the market. It’s more likely imitators will do much better. It’s even likely at least one of the more successful imitators will push the innovator

aside. With the genuine pioneers out of the market, it’s commonplace to assume the remaining market participants were the innovators when in fact they were not. All of these factors combine to suggest innovation is more valuable than it genuinely is.

“The perception is if you were really that good, you would come up with something else on your own. Innovation is the buzz. Imitation happens.”

– Lionel Nowell, former treasurer, PepsiCo

Other reasons why imitation is undervalued are:

- Imitation runs counter to the values of free will, autonomy and independence which are prized so highly, especially in the United States markets.
- The United States prides itself on originating what go on to become important innovations. Of the ten major inventions of the twentieth century, eight originated in the United States – radio, television sets, TV broadcasting, the airplane, mass-produced cars, wireless phones, cell phones and the personal computer.
- Americans generally view their nation’s innovation capabilities as a competitive advantage, and therefore put innovators on a pedestal.
- Doing things “my way” sounds so much better than admitting you became successful by cloning what others were already attempting to do.
- American corporations tend to allocate the bulk of their R&D expenditure to research whereas Japanese and other foreign companies generally focus the bulk of their resources on the development side of the equation.

“Inexpensive labor enables developing countries to reduce their technological backwardness by imitating products even if their initial level of technology is far behind.”

– Hitoshi Tanaka, 2006

“The days of the great mind thinking are gone, and clever imitation is called for as an effective strategy.”

– Steve Dunfield, former executive, Hewlett-Packard

“Apple is widely assumed to be an innovator. In fact, it’s real skill lies in stitching together its own ideas with technologies from outside and then wrapping the results in elegant software and stylish design. Apple is, in short, an orchestrator and integrator of technologies, unafraid to bring in ideas from outside but always adding its own twists.”

– Economist magazine, June 9, 2007

“Don’t try to start the next revolution, just crank out smart, affordable consumer products.”

– Steve Jobs, CEO, Apple

“Imitation needs to be approached systematically but creatively, without losing sight of the intense, eclectic, and cyclical nature of the process. For example, spotting a potential idea usually leads to more scanning, as firms search for additional information (e.g. whether other competitors have already adopted it or are in possession of a better mousetrap), and early implementation problems may point to a need to return to deep diving to understand what went wrong. If this sounds much like innovation, it is: I have argued, innovation and imitation have a lot in common, and competitive advantage depends on our ability to bring them together.”

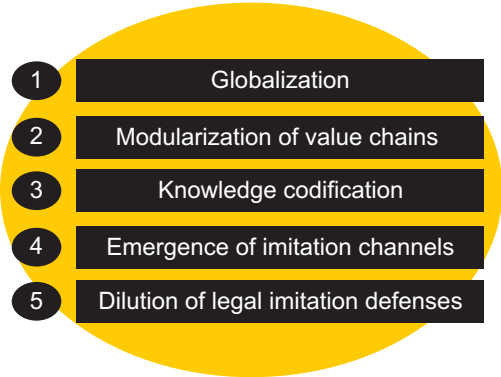
– Obed Shenkar

Imitation

3 Why imitation is flourishing today

The need to imitate is being driven by globalization, outsourcing and the codification of knowledge. That means you will face more competitors than ever before. To get ahead and stay ahead of diverse competitors, you have to combine innovation with savvy imitation practices.

Despite the fact imitation has long been frowned upon in the commercial world, the undeniable fact is it is today on the rise. Some of the reasons why imitation is becoming increasingly widespread today are:



1. *Globalization* – is vastly increasing the number and diversity of market participants all the time. This has the effect of unwinding established market relationships which previously reigned supreme. To illustrate, consider the U.S. auto market where the Big Three traditionally dominated. Today the market is fragmented with imports, new market entrants and a diverse array of competitors fighting for market share. The same is true of the pharmaceuticals market where generic makers are proliferating at an impressive rate and even in commercial jets where Boeing and Airbus are being challenged by regional jet makers. These companies are able to compete on an equal footing because a business infrastructure is now widely available in many more countries. Vital knowledge, which previously took generations to transfer and absorb, can now be circulated at the speed of light. Many emerging market firms are also using acquisitions and tie-ins to gain access to markets.
2. *The modularization of value chains* – which can dramatically lower entry barriers for new firms. Previously, companies would have had to invest millions of dollars and spend decades accumulating experience before they could venture into the marketplace. Today, outsourcers can provide any necessities on-demand. Furthermore, in many industries, a common platform is already on offer. New market entrants can build on that platform and get going in a fraction of the time it previously would have required and at a fraction of the cost. This makes it easy for a company to build scale and to be price competitive right from the outset. Furthermore, it's common for suppliers to start filling orders placed by others and then make a decision to enter the market themselves. They already know how to make the goods they have been manufacturing so they also know how to improve the product or price it advantageously.

3. *The codification of knowledge* – which means in industry after industry, what was previously a body of know-how residing in the heads of master craftsmen has been assembled into a structured, unified codex. This is the direct result of the greater availability of low-cost information systems which can collate, track and replicate knowledge at the push of a button. Aiding this process is the availability of consultants who will, for a fee, assist with bench marking, certifying compliance to standards, developing best practices and so forth. All of this enhanced transparency makes imitation easier than ever before.
4. *The emergence of imitation channels* – which aid and facilitate imitation. Some of the more common:
 - *Partnerships and strategic alliances* – where partners get the opportunity to learn how things work. Strategic alliance partners can then decide to become direct competitors in the future.
 - *Staff turnover* – where key employees take the trade secrets of one firm to a competitor who uses that know-how to enter the market themselves.
 - *Imitation clusters* – regional groupings of companies typically centered around technical schools and applied research centers. In these clusters, firms work together to reverse engineer new innovations and come up with generic equivalents which everyone can then sell. For example, there is a garment cluster in China's Guangdong Province with textile producers and dye makers which can rapidly turn out carbon copies of "borrowed" designs as soon as they come to the market.
5. *The dilution of legal imitation defenses* – including brands which lose their luster and the increasing cost and complexity of defending intellectual property rights. In many sectors, brands don't have the pulling power to demand the premiums they once did. Generics and private label products are growing rapidly in industry after industry. The registration costs of worldwide (Patent Cooperative Treaty) patents is also becoming prohibitive at the same time as enforcement is becoming harder. Imitators are getting progressively better at figuring out ways to tinker with a product or process to come up with a marginally different version for which they, in turn, apply for their own patents. When these cases come to court, figuring out who owns which specific aspects of the intellectual property is complex and expensive. Added to these challenges, it's not unusual for governments to force companies to share their technology in order to avoid antitrust or monopoly concerns. The combined impact of all of these developments is patents and such don't have the level of legal protection they once had.

"Anything that has a size and scale as far as market and has various channels of distribution where you can get product or serve whatever the consumer is looking for, will be imitated."
 – James O'Brien, chairman and CEO, Ashland

"Globalization means that no one is immune to competitive pressure and that firms that fail to either invent or adopt (and I argue, both) risk being left out of the game. Rapid technological changes bring about obsolescence of products and models, making inventors and first movers vulnerable to newer mousetraps or their improved variants. Legal protections have weakened at the same time that codification, standardization, new manufacturing techniques make copying easier."
 – Obed Shenkar

Imitation

4

Case Studies – Imitators in action

To genuinely imitate someone else, you've got to understand all the cause-and-effect relationships which underpin what works. Rudimentary forms of imitation which attempt to duplicate the results alone usually fall well short of the mark. The most successful imitators always end up doing lots of innovating as well.

Southwest Airlines

Southwest is one of the most successful companies ever in the commercial aviation industry. As a result of that success, Southwest is also one of the most widely imitated companies ever. Wave after wave of startup airlines have come and gone with the objective of outperforming Southwest.

Southwest started in 1971 with three aircraft. It had a deceptively simple business model which Southwest had unashamedly based around what it learned from the failure of discount carriers like People's Express. The key elements of Southwest's initial business model were:

- Fly short-haul and point-to-point rather than to hubs.
- Use one type of aircraft, the Boeing 737.
- Keep planes in the air longer by quick turnarounds.
- Land at cheaper, secondary airports.

Southwest's success generated a tsunami of imitators who all asked the same question: "How hard could it be to clone such a simple business model?" ValuJet (now called AirTran) and Spirit Airlines were the first followed quickly by Skybus and Ryanair, a European operator. They were followed by JetBlue and then attempts by the established carriers to establish a virtual airline within their existing operations. CALite (Continental), Shuttle by United and Ted also by United, MetroJet by US Airways and Delta's Song all tried to find success by emulating Southwest.

All of these larger company spin-offs proved to be dismal commercial failures. Some of Southwest's direct imitators like Ryanair, JetBlue, Canadian company WestJet and EasyJet have been more successful but they have found it's not just a matter of doing some of the superficial things that people assume are Southwest's "secret sauce" – like having casual cabin crews who are engaging and fun. The real driving force behind Southwest's success has been the company's relentless drive on doing things cheaper all the time. By steadily driving costs out of its operations, Southwest is able to compete directly against Greyhound buses and the like for people's travel dollars.

For its part, Southwest has proven to be highly effective at muddying the waters for its aspiring imitators. Rather than highlighting the operational advantages of its business model, Southwest has always attempted to credit other soft factors for its ongoing success. This is a very savvy thing to do as it gets competitors heading off on the wrong tangents.

"While a number of other airlines may attempt to imitate Southwest, none of them can duplicate the spirit, unity, 'can do' attitude, and marvelous esprit de corps of the Southwest employees, who continually provide superb Customer Service to each other and the traveling public. Even though many have attempted to imitate many aspects of Southwest, they cannot duplicate our most important element of success – our people."

– Herb Kelleher, 2005 Annual Report, Southwest Airlines

Wal-Mart

"Most everything I've done I copied from somebody else."
– Sam Walton, founder, Wal-Mart

As the world's largest retailer with more than \$350 billion in annual revenue, Wal-Mart is a rather obvious target for imitators. Companies which have attempted to imitate Wal-Mart have included Kmart, Dollar General and Target. None of them, however, have managed to match Wal-Mart's super-efficient logistics and advanced information systems. By most estimates, Wal-Mart's distribution costs are 1.7 percent of sales by comparison to 3.5 percent for Kmart and 5 percent for Sears. Similarly, Wal-Mart is able to adjust its purchasing and merchandising quickly because of its close monitoring of customer trends.

Since all of Wal-Mart's competitors are unable to compete directly on operational cost efficiencies, they have instead tried to inject other elements. Target positions itself as a "premium discounter" which provides higher quality than the discounters at lower prices than specialized retailers. Dollar General specializes in providing a more limited product range and quick-in-quick-out customer experience. Kmart went through several iterations where it attempted to imitate Wal-Mart's operations and tried unsuccessfully to shift more up-market before ultimately being merged with Sears.

The lessons which can be learned from both the successful and the failed imitators to Wal-Mart and Southwest Airlines are:

- To imitate another company successfully, you've got to start by understanding exactly what it is the successful company is doing right. It's all too easy to oversimplify the business model and hope the replica will generate identical outcomes. You've got to build an imitation which can adapt to the constantly changing circumstances the real world will throw up.
- It's possible and feasible for an imitator to find success by imitating key elements of the original but adding differentiation in other aspects. Best Buy does this well. It is operationally almost as efficient as Wal-Mart but it differentiates by adding premium service.
- The most successful imitators tend to be importers – they take a business model which works well in one industry and apply it in an entirely different context. A great example of this is Mary Kay Cosmetics which took the home sales party concept originated by Tupperware and married it with the direct sales model pioneered by Avon in the cosmetics industry. Mary Kay's sales parties are an even better fit with cosmetics than they ever were with food storage containers.
- The best imitators are always actively innovating themselves as well. They selectively cherry-pick the good ideas other companies have used and introduce their own tweaks which address the more obvious shortcomings of those pioneers. They learn from the omissions of the first-movers and leverage their mistakes. The best imitators are always, at the same time, innovative – they are imovators.

"In the coming age of imitation, amateurish, incidental approach will no longer suffice. Nor will it be possible to rely on innovation or imitation alone to drive competitive advantage. Fusing the two to create an imovation edge requires not only the ability to deter imitators but also the ability to deploy knowledge of deterrence mechanisms to penetrate the traditional defenses of innovators."

– Obed Shenkar

Imitation

5

How to be a successful imitator

To prosper as an imitator, six basic skills are required:

- ▶ 1 Identify people who value imitation
- ▶ 2 Find the right model to imitate
- ▶ 3 Scan and filter for opportunities
- ▶ 4 Put imitation into its proper context
- ▶ 5 Understand what's beneath the surface
- ▶ 6 Be able to implement what you want

There are six capabilities which must be developed and mastered in order to succeed as an imitator. These six essential capabilities are intertwined – they build and amplify each other. The capabilities are:

1. Identify people who value imitation

To be a good imitator, you have to build a culture and mind-set which values imitation as much as innovation. You need people who are comfortable and enthused about applying “Not Invented Here” ideas and concepts. You must have the humility to acknowledge other people and other organizations are capable of coming up with good ideas. Good imitators are curious, flexible and engagingly open-minded. Look for people who are outcome focused more than anything else.

2. Find the right model to imitate

People have a natural tendency to try and imitate:

- Their industry peers with which they are most familiar.
 - Other comparable companies which have a profile of success.
 - Processes which seem to produce highly favorable outcomes.
- Those tendencies are well and good but they can also be self-limiting to a degree. Instead of looking only at what can be termed “the usual suspects”, you should get into the habit of searching globally for potential imitation models. Systematically look beyond your industry confines for firms which are doing noteworthy things. Look at obvious innovators and clear-cut imitators in a number of industries for raw material to work with. And don't forget the smaller players – they have a way of being the most innovative of all in order to survive.

3. Scan and filter for opportunities

Conduct regular, systematic searches for fresh ideas. Train everyone on how to spot the most promising targets for imitation. To make that judgement call, your spotters will need to be technologically savvy enough to grasp the idea opportunities which come before them. Reverse engineering means to take a product or service and break it down into its components. You need people who can do “forward engineering” – who can visualize how an imitation would potentially fit into an existing or future product, process or business model. One way to do this is to offer to swap employees so practices worth imitating could be understood in more depth. Another option would be to give your people discretionary time they can use to study outside ideas that interest them. Come up with workable ways to get better at forward engineering.

4. Put imitation in its proper context

To imitate effectively, you have to understand the context within which the other firm's ideas work. Don't think of other companies as a black box where inputs go in one end and mysteriously come out the other end as polished and refined products. Understand how the environment impacts on what they do. Figure out what adjustments will be needed to make an idea from another setting work for you. Capture all of the various intricacies involved and be prepared to make the changes which will be required to make the idea fit your company.

5. Understand what's beneath the surface

Never fall into the trap of settling for quick, knee-jerk superficial answers to complex problems. To become a good imitator, you have to appreciate and deal with complexity. If you're combining two different business models to come up with a hybrid third option, address all the contradictions which will be involved. By all means note the outcomes but focus on the means and processes required to generate those outcomes. Decipher cause-and-effect by understanding the capabilities, processes and culture required. Know what the various components contribute to the system as a whole.

6. Be able to implement what you want

Creative ideas are interesting but invention doesn't have an impact until it is implemented. Similarly, imitation won't amount to much unless you can execute. Come up with an implementation plan which takes into account the capabilities of your own organization and resources. Put together interdisciplinary teams so you cover all your bases when it comes to getting the right things happening.

In addition to these six essential capabilities, imitators also have to be able to overcome the various imitation defenses which innovators will erect wherever possible. The usual repertoire of imitation defenses are:

- An innovator might attempt to make it difficult for an outsider to decipher their product, service or business model. They might limit or restrict information to cause ambiguity.
- An innovator might have in place an elaborate network of relationships which the imitator would not be able to access. This might make putting together a supply chain difficult.
- It might be hard for a customer to switch from the innovator's product to the imitator's product.
- The innovator might signal to the market they have demonstrable superiority which cannot be cloned. Or alternatively the innovator might build production overcapacity in an attempt to scare off potential imitators.
- The innovator might have specialized manufacturing assets, exclusive supply sources and dedicated distribution channels which would not be available to the imitator.
- The innovator might have an established brand which is well known in its market. To overcome this, an imitator might use private label sales, the acquisition of a smaller brand, tie-ins with other established entities or the offer of a superior warranty.

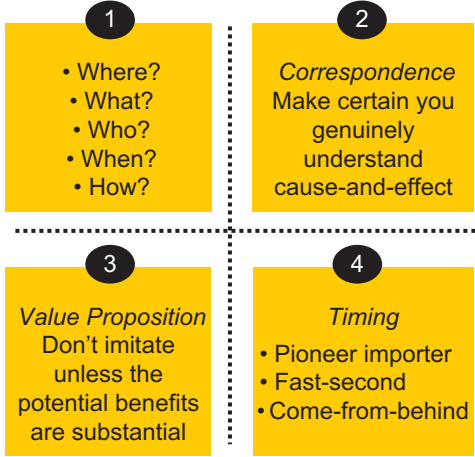
Imitators have to find ways to overcome all of these deterrents in order to prosper. Viable strategies exist for all of these defenses. Good imitators not only figure out ways to overcome these defenses but at the same time they also use the defenses themselves to prevent or delay the arrival of others who want to imitate them.

Imitation

6

Imitation strategies

Imitation can be as viable as innovation. The essential imitation strategies are:



Imitation can and should be undertaken in a structured and well thought out way rather than in an ad-hoc fashion. To formulate, deploy and then exploit imitation advantageously, a good framework is generally built around four imitation strategies:

1

- Where?
- What?
- Who?
- When?
- How?

Before you start furiously imitating, decide:

- Where? – What industry or domain are you going to draw your inspiration and ideas from? Assess how easy the imitation is likely to be.
- What? – Will you be imitating a product, a business process or an entire business model? You might choose to innovate in some key area and imitate everywhere else.
- Who? – What entity is currently the driving force behind the product, process or idea being targeted? Be willing to draw inspiration from far locales and seemingly unrelated industries.
- When? – What is the timing of your imitation attempt? Are you planning on being a pioneer, a fast second or a late entrant who will use a come-from-behind approach? Understand the pros and cons of each timing strategy.
- How? – Will your imitation be broad-brush or a highly detailed clone? Are you going to attempt to imitate everything the other entity does in its entirety or will you instead draw inspiration from what they have and add your own little tweaks and enhancements?

2

Correspondence
 Make certain you genuinely understand cause-and-effect

The central and enduring challenge of imitation is to solve the correspondence problem – to understand how your imitation will preserve the favorable outcomes which can be observed in the original. You have to understand causality and put in place the necessary processes which will make the right things happen consistently. If you don't understand how the desirable results are being generated by the entity you're imitating, you won't be able to pull this off. You have to figure out the relationships, plug in substitute elements and reconfigure the chain to work for you.

3

Value Proposition
 Don't imitate unless the potential benefits are substantial

In simple terms your value proposition is the cost-benefit equation and all the specific value you offer your own customers. From your perspective, there are always costs, risks and potential benefits involved any time you start an imitation project. You've got to factor in all these elements and decide whether or not your imitation project will provide enough benefits for you and for your customers to offset the risks at play here.

4

Timing

- Pioneer importer
- Fast-second
- Come-from-behind

The three main strategic timing choices each have advantages and disadvantages:

- The first entrants or pioneer importers have the classical first-mover advantage. You can build market share before others come along. The downside is you have to make all the mistakes yourself and cannot learn from the missteps of others.
- Fast-seconds enter the market before the pioneer has established a monopoly. There is the opportunity to observe how the market is shaping up before committing to it with this strategy. The downside is fast-seconds lack the legitimacy of the pioneer and often end up having to invest more in order to build production capacity quickly enough.
- Latecomers make a deliberate (or sometimes forced) decision to come to the market at a more opportune time when it is a known entity. Generally a latecomer will use lower prices or superior quality to enter the market. Latecomers attempt to leapfrog the existing market participants and therefore require strong implementation capabilities. The challenge for latecomers is to convince customers they offer better value and to lower switching costs.

Imitation

7

Conclusion – Ten rules of innovation

1. Never reinvent the wheel
2. Put buzz into imitation
3. Be open about copying competitors
4. Expand the gene pool for ideas
5. Be aware of your environment lens
6. Avoid oversimplifications
7. Remember timing isn't everything
8. Build more value into your imitations
9. Be both offensive and defensive
10. Get started immediately

1. Never reinvent the wheel

Don't waste your resources inventing something which already exists. Look at what someone else has already done and figure out a way to do it cheaper and better, or come up with a fresh way to combine two existing technologies together. Replace any "Not invented here" concerns with more of a "Found with pride" or "Find and apply" mindset.

2. Put buzz into imitation

Remove any stigma which is attached to imitation. Make it as exciting and fashionable as innovation. Approach imitation in a strategic manner with the full support of the senior management team rather than leave this to chance.

3. Be open about copying competitors

Accept that "Innovate or die" no longer applies. Successful companies take full advantage of what works for others. Deploy your imitation efforts openly and creatively in a serious effort to outrun your competition.

4. Expand the gene pool for ideas

When you're looking for ideas to clone, think globally. Look at what the small and unheralded operators in other countries and other industries are doing right. Look at both successful innovators and successful imitators for models to follow and ideas to use.

5. Be aware of your environment lens

What works in one industry and setting won't automatically work everywhere so be aware of how your environment colors your thinking. Look for inspiration everywhere but remember you've got to implement where you are.

6. Avoid oversimplifications

As humans, we all have a predisposition to try and oversimplify complex cause-and-effect relationships. To offset that, always carry out a thorough analysis of the role of each component in both originals and copies. Then factor in the architecture of the system as a whole. Understand what's going on before you try and imitate a complex business system.

7. Remember timing isn't everything

In addition to when, you also need to answer the where, what, who and how questions as well. Everything has to be well thought out before you can approach imitation in a strategic fashion. Focus on how you can create a unique package, even if it borrows elements which already exist elsewhere.

8. Build more value into your imitations

Imitation always carries its own costs and risks. Even when you imitate, you still have to be cost-effective. Always assess what the risks are before you commit to any imitation project and be aware what you're getting yourself into.

9. Be both offensive and defensive

To succeed, not only do you have to imitate the most appropriate models but you've also got to try and discourage others from imitating you as well. The more you figure out how to overcome the imitation defenses of others, the better equipped you become to defend your own products from imitation in the future.

10. Get started immediately

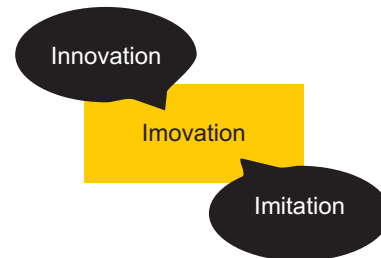
Once upon a time, consumers were quite prepared to forsake a new technology because it ran counter to the prevailing culture of the time. Those days are gone and they're not coming back. Get busy borrowing good ideas from wherever you can and make the right things happen. The time to start is now.

"Not a single company can afford even to try to be the first in everything in its field."

– Theodore Levitt

"Even those of us that think of ourselves as the industry leader can't constantly innovate every part of our business."

– Chris Connor, Sherwin-Williams



Imovation really is an idea whose time has come. As the world becomes more complex at the same time as information circulation is becoming easier and cheaper, nobody will be able to afford to innovate every feature all the time. More and more, the smart approach will be for innovators to focus on a few core features and to imitate everything else.

Most companies which are already using an imovation strategy find innovation and imitation really aren't all that far apart in practice. Good innovators are usually good imitators as well. Imitators get to be very adept at assessing vast amounts of information, putting things into context and understanding complex cause-and-effect relationships. These are all competencies which are highly valued by innovators as well.

"Innovators must focus their efforts on a few core features, and even then they may produce a novel and creative recombination of imitated and innovative elements. This combination will surely be resisted by innovators but unless these firms accept imitation on equal terms, they may drown in 'not invented here' risks and costs while watching their competitors fuse innovation and imitation into a winning formula. It is a fusion we have called imovation, and it is already practiced, though not yet perfected, by companies ranging from IBM to Apple."

– Obed Shenkar