International Business and Entrepreneurship

Imitation as Organization’s Strategy

Master Thesis (EFO705)

Composed by
Group 2276

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Preface and Acknowledgments

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ABSTRACT

Program: MIMA student – International business and Entrepreneurship
Course name: Master Thesis (EFO705)
Title: Imitation as Organization’s Strategy
Authors: Voravej Assavapisitkul
Sataporn Bukkavesa
Supervisor: Sven-Åke Nyström
Problem: Does imitation really benefit organization?
Purpose: The authors are writing this topic because the authors feel that this topic is not widely been investigated, moreover, it is a very interesting topic for the authors. According to the course literatures that the authors have read, the authors perceived that most of them focused on innovation and seems like they ignored or mentioned little on the topic of imitation and how can imitation benefits organization. Therefore, the authors are personally interested in the topic. The authors hope that the readers would gain more knowledge on the topic and would be able to apply with their business or study.
Method: Interpretivist; Documentary; Interview
Summary: In this Master Thesis, the authors have discussed several dimensions of imitation with examples. First, the authors discussed about imitation during the early stage of industrialization with the examples in Korea. This topic discussed of the opportunity provided through imitation process for the new firms to be able to catch up and compete with experienced firms. The next topic is on unique capability. Firms can apply imitation as their own capability that can prevent others’ imitation, moreover, they can become successful in the new market. Then the authors found that there are ways to imitate other firms’ knowledge legally in the form of strategic alliances. In the topic of creation of strategic alliances, the authors suggested four patterns of engagement that firms can select according to their objectives. Under the topic of firms experience, there are some empirical data supported that the degree of imitation has negative relationship with firms’ experience curve. Moreover, the authors discussed about the how competitors’ actions affect the firms to select different strategy of organization management in the topic of the choice.
of alliances and mergers and acquisitions by competitor’s move. Then the authors discussed about how successful were the imitations by reverse-engineering implemented by Korea’s electronics industry. Furthermore, the authors also provide examples of imitations in other industries. The next topic is limitation and prevention on imitation. Then the authors provided the reasons why do firms imitate. Moreover, the authors discussed about the factors that affect the speed of imitation process and show how the speed of imitation related to benefits and losses of the firms. Next, the authors suggested some successful strategies for product imitation. Then the authors discussed about the drawbacks of imitation with some examples. Finally, the authors provided the results and analysis of the interviews as primary data collection to show the success of firms that implemented imitations, people’s attitudes toward imitation, and the degree that originality and product origin can limit imitation.

Keywords: Imitation; Innovation; Reverse-engineering; First-mover advantages; Institutional theory; Unique capability; Strategic alliance; Competitors; Learning
1. Introduction

“Very often, the success of a new and unique product feature leads to a flurry of imitative brands” (Gordon, Calantone and Anthony di Benedetto, 1991). Nunes, Mulani and Gruz (2007), inspire us by their article “Leading by Imitation”, the article informs many opportunities of organization management to reach higher performance by creating systematic competitive advantage and elevating their imitation game. There are many examples of successful imitations in variety of industries.

This introductory chapter contains background information on the subject of imitation. The statement of problem and the purpose of the research as well as the target audience are also stated.

1.1 Background and Motivation

The authors choose ‘imitation’ to be our main theme of this research because there are number of factors that persuade us. According to Fisher (2007) the topic should be interesting and even exciting, these keep us to have sustaining motivation and commitment necessary to complete the research. Moreover, the topic is also interesting to external audience as well. This topic is durable, the imitation process is hardly obsolete and other organizations or new entrepreneurs can use the result of this research in current period.

The benefits of imitation were stated in many studies, in this research, shows the advantage of imitation comparing with innovation. The product imitation is famous method for many firms that try to catch up with more advance rivals. “The rival firm chooses the degree to which it is profitable to differentiate its product from the innovator. It has the second mover advantage that its costs are lower the more closely it copies the innovator's product. However, against this advantage is the drawback that the more similar the two products are, the more intense is the price competition between the two firms. The trade-off between imitation and differentiation is affected by the degree of consumer heterogeneity in the market” (Pepall, 1997).
Moreover, joint venture, mergers and acquisitions are also types of imitation in doing business. These business strategies are widely performed and many successful results can be seen at the present moment.

1.2 Problem Statement

The authors have decided to use “Does imitation really benefit organization?” as the problem statement because the authors think that imitation has a lot of benefits for business organization while there are little amount of literatures mentioned on this topic. In this thesis, the authors’ definition of “benefit” is the improvement of the business organization in both tangible and intangible assets. Tangible assets, for instance, are advancement in product, process of manufacturing, increase in income, revenue, profit, and market share, and etc. Intangible assets are reputation, the learning of the organization, network, culture diversification, information learning, and etc. The authors would write about the benefits and drawbacks of imitation in general and other dimensions revolving around the topic of imitation with practical examples such as strategic alliances, product imitation, limitation of imitation, and etc.

1.3 The Purpose of the Study

The authors are writing this topic because the authors feel that this topic is not widely been investigated, moreover, it is a very interesting topic for the authors. According to the course literatures that the authors have read, the authors perceived that most of them focused on innovation and seems like they ignored or mentioned a little of imitation and how can imitation benefits organization. Previously, many studies focused on resource based advantage as the prevention of imitation. Some studies mentioned about mergers and acquisitions but did not focus on the dimension of imitation. Therefore, the authors are personally interested in the topic. Moreover, the authors could see the relationship between imitation, innovation, and international business. Imitation has been conducted worldwide. The more networks firm engaged in and the more the firm knows about what is going on in the world, the firm would be able to implement imitation more successfully and maximize the benefits. Furthermore, there are people who mentioned that imitation discourage innovation. Therefore, the authors would like to investigate on whether imitation really discourages
innovation and how. In addition, the authors would like this thesis to give the knowledge on the topic to the readers and hope that it would be useful for them to apply with their business or study. In this thesis, the authors would focus on dimensions of imitation, the factors that encourage and discourage imitation. The authors’ purpose is to allow the business organization to investigate these dimensions and factors in their organization carefully and considers whether they should implement imitation strategy or not. Furthermore, if they consider implementing imitation strategy, how should they conduct the imitation in order to maximize the organization’s benefits?

1.4 Target Audience

The authors are writing this thesis topic for the readers who are doing business and would like to seek for a way to supplement their organization’s competency and for the readers who are interesting in imitation

In case of our research result shows that imitation is benefit of organization and supporting innovation, the readers would see imitation as an option to implement in conducting their business. However, in contrast, the authors will describe the drawbacks of imitation implementation in organization in order for the readers to be aware of them and prevent the drawbacks from their organizations.
2. Literature Review

This section is discussing about the previous studies that are relevant to the authors’ studies on imitation, for instance, organization management methods, importance of internalization of firm’s competency, the choices of business expansion, and the fundamental dimensions of strategy.

Institutional Theory

The institutional theory (DiMaggio and Powell, 1983) emphasized on how the organizational process were built by the forces of surrounding environment. The institutional forces are continuous, conformed and bring the change to the organization in strategic development. The institutional entrepreneurship will take advantage to make such innovative strategy that complies with environmental forces. Institution mainly described in three fields “beliefs, norms and rules that describe reality for the organization, explaining what is and is not, what can be acted upon and what cannot” (Hoffman, 1999, p. 351). Institutional isomorphism is a process that shape organization’s characteristic to be similar to others’ characteristic that exists in the same industry. The social process can affect the organization to adapt the method or structure of the successful organization, which can describe as mimetic. The culture process guided by norms, morals and ethic that are widely acceptable in the region causes normative process, for example, standard and custom in organization. The political process has the power to influence organization to act in comply with laws and policy, which can describe as coercive process. Institutional theory creates machine live and rational organization. (Mizruchi and Fein, 1999)

Mimetic process in organization can be benefit to the firms in management topic. It reduces the cost of learning environment and risk due to lack of knowledge in the early stage of business.

OLI Theory

According to Dunning’s eclectic theory, international production will occur if a firm has three kinds of advantages (Mtigwe, 2006)
- **Ownership-specific advantages.** This advantage gain from the limit of access to asset, both tangible and intangible asset, which foreign competitors cannot reach to our organization’s asset. (Mtigwe, 2006, p.12)

- **Internalization advantages.** The internal use of ownership advantage instead of renting to external parties, for example, avoiding from licensing and franchising or try to exporting their product from home based. (Mtigwe, 2006, p.12)

- **Location specific advantages.** This referred to advantages that firm gains by locating its production or part thereof to foreign location. This advantage can gain by favorable government incentive or regulation in different nation locations. (Mtigwe, 2006, p.12)

**Market Entry Mode**

When firms decide to create new foreign market, they are forced to choose the type of entry mode. Hill (2007) describes modes to enter new market: exporting, licensing, franchising, establishing joint venture, and new wholly owned subsidiary. There are variety advantages and disadvantages of each type of the mode selected; the best way to proceed is to analyze carefully for the most suitable entry mode.

**Exporting:** Firms can begin their expansion by exporting and change to other mode later. Avoiding the cost of establishing new manufacturing operation in host country including investment in assets and employees is the main advantage of exporting. However, the firm would lose the benefit if the costs of manufacturing in other places that are lower than the home country. For example, many of U.S. electronics firms have transferred some of their production facilities to Asia because of lower cost of production at similar skilled labor. The transportation for exporting should be considered especially for fragile and bulk product which can raise the transportation cost. Moreover, in some countries with complicated customs procedure, it would increase the time consuming. In addition, the tariff barrier could make exporting uneconomical. Furthermore, exporting relies heavily on the local agent, which would limit the authority and preference of the firms (Hill, 2007, p. 486).

**Licensing:** the firms give the rights of intangible asset such as knowledge to the licensee in exchange for loyalty fee in return. Intangible property includes patents, inventions, formulas, processes, designs, copyrights and trademarks. The advantage is that the firms can avoid the capital necessary to operate in foreign market; this reason is favorable to the high potential firms but lack of resource to make their own investment. Licensors can reduce developing cost and risk. The risk involved unfamiliarity in new market and political issues. Moreover,
licensing can also reduce or avoid some barriers. However, the licensor may lose the control over manufacturing, marketing and strategy which depend on experience curve. Moreover, the licensor are easy to lose control over their know-how technology by licensing it (Hill, 2007, p. 489).

**Franchising:** Franchising is similar to licensing but it also insists that the franchisee agree to abide by strict rules as to how it does business. “Franchiser will also often assist the franchisee to run the business on an ongoing basis” (Hill, 2007). The advantage is similar to licensing but the disadvantage is losing control over quality that can harm the reputation of franchisor (Hill, 2007, p. 490).

**Joint Venture:** Firms establish venture jointly owned by two or more otherwise independent firms. They share operating control and contribute a team management. The advantages are clearly seen by sharing risks and operating costs. In addition, they share both skills and knowledge including language, culture, political and business competency. In the other hand, the major disadvantage is allowing their partner to accesses their technology and knowledge. Due to sharing ownership with partner, there often lead to conflicts and battles for control between the investing firms when their goals and objectives have changed (Hill, 2007, p. 491).

**Wholly Owned Subsidiary:** The firm responsible for full investment in establishing new subsidiary and setting up new operation. Wholly owned subsidiary will not lose control over company competence. This mode is more preferable for high-tech based firms. Moreover, firms can gain experience curve of economies. However, wholly owned subsidiary needs the highest investment among all types of entry mode while the risk would be higher as the more amount of money the firms invest (Hill, 2007, p. 492).

**The Fundamental Dimensions of Strategy**

In this article, Fréry (2006) has mentioned about his idea on the three dimensions of strategy, which he called the dynamics of strategy consisting of value, perimeter, and imitation. He claimed, “A truly strategic decision occurs only at the nexus of three organizational considerations - where it adds value, how it handles and employs imitation and how it defines its perimeter” (Fréry, 2006, p. 71). The article mentioned that each of these dimension can be the initiator of the strategy, and one dimension can affect to the other dimensions (Fréry, 2006, p. 73).
He described each dimension and how they are related to each other and strategy. For the first dimension, value, he described that there are two ends of the value spectrum. One end is the value on satisfying short-term interest of shareholders. However, in long term, this might not be successful and might allow the executives to cheat as the example of Enron and WorldCom. At the other end of the spectrum is to satisfy customers. However, by trying to satisfy only customers and didn’t concentrate on the profit and long-term survival of the company, this might also leads to failure. Therefore, value should be built to balance somewhere between the spectrum (Fréry, 2006, p. 72).

The next dimension is imitation. He mentioned, “Concepts such as benchmarking, differentiation, core competencies, unique resources, institutionalism and competitive rivalry, or even game theory, organizational ecology and dynamic capabilities are all connected with the ability to prevent, implement or leverage imitation” (Fréry, 2006, p. 72). Firm would try their best to prevent competitors’ imitations because if their good strategies were imitated, the firm would lose their competitive advantage. At the same time, firm would try to imitate their competitors’ successful strategies to be able to catch up with them (Fréry, 2006, p. 72).

Furthermore, he has mentioned about imperfect imitation. He mentioned that imitation is very important in learning process. Sometimes, imitation is not necessarily means 100% imitation. People do imperfect imitation too. Firm might see the example of the successful innovation and imitate a part of it and has some modifications of the original. By doing this, the imitators might be either very successful and overcome the original or might lag behind the original and even fail (Fréry, 2006, p. 72).

Another very interesting thing that Fréry (2006) has mentioned in this article was self-imitation. Firms with successful history might imitate their successful process and expand it with their new projects or new locations. However, the dark side of this is that the firms might stick to self-imitation and create fewer innovations (Fréry, 2006, p. 73).

In addition, he has mentioned that imitation brings variety of industries to conformity. Firms in the same industry are quite similar in certain degree. However, this also creates opportunity for firms who dare to take the challenge to be different (Fréry, 2006, p. 73).

The last dimension of Fréry’s idea on strategy is perimeter. Perimeter is about setting the scope of the firm’s business. According to Fréry, it could be about “diversification, outsourcing, vertical integration, internationalization and positioning, and defining new
markets” (Fréry, 2006, p. 73). One interesting thing that Fréry mentioned is “the notion of perimeter addresses two fundamental questions in strategy: What business are we in, and where do we position ourselves along the value network of our industry?” (Fréry, 2006, p. 75).

Figure 2.1: The Dynamics of Strategy

Source: Fréry (2006, p. 73)
3. The Conceptual Framework

In a conceptual framework, the authors identified the theory and clarified the concept involved. The model below is emphasizing on the connection and relationships between the concepts. According to Fisher (2007), if there are dual powerful ideas in the field as Fisher described that “the notion that the world can be divided into competing force that are in continuous tension because neither force is strong enough to abolish the other and because each force is incomplete without its opposite” so we decide to draw our framework in “pairs of opposites” type. The two categories are reasons of management toward imitation which the authors are interesting, the positive and the negative effects of imitation in organization’s strategy.

“Does Imitation really benefit the organization?”

This model above sets a scope of the research to limit in comparing the factors that encourage and discourage imitation. The authors would show the advantages and disadvantages of imitation in findings and analysis part with examples from the empirical data. At a point where firms are choosing their strategy, they would consider these factors on their certain situation and environment, then evaluate whether they should make the decision to implement imitation.
4. Research Methodology and Methods

The range of our research is conducted in action research which “trying out ideas in practice as a means of improvement and as a means of increasing knowledge. Action research is about improving practice rather than about producing knowledge. (Fisher, 2007, p. 54)” The authors gather variety theories to support the created framework in order to create an improvement of understanding for audiences to make decision on implementing imitation process in their business. In this research, we choose two methods from Fisher (2007) to gather theories and empirical data (mostly qualitative data).

4.1 Data Collection

The authors make a decision of approach and methods of research guided by Fisher (2007).

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<tr>
<th>Method</th>
<th>Positivist</th>
<th>Interpretivist</th>
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<tr>
<td>Observatory</td>
<td>Preliminary work</td>
<td>A major component of the research</td>
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<tr>
<td>Documentary</td>
<td>Content analysis</td>
<td>Understanding categories</td>
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<tr>
<td>Interview</td>
<td>Large random samples, fixed-choice questions</td>
<td>Small samples, open-ended and unstructured questions</td>
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<tr>
<td>Questionnaire</td>
<td>Large random samples, fixed-choice questions</td>
<td>Used for initial mapping, open-ended questions</td>
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Table 4.1: Approach and Methods of Research

Source: Fisher (2007, p. 62)

The framework of this research is suit to documentary and interview method in interpretivist approach because they provide the understanding categories of theory from imitation field for comparing pros and cons of it. The limitation of time constrain in conducting research forces the authors to perform small sample interview.

4.1.1 Documentary

The authors follow documentary research method of Fisher (2007) in unstructured or exploratory style. There are two categories for analyzing the material, coding and writing case study. In this research, the authors would mention the theories that related to imitation and provide supporting case study from several organizations. The authors decide to use open
approach in searching for articles and documents. “The researcher may be trying to understand, for example, how rhetorical techniques are used to persuade the reader to a point of view” (Fisher, 2007, p. 161). Firstly, in stage of coding, the authors need to draw out the usable material from all the theories we collect, including indentifying themes. Then we group the theories into categories; depend on framework, for matching the case study. According to Fisher (2007), writing case studies gives a narrative account of the subject of our study. Drawing material from coding sheet and arrange it into sequence. From Fisher (2007), following up theoretical proposition technique is most suitable with our research because the concept in the conceptual framework and the relationships between them become the headings in the account of the case study. The research format would be written in a way that allows these propositions to be tested then compare them with the patterns of relationships that are found in case study (Fisher, 2007, p 187). The method authors searched for case study is using electronic database and filter only the focused topic of imitation in organization.

4.1.2 Interview
Interviewing is the common method of conducting research, moreover, it could provide example of good practice in open and semi-structured research. We created the questions according to our interest and the information we would like to know. Then we interview the interviewees by asking them the questions one by one. However, we do allow them to provide suggestion and personal opinions regarding the questions and topic of the interview.

The authors draw the questions for interviewing by concerning five components. (Fisher, 2007, p. 167)

1. Roughly sort and list area of questioning that related to understanding the change or the improvement of organization which adopting imitation strategy.

2. Prioritize the questions that related to the theories that we focused on the conceptual framework.

3. Consider the methods that would be used to analyze the question.

4. Decide on which questions would be open and which questions would be closed, however, this is based on semi-structure research style.

5. Put the questions into sequence.
After the authors complete questions planning stage, then the authors need to choose contact method. The reason for using personal and online interview to gather information in this research is from analysis of the strengths and weaknesses of several contact methods of Kotler and Armstrong (2008).

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Table 4.2: Strengths and Weaknesses of Contact Methods

Source: Kotler and Armstrong (2008, p. 99)

By the limit of time to conduct this research, the authors have chosen the method that is flexible, which can be conducted at different places such as home, offices, and university. Moreover, we have conducted the interviews with only nine interviewees from different nationality because we aimed to diversify sort of information. For this research, our interviewees were Thai, Chinese, Indonesian, Swiss, Taiwanese, Argentine, American, Indian, and Nigerian.

The authors organize the interview by using script of questions for assistant, checking language to avoiding ambiguous meaning. The authors selected interviewee by the difference of nationality and their convenience. The authors have collected personal data of the interviewees such as name, age, sex, nationality, and education level. Moreover, the time and date of the interviews conducted have been informed.

Our concept to conduct interview: “Because the authors would like to know whether imitation could be successful in practical way or not, the authors would like to conduct the interviews with consumers from various nationalities. For instance, the authors would ask the interviewees questions about their perception toward the brands that implement imitation and whether they purchase those brands. For example, the authors might ask whether how they feel with brand “A” 10 years ago comparing to how do they feel with the brand nowadays.
This would allow the authors to see whether brand “A” who implemented imitation is successful or not. The results of interviewing provide us a primary data for analyzing.” Moreover, the authors would ask questions to see the attitude of the interviewees toward imitation. Furthermore, the authors would find out the influences of imitation barriers, for instance, the concern on the origin of the product of the consumers.

4.2 Ethical Considerations

This research mainly based on coding conceptual from a number of theories, we provide reference in every citation from other authors. The authors deal with interview data by using such information only when we have the approval of both the organization and individual that it relates to. Before the authors conduct the interviews, the authors have informed the interviewees that their personally information and answers would be published in this master thesis.
5. Findings and Analysis

In this part, the authors have collected a number of data from companies and events. The information provided both imitation of product and process in variety industries, for example, imitation in electronics industry in Korea. Moreover, in this findings and analysis section, the authors have applied the exiting theories mentioned earlier with the discovered data. Analysis results are composed of imitation process in organization management and products. Furthermore, the authors emphasize on the advantages and disadvantages in each issue arise.

5.1 Imitation During the Early Stage of Industrialization in Korea

From Kim’s (2004) studies, the authors found that “Japan, Korea and Taiwan, not to mention the USA and western European countries during their industrial revolutions, could not have achieved their current levels of technological sophistication if strong intellectual property rights (IPRs) regimes had been forced on them during the early stage of their industrialization” (Kim, 2004, p. 342). In fact, industrial revolutions, especially in Korea, heavily depend on imitation technique that later turned into their capability advantage. Kim defines the term technology capability as “the ability to effective use of technological knowledge in effort to assimilate, use, adapt, and change existing technologies” (Kim, 1997, p. 4). In addition, he mentioned that it is not only possessed over the knowledge but also make it more proficiency in the activities of investment, production and innovation. These activities that create proficiency in the organization were called by Kim (1997) the “absorptive capacity”: a capacity to absorb existing knowledge and generate into new knowledge. In addition, these capacities include the ability to create and carry new technological possibilities through economic practice. It covers wide range of activities from capability to invent, innovate and improve existing technology beyond the original design parameter.

Type of imitation that we mentioned can be describe into counterfeits, knockoff, design copies, creative adaptation, technological leapfrogging and adaptation to other industry. (Kim, 1997, p. 11) Counterfeit is to copy the brand name product at lower quality. The copied product, for instance, Rolex watch, is resemble to the original which is hard to identify but sell at a fraction of its regular price. This type of imitation is illegal, moreover, it also create
confusion among the customers and difficult to control by law. Whereas, knockoffs or clones are legal products at their own price. For example, the daily product of Tesco in Thailand cloned the original product including packaging design and sold it adjacent to the original one. However, clone product use different brand name and has its owned copyright but sold at far lower price. The customers may hesitate to make decision to buy original product because of the convincing price at the same package. These duplication methods do not require lot of investment in research and development (R&D) and information channel, however, the imitator still need to put an independent effort to obtain understanding of the original knowledge and process to combine in order to fill the remaining gap of different in existing technology and skill. Kim suggested that “when it is legal, duplicative imitation is an astute strategy in the early industrialization of low-wage, catching-up countries, as such technology is generally mature and readily available and duplicative imitation of mature technology is relative easy to undertake” (Kim, 1997, p. 11).

In the other hand, creative imitation consists of design copies, creative adaptation, technological leapfrogging and adaptation to another industry. Design copies imitate the brand name product or market leader by creating its own brand name and engineering specification. Moreover, in case of different market that has different demand, design copies may get along with the different market more easily. For example, luxury car industry in Japan emulate German model while posses their own engineering features.

Creative adaptation improves the performance of the existing product by using benchmarking, strategic alliances and notable learning through substantial investment in R&D. This type of imitation is innovative in the sense of creative improvements and inspired by existing product. The result of imitation can gain significantly better product or lower cost of production than the original.

For technological leapfrogging, imitators are the late entrants into the market which compensated with better understanding of a growing market and access newer technology. This imitation gives a change for imitator to build up more advanced product and enabling to leapfrog the innovator (Kim, 1997, p. 12).

The difference between innovation and imitation was describe by Joseph Schumpeter that innovation involves commercialization of innovation, which is purely physical set of creation and discovery, while imitation refer to the diffusion of innovation. “Most innovations do not, however, involve breakthrough inventions but are deeply rooted in existing ideas. As Nelson
and winter note, imitator working with an extremely sparse set of clues might claim the title of innovator, since most of the problem is really solved independently” (Kim, 1997, p. 13).

Kim (2004) shows the benefit of imitation learning at the early stage of business in developing country that heavily gains competitive advantage in many industries of Korea. However, there are some difficulties in applying imitation method due to intellectual property rights (IPRs) in many products, as Kim (2004) said “IPR protection would hinder rather than facilitate technology transfer to and indigenous learning activities in the early stage of industrialization when learning takes place through reverse engineering and duplicative imitation of mature foreign products.” “In other words, strong IPRs would thwart developing countries from attempting industrialization at the very early stage” (Kim, 2004, p. 342).

There are evidences mentioned by Kim (2004) as “For developing economies, the result of stronger IPR protection is a reduction in knowledge flows from the advanced countries, and a lower rate of innovative activity” (Kim, 2004, p. 343).

5.2 Unique Capability

Park and Sternquist (2008) studied about the speed of retailer internationalization that has increased dramatically in the last decade. They identify three major internalization advantages which based on OLI theory. Focusing on internalization advantage in Dunning’s OLI theory, this advantages stem from minimizing transaction costs. Transaction costs are defined as the costs of negotiating a contract, monitoring performance of the venture, and monitoring the behavior of those who have entered into the contract (Taylor., Zou and Osland, 1998). “The internal exploitation of a given asset can reduce dissipation and slow imitation by rivals, this consideration may be less applicable to the ownership asset. Whether internalized or externalized, the advantages of the asset may be doomed to be copied by imitators in a relatively short period of time. Being exploited by imitators is inevitable and especially true because retailing is operated in close conjunction with customers and competitors” (Park and Sternquist, 2008, p. 289).

According to Dunning’s OLI theory, Park and Sternquist (2008) provided more details of ownership advantages in retail organization by divide into three groups: the unique retail concept, the unique brand concept and the unique capability.
In short, “Unique concepts and private brands are asset based, codified advantages in that they are embedded in products or stores. The easily communicable or immediately applicable nature of retail or brand concept can be freely and easily copied as was done by B&Q imitating Home Depot or Bath and Body imitating The Body Shop. The unique capability is transaction based, tacit in nature, and thus cannot be easily copied by competitors. The integration of this ownership asset can reduce dissipation, significantly slowing down imitation by rivals. If internalized, this firm-specific asset will be sustainable. Furthermore, the tacit nature of unique capability makes transferability to external parties difficult” (Park and Sternquist, 2008, p. 289).

The study from Park and Sternquist (2008) presented here suggests that retailers having unique capability are more likely to perceive potential advantages in internalization than retailers with unique concepts. They compare three types of ownership assets which differ in nature, dependability, and transferability as shown in table 5.1.

<table>
<thead>
<tr>
<th>Ownership assets</th>
<th>Nature</th>
<th>Defensibility</th>
<th>Transferability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unique retail concept</td>
<td>Asset-based, codified</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Brand with unique concept</td>
<td>Asset-based, codified</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Unique capability</td>
<td>Transaction-based, tacit</td>
<td>High</td>
<td>Low</td>
</tr>
</tbody>
</table>

Table 5.1: Characteristics of the Global Retailer’s Ownership Advantages

Source: Park and Sternquist (2008, p. 289)

From the above study, the organizations are forced to create unique capability in order to avoid imitation. As mentioned in OLI theory, whether internalized or externalized, the advantages of the asset may be doomed to be copied by imitators in a relatively short period of time. Unique capability is defined as a distinct/different way of producing a new or established concept. This advantage represents “how to produce the unique offer.” Only such innovations can escape from the exploitation by imitators which are normally inevitable and especially true in retailing business that operates in close conjunction with customers and competitors. This sense of imitation acts as major factor that lead the organizations to develop their strategy which aiming to create unique offer for their customers. Normally, innovator benefits from first-mover advantages that is unavailable to imitators, for example, image and reputation, brand loyalty, an opportunity to pick the best market, technological
leadership, an opportunity to set product standards, access to distribution, experience effects, and opportunity to establish an entry barrier of patents and switching costs.

Conversely, in another view of organization’s unique capability, if this unique capability refers to a capacity to absorb existing knowledge and generate into new knowledge (the technology capability/ absorptive capacity) as described in Kim (2004), this retailers having such unique capability are more likely to perceive potential advantages in internalization than other retailers. “Several industries in Korea, such as semiconductors, electronics, and biotechnology, are stretching their R&D activities to transform themselves into innovators as well as effectively creative imitators” (Kim, 1997, p. 13). Moreover, in case of different markets that have different demands, the unique capability can gain profit from product design that fits to new market demand easily and be able to, in some case, becomes a first mover in the new market. This imitation technique does not limit the opportunity only in a large organizations, such as LG, Hyundai and Daewoo, but in “small firms, which lacked both financial and technical resources, established their initial production facilities with primitive technologies developed by themselves and then gradually upgraded product quality through the imitative reverse engineering of foreign products and processes” (Kim, 2004, p.351).

The potential of many types of imitation that Kim (2004) described; counterfeits, knockoff, design copies, creative adaptation, technological leapfrogging and adaptation to other industry, allow many opportunities for the firms to choose the most appropriate technique in enabling to leapfrog the innovator in the local market. Moreover, referring to the characteristic of the technology capability that defines as organization’s unique capability, these unique capabilities (that use of technological knowledge in effort to assimilate, use, adapt, and change existing technologies) are not only benefiting the internationalization process but also escaping from the exploitation by other imitators. This benefit can be seen in many Japanese and Korean firms, for example, the automobile industries that use the reverse-engineering technique from Europe and American model and became successful in Chinese and Southeast Asian market. In this case, Japanese and Korean firms also improved existing technology beyond the original design parameter and now became major competitors, producing the unique offer to the business that once they used to imitate. “In advanced countries secure first-mover advantage in the market on the basis of radical product innovation” (Kim, 2004, p. 343).
5.3 Creation of Strategic Alliances

Based on resources possessed, firms usually claim to have competitive advantages when such organizations gained control over resources and able to limit the access to knowledge by competitors. The sustained resource heterogeneity can lead organization to economic rents or above average return. However, the fact that many resources are not only imperfectly firm-specific but also mobile or imitable, firms are no longer continuously heterogeneous in terms of their resource base (Das and Teng, 2000).

Miller and Shamsie (1996) suggested that based on the notion of barriers to imitate, firm’s resource can be divided into two categories: property-based resources and knowledge-based resources. The legally protected resources through property rights in such forms as patents, contracts, and deeds of ownership make property-based resources difficult to imitate while the protection of knowledge barriers is not perfect.

Among firms that share common interests and goals but at the same time, concerning about holding their resource heterogeneity, consider new solution to share their advantages. “Essentially, the principle is to find the structure that balances the two issues: being able to procure valuable resources from another party without losing control of one’s own resources” (Das and Teng, 2000, p. 44). Then the use of alliances had developed to gain access to other firms’ valuable resources.

Das and Teng (2000) described the four major categories of alliances outlined which developed to share resources among organizations; equity joint ventures, minority equity alliances, bilateral contract-based alliances, and unilateral contract-based alliances in table 5.2:
<table>
<thead>
<tr>
<th>Firm (A)</th>
<th>Property-Based Resources</th>
<th>Knowledge-Based Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property-Based Resources</td>
<td>Unilateral Contract-Based Alliances</td>
<td>Equity Joint Ventures</td>
</tr>
<tr>
<td>Knowledge-Based Resources</td>
<td>Minority Equity Alliances</td>
<td>Bilateral Contract-Based Alliances</td>
</tr>
</tbody>
</table>

Table 5.2: Resource Types and a Firm’s Structural Preferences

Source: Das and Teng (2000, p. 45)

*Equity Joint Venture* - a partner firm will prefer an equity joint venture if, in the prospective alliance, its primary resources are property-based and its partner’s primary resources are knowledge-based (Das and Teng, 2000). When the partners work shoulder to shoulder in the same entity for an extended period, it becomes difficult to keep others from accessing one’s tacit know-how (Hamel, 1991). These joint ventures open an opportunity to imitate favorable tacit knowledge from partner. Scholars suggested a number of knowledge-based resources that are particularly vulnerable to unintended transfers such as subtle technical and creative talents, skills at collaboration and coordination, and managerial and employee’s know-how. Among various alliance forms, equity joint ventures are the most instrumental in the transfer of tacit knowledge between partners because of the significant extent to which partners are exposed to each other (Kogut, 1988). Even if equity joint ventures are operating closely and enable the other to access one’s tacit know-how, however, firms still prefer equity joint ventures because their major contributions are in property-based resources which are protected by property rights, minimizing the likelihood of unintended transfer of resources.

*Minority Equity Alliances* - firms will prefer minority equity alliances when they have knowledge-based resources as their primary resources to contribute to the alliance, and their partners have property-based resources as their primary resources. Contract-based alliances will be less attractive in such cases because they do not offer sufficient safeguards against opportunistic behavior regarding knowledge-based resources. “Since equity arrangements are rather complicated to implement as well as to get out of, they are usually entered into for longer time horizons, compared to alliances without equity investments. A long duration for an alliance provides an incentive to partners to behave honestly and curb opportunistic behavior” (Das and Teng, 2000, p. 46).
Bilateral Contract-Based Alliance - “a partner firm will prefer a bilateral contract-based alliance if both partner firms’ primary resources in the prospective alliance are knowledge-based” (Das and Teng, 2000, p. 47), for example, joint production, joint R&D, and joint marketing and promotion. This alliance need to be trade off firm’s knowledge based with a change to access partner’s resource. In addition, in equity joint ventures and minority equity alliances, firm would be concerned that its own tacit knowledge could be significantly appropriated by its partner firm. “The tacitness and complexity of these knowledge-based resources, which once constituted the barriers to imitability, can no longer effectively prevent partners from secretly capturing these resources” (Das and Teng, 2000, p. 46). Inkpen and Beamish (1997) suggested that once learning has been accomplished, alliances are likely to be intentionally terminated. This alliance acts like learning race between members which they likely to believe in their ability to win. Then contract-based alliances, which are much easier to dissolve, will be preferred over equity joint ventures and minority equity alliances. The imitation process will start since the parties sign their agreement and will be terminated at a desired period.

Unilateral Contract-Based Alliances - “a partner firm will prefer a unilateral contract-based alliance if both partner firms’ primary resources regarding the prospective alliance are property-based” (Das and Teng, 2000, p. 47), for example, licensing, subcontracting, and distribution agreements. Property-based resources refer to capital, plants, distribution channels, patents, and copyrights. This type of alliances creates difficulty to imitate tacit knowledge from partner “because the very knowledge that is being transferred is organizationally embedded” (Kogut, 1988, p. 323). In case that the purpose of entering into an alliance is to secretly acquire knowledge-based resources, more “engaged” alliance forms is required.

In addition, according to the study from Barkema and Schijven (2008), they mentioned that “in the alliance literature, Sarkar, Echambadi, and Ford (2003), drawing on the same theories from sociology and psychology and using survey data on alliance-related internal learning processes, find that internal mechanisms fostering vicarious learning—such as benchmarking, periodic discussions with managers from other firms about their alliances, and managers’ attending seminars on alliances—increase the performance of their own alliances (measured through a perceptual measure). Also, these benefits appear to be particularly strong in dynamic industries but decrease as the firm gains more alliance experience of its own” (Barkema and Schijven, 2008, p. 611).
From the above study, organization can legally imitate or gain access to other organization by setting up a strategic alliances. The type of engagement depends on categories of target resources consist of property-based resources and knowledge-based resources, and the level of accessibility allowed to partner. The benefits from imitation have to tradeoff between the members of the alliances. However, this process can lead to great product development, value-creation and fruitful resources sharing that fulfill the common interests/goals of both partners.

5.4 Firms Experience

“Around the mid-1990s, some researchers began to question a third implicit assumption of traditional learning curve theory—namely, that firms only learn from their own experience. They opened up a new field of study by arguing that firms may also learn from other firms, based on sociological theory of imitation (DiMaggio & Powell, 1983) and psychological theory of vicarious learning (Bandura, 1977)” (Barkema and Schijven, 2008, p.612).

In institutional theory from DiMaggio and Powell (1983), the social process forces organization to adapt the method or structure of the successful organization, which can describe as mimetic isomorphism. However, the process was argue to be just a temporary option since there are many evidences showing the decrease in imitation after firm gains more experience. “In international business, Guillén (2002) uncovers that South Korean firms imitate their competitors’ expansions into the People’s Republic of China, especially if the competitors also came from South Korea. The tendency to imitate decreases after a firm’s first entry, suggesting that firms use imitation as a temporary substitute for experience” (Barkema and Schijven, 2008, p. 611). Moreover, study from Henisz and Delios (2001) shows the decisions made by Japanese multinational companies (MNCs) about international plant locations and found that a firm is more likely to set up a plant in the same location with other firms that have been successfully operated in the past. This depends on imitation from expansion of other firms in the same industry which have more experience. The study from Lu (2002) also examines “the foreign-entry-mode choice of Japanese firms and finds that the focal firm imitates the entry-mode patterns of other firms and that this imitative behavior decreases as the firm gains foreign investment experience” (Barkema and Schijven, 2008, p. 611).
From the above finding from Barkema and Schijven (2008), it is possible to conclude that when the organization learns from others, focusing on decision of entry mode, there are evidence shows that firm’s likelihood to imitate the behavior of others’ process in acquisitions and in other strategic settings. Moreover, it is also possible to conclude that firms often rely on vicarious learning (Bandura, 1977) in an attempt to enhance their performance. “Initial insight has also been gained into some contingencies (e.g., imitation and vicarious learning effects tend to become weaker after firms gain more experience) and mechanisms (e.g., managers attending seminars, benchmarking, regular discussions with other managers) of vicarious learning” (Barkema and Schijven, 2008, p.612).

5.5 The Choice of Alliances and Mergers and Acquisitions by Competitor’s Move

Valerie (2009) investigates “the role of imitation and experience as distinct learning mechanisms, both separately and simultaneously. Using isomorphism theoretical background, we show that the choice of expansion mode is highly influenced by competitor moves” (Valerie, 2009, p. 36). In addition, internal factors (such as experience on firm expansion path and more specifically on the choice between alliances and mergers and acquisitions (M&As)), versus internal development could act as complements or substitutes when choosing the mode of expansion.

Valerie (2009) mentioned about the recent study from Lieberman and Asaba (2006) that they identified the motivation of imitation into two major groups: information-based theories, which firms will imitate others by consider others’ superiority in holding information above its information; and rivalry-based theories where firms try to maintain the competitive equilibrium by imitating their competitors. Normally, imitation is preferred in high uncertainty and competitive environment which rely on speed of decision-making. By assuming that the competitors are making right decision and supplement with no time for conducting through economic analysis before acting, this situation led to imitate each other which would help maintain current positioning and legitimacy within their competitive environment. Valerie (2009) believes that “imitation has been analyzed as an easy and fast way to benefit from other firms’ experience and resource development” (Valerie, 2009, p. 39). “Therefore, imitation theories have been mainly used to explain diffusion of innovation or decision making in the context of technology industries and new market entry whether geographic entry or entry into new segment or industry” (Valerie, 2009, p. 38). In addition,
Lieberman and Asaba (2006) argued that when imitation is primarily driven by competitive pressure, isomorphism (DiMaggio and Powell, 1983) aims at keeping current strategic positioning and legitimacy within a given competitive environment (rivalry-based theories). While imitative firms that implement isomorphism as a substitute for internal knowledge acquisition will point their imitation process to gain information-based from competitor. When focusing on imitation process of expansion mode in both M&As and alliances, the firm will benefit from reducing research and analysis cost of determining the best mode for such environmental conditions. This imitation behavior is a substitute for internal resource development that can be identified as information-based incentives. This action is simply guided by the observation of competitors.

The result of Valerie (2009) confirmed that firms, retail industry, will emerge expansion through M&As when their competitors have done as well as the probability to expand through alliances will increase with the number of alliances formed by competitors, conducting by over two years of data collection. Moreover, firms tend to repeat the mode of expansion, alliance formation, since they had experience in developing competence in formation and management of alliances. The experience in alliance formation is not only encouraging firms to build up another alliance in the future but also increases the probability to engage in M&As.

Valerie (2009) also studies about interaction between firm’s experience and imitation decision of expansion. In the case of alliances, the result shows that probability to imitate from competitor decreases when experience increases. The fact that firm has built knowledge internally (through previous experience and expansion by creation of alliances) can be considered as more valuable than imitative behavior. “Imitation represents a substitute for internal competence in evaluating the right mode of expansion when the firm is lacking experience. However, the same phenomenon is not confirmed for M&As” (Valerie, 2009, p 42).

From the above study, competitors also increase the probability of imitation process in expansion decision (in both M&As and alliances) due to the lack of a firm’s own resources to select and manage a specific mode, however, this result is limited to the retail industry. The benefits of this imitation are clearly shown in competitive competence and cost of business analysis for expansion in early stage in order to catch up the superior information (information-based theories). Moreover, the mimetic actions for expansion modes from
competitors is not likely to repeat over and over again because the firms gain their own experience, they will make decision by their internal knowledge.

5.6 Korea’s Electronics Industry: From Reverse Engineering to Strategic Alliance

Regarding to Kim (1997)’s Imitation to Innovation, he has described about the electronics industry in Korea. During the past several decades, Korea has a large development and growth in electronics industry. There are several factors that lead Korea to this position they are standing nowadays in electronics industry.

The industry’s structure is an important thing that we should take a glance at it. Korea’s electronics industry are consisting of four main chaebols and other local firms, which is different from what is going on with other developing countries that most of the companies are subsidiaries of MNCs or joint ventures. The four major chaebols in Korea’s electronics industry are LG, Samsung, Daewoo, and Hyundai (Kim, 1997, pp. 131-132). Therefore, the development and the return on investment of the industry is Korea’s. Instead, if they allow foreign MNCs to invest in the industry since the beginning, Korea would only earn the rent and the wages for working for foreign MNCs and would also destroy their natural environment.

Korea started their electronics industry with small-scale assembly of vacuum tube AM radios for the domestic market in 1958 and started the production of black and white TV sets and audio equipment through the international transfer of production technology in the mid 1960s (Kim, 1997, p. 131).

According to the table 5.3 below, we could see the growth of production and exports of Korea’s electronics industry.

<table>
<thead>
<tr>
<th>Growth of the Electronics Industry (in millions of Dollars)</th>
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<tbody>
<tr>
<td>Production</td>
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<tr>
<td><strong>Production</strong>&lt;br&gt;(cont.)</td>
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<tr>
<td></td>
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<tr>
<td><strong>Exports</strong></td>
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Table 5.3: Growth of the Electronics Industry

Source: Korea Development Bank (1994)

Korea is very focused on the exports of consumer electronics industry as we could see from the table above.

Since there are only four major chaebols, the industry has the oligopolistic market structure and created high competitive environment (Kim, 1997, p. 132). Competition forces firms to create improvement, research and development, innovation, and imitation to create their competitive advantage and to catch up with the competitors.

In regards to imitation, according to Kim (1997), he has described Hyundai, one of the four major chaebols in Korea’s electronics industry, as “the most active in acquiring high-tech companies in advanced countries in an attempt to gain access to cutting-edge technology” (Kim, 1997, p. 133). Therefore, we could see that Hyundai acquires other companies in advanced countries in order to obtain their innovations and technologies. We would call this a kind of imitation. This could help Hyundai on their research and development. It is similar to buying the research and development of other companies instead of doing by themselves. In addition, they can also continue with the research and development that the firms they acquired was doing. They can learn from those innovations and technologies of the firms they acquired and can also adapt and modify on their own. This could help Hyundai to create their competitive advantage in competing with other firms, not only the other three chaebols but also the other firms in the same industry around the world.

According to Kim (1997), he also has mentioned that Daewoo, one of the four major chaebols in Korea’s electronics industry, “is the most enterprising of the chaebols in
exploring emerging markets” (Kim, 1997, p. 133). By exploring emerging markets, it could be new emerging products markets or new emerging markets in the sense of location and boundary. By this, there could be something related to imitation. According to Fréry (2006), he has mentioned about self-imitation. Daewoo, by exploring new emerging markets, they can implement self-imitation into their new emerging markets. By imitate their earlier success, it could be either completely imitation or imperfect imitation as Fréry has mentioned as well. There are at least two ways they can do this. One is by imitating their earlier success in the sense of boundary and location. They can imitate their earlier success in one market into new emerging market. The other way is that they can imitate their earlier success in one product into another product in regardless of location or boundary.

One of the factors we shouldn’t ignore is the government’s policy. According to Kim (1997), we could see that government has set up the goal and direction of development for the industry and provided supports. The government implemented “import-substitution policy and tight control of foreign investment and contraband goods in the black market created attractive business opportunities for local entrepreneurs to enter the protected market in the early 1960s. Moreover, the government also designated electronics industry as a strategic export industry.” (Kim, 1997, p. 133).

“The government promulgated the Electronics Industry Promotion Act in 1969 and released an ambitious Long-term Electronics Industry Promotion Plan; it created the Electronic Industry Promotion Fund, offering preferential financing to foster scale economies in production as well as grants to develop and upgrade public support systems for standardization and R&D. The government also targeted ninety-five products for promotion, offering preferential financing and other incentives to their manufacturers. Yearly production targets were established. Progressive local content requirements were set to promote the parts and components industry. End products for the local market were completely protected from foreign competitors. Foreign investment was allowed largely in the production of parts and components and for re-export, and the government created an industrial estate for electronics to give rise to interfirm efficiency” (Kim, 1997, p. 133). From this, we could see that government has played a crucial role in building the electronics industry of Korea. The industrial estate that the government has created can be compared with Silicon Valley of the United States.
Moreover, “preferential financing, tax concessions, foreign loan guarantees, and the control of entry by new firms formed the crux of the export drive. That is, the government not only set specific export goals and directives, forcing local firms to be competitive in both price and quality in the international market, it also provided incentives. This scheme induced a crisis, compelling local firms to acquire technological capability quickly while providing supports to make the crisis creative rather than destructive. Since marketing was largely in the hands of buyers from foreign original equipment manufacturers, local firms concentrated mainly on the acquisition of product design and production capabilities. In 1976, exports exceeded $1 billion, almost 259 percent of the established target, illustrating the extent of rapid learning in production and product design accomplished by the industry” (Kim, 1997, p. 134). From this, we could see that the government support is very important for the Korean electronics firms to be able to concentrate mainly on the acquisition of product design and production capabilities, which imitation, including imperfect imitation, would help them to achieve their goals.

LG Electronics, Korea’s first consumer electronics producer and one of the four major chaebols, started the business with assembled the first vacuum tube AM radio from foreign components and parts through the way of reverse-engineering. Actually, the owner of LG Electronics had no experience in electronics industry at all, but he was attracted by the government’s import-substitution policy. He found that this is a good opportunity. Without any experience in electronics industry, he hired an experienced German engineer to upgrade the firm tacit knowledge base. “The German played a key role in ordering the necessary equipment to set up the production system and training Korean technicians and assembly line workers. The tacit knowledge transferred from the German engineer to his Korean counterparts began to build technological capability at the organizational level. Assimilating the product design and assembly operation was so simple that relatively well-educated Korean engineers acquired enough tacit knowledge to replace the German within a year. LG Electronics soon developed expertise in imitation and began producing such other home appliances as electric fans and refrigerators without foreign assistance” (Kim, 1997, pp. 134-135). According to Kim, we could see that LG Electronics implemented the imitation strategy in its early stage of business in electronics industry. They started from hiring experience foreigner to come and help them. We would consider this as a type of imitation because that foreigner has the knowledge and experience from abroad and certainly would use his already owned knowledge for a new firm. Moreover, they also implement reverse-engineering with
foreigner’s existing product and buy foreign components and parts to assemble them, this shows us how did LG Electronics imitate the more advanced foreign company and leaded to their successful story as we have seen nowadays. In addition, we could see that LG Electronics also imitate again by implement this same strategy with other electronics products. Furthermore, we could see that there were the transfers of knowledge from the German engineer to the Korean counterparts. This knowledge transfer is also a type of imitation.

Furthermore, the company president also embarked to visit leading electronics firms in Japan, Europe, and the United States (Kim, 1997, p. 134). This is clearly shown us that the president would like to see the examples from those leading firms in the world electronics industry, then imitate (complete imitation or imperfect imitation) from those leading firms.

In 1965, LG Electronics had a licensing agreement with Hitachi of Japan. According to the agreement, Hitachi would transfer a lot of explicit and tacit knowledge in assembly processes, product specifications, production know-how, parts/components, training, and technical experts to LG Electronics. LG Electronics sent experienced engineers and technicians to Hitachi for intensive training. There were also Japanese engineers to help supervise the installation and start-up of TV production systems for LG Electronics. LG Electronics has learnt from Hitachi within short period of time and be able to produce on their own (Kim, 1997, p. 135). This fact has shown us that LG Electronics, through licensing agreement, has imitated TV production process from Hitachi of Japan and was successful of doing so.

“LG Electronics was able to apply the manufacturing competence accumulated over the years to subsequent assembly of other consumer electronics, such as cassette recorders and simple audio systems, without foreign assistance. The rapid assimilation of imported technologies and their application to other products may be attributed largely to the founder’s entrepreneurial strategy of acquiring technological independence and fostering high intensity in learning efforts by relatively well-educated native technical personnel” (Kim, 1997, pp. 135-136). According to this fact, we have found that rather than just keep continue imitating, LG Electronics also tried to be entrepreneurial and tried to acquire technological independence. They also implemented self-imitation to other electronics products.

“Three other TV set producers that started at about the same time acquired and assimilated production ability the same way. A similar pattern is evident in other electronic products of the same period” (Kim, 1997, p. 136). LG Electronics was not the only one who implemented imitation strategy by learning from the experienced firm abroad and diffused into other
electronics products, but the other three firms were also implemented the same strategy. We could see that even imitation strategy, they also imitated the imitation strategy.

When it’s the era for color TV, there was no foreign color TV producer willing to license the technology to any Korean firms because of the fear that Korean firms will be competitors. Therefore, it was more difficult for this time to imitate. But still, the Korean firms can still combine both imitation and their own R&D by doing the research with Korea Institute of Science and Technology, a government R&D institute, and also implemented reverse engineering with foreign color TVs. Finally, they were successful in doing so and set up a mass-production system (Kim, 1997, p. 136). According to this fact, we could see that as time goes by, it’s more difficult to imitate because the industry leaders are also aware of the competition from imitators, therefore, we think that imitation alone wouldn’t work effectively in a long term. Firms should also try to conduct their own research and development and create their own innovation together with imitation. Only by combining these two things together, firms would have the chance of being successful.

5.7 Imitation in other Industry

“eBay rapidly opens new local Web sites in order to expand its global community” (Fréry, 2006, p. 74). As Fréry (2006) has mentioned, we could see that eBay was successful with its business and gained reputation from the home country, therefore, they implemented self-imitation strategy through opening new local websites in other countries around the world. They imitated their former success to other markets.

Sony Music is a music company that has subsidiaries in many countries. One thing we have noticed is that Sony Music use same melodies with different languages for singers in different countries. There are songs that have the English version by western singers and the songs with the same melodies but in Chinese, Korean, Japanese, Cantonese, and Thai version for the singers from those Asian countries. We could call this as both self-imitation and imperfect imitation at the same time.
5.8 Limitation and Prevention on Imitation

“eBay can resist imitation from existing or potential competitors thanks to the self-reinforcing size of its community of users. The larger this community, the higher the barrier to imitation” (Fréry, 2006, p. 74). According to Fréry (2006), we could see that industry characteristic plays important role on shaping the structure of imitation. eBay is the online auction and shopping website originated from the United States. Therefore, we could consider eBay as an online marketplace that allow people to come to their webpage and conduct buy and sell online. As usual, the larger the market is, the more products availability. Since eBay was one of the early entrants in online auction and shopping business and also because of their reputation, more and more people were interesting and enter their webpage. And as Fréry (2006) has mentioned, since the eBay community was getting larger and larger, it is more difficult for the competitors to imitate. Because the seller would like to go and sell in the marketplace that there are certainly an enormous amount of shoppers in order to increase the chance of selling, therefore, there’s no reason for them to go and sell in the other imitated online auction and shopping website. The same is true for buyers, when people think of buying anything, there is no reason for them to waste their time searching for their products in the marketplace with less chance for them to be able to find the products they are looking for, as a result, buyers go straight to eBay since they have the confidence that they’d be able to find the products they are looking for. Hence, it is not easy at all for anyone to just imitate eBay strategy and compete successfully with eBay. According to this, we think that industry characteristic in regards of the degree of difficulty of imitation is another important factor to consider.

“However, in countries where other online marketplaces already gather a larger community (such as Japan and France), eBay is unable to reach a leading position” (Fréry, 2006, p. 74). While eBay can prevent the success of its imitated competitors through the industry characteristic as mentioned above, at the same time, it is also difficult for eBay to enter the other markets that large community is already existed via self-imitation strategy. Therefore, we think that eBay would need to leverage from its reputation together with some creative ideas such as very attractive promotions or market positioning to attract people and compete with the existing community. In addition, we think that community’s culture is very important toward the limitation and prevention of imitation. For instance, Japan is a country that has very unique culture of its own. They are very nationalism and proud of themselves.
Language is another obstacle because Japan doesn’t really have a lot of people with very good ability in foreign language. In this case, we think that a joint venture or acquisition of already established firms would be a good idea. And as a matter of fact, eBay has really implemented joint venture with Yahoo! Japan.

“If shared values inside eBay’s community become too strong, this could limit its ability to innovate” (Fréry, 2006, p. 74). Regarding to this idea, we think that Fréry (2006) has the idea that eBay couldn’t do anything much and would have to stick with their styles and values if the community has too strong shared values because if eBay tries to innovate or changes things, the community might against it or respond in negative ways. We are also agree with his idea, but however, at the same time, if eBay would like to change or do something new to the community, eBay would have to be even more innovative and try harder to think of the best solution.

In the article of Valdani and Arbore (2007), they also discussed about the protection of innovations from imitators with empirical data. And as we mentioned earlier, industry characteristic plays important role in determining the degree of imitation.

“Empirical studies have shown that legal protection based on patents or licenses are less effective. In the opinion of enterprises belonging to 12 industries, these forms of protection are suitable to defend innovations from imitation in the following cases (Teece, 1987): 65%, pharmaceuticals industry; 30%, chemicals industry; 10-20%, oil and steel industries; less than 10%, in the industries of industrial machinery, textiles, automotive, tires, office supplies, etc” (Valdani & Arbore, 2007, p. 7).

### 5.9 Reasons to Imitate

Why do people and firms imitate? There are several reasons why do people and firms imitate. Referring to Valdani and Arbore (2007), they have described the main reasons that people and firms imitate as follow:

According to Valdani and Arbore (2007), they mentioned that the innovator or firms that implement research and development for innovation has high risks and uncertainties because they are exploring in unknown territories. They don’t really know whether their research and development would lead to successful innovation or not, and certainly, there are costs on
research and development. In the case that they finally discover a new successful innovation, however, the benefits or parts of benefits would fall to the imitators while the innovators might enjoy the beginning stage of the launch of the innovations and obtain the reputation of discoveries (Valdani & Arbore, 2007, p. 5).

Another important reason that they mentioned is that the imitators can learn from the mistakes of the innovators. Nobody can predict a certain future. We do not know whether the innovations would really be successful in the market and have good response. By employing wait and see approach, the imitators can see clearer picture and the situation before entering into the market with new innovations of the innovators (Valdani & Arbore, 2007, p. 6). This reason is also has been mentioned by Charles Hill in his book “International Business – Competing in the Global Marketplace” in Chapter 14 under the topic of ‘Timing of Entry’ (Hill, 2007, pp. 481-484).

Imitators can avoid or reduce the costs on research and development. This is clearly one of the important reasons why imitators imitate (Valdani & Arbore, 2007, p. 6).

By implementing imitation, the imitator can put more attention and spend more resources on the development of the technological process. This way is better than putting more attention and resources on the technology of product or service because it would be able to improve the production efficiency and the quality of the product or service (Valdani & Arbore, 2007, p.6).

“Avoid the trap of inertia innovators may fall into where they are less inclined to make improvements and incremental moves to the innovation” (Valdani & Arbore, 2007, p. 6).

When firm launches new product or service into the market, normally, firm would have to introduce and educate customers about the usefulness, features, and functions of the products or service, which takes time and also has costs. By being imitators, they can avoid these costs and the waste of time (Valdani & Arbore, 2007, p. 6). This reason is again similar to what Charles Hill mentioned in his book “International Business – Competing in the Global Marketplace” in Chapter 14 under the topic of ‘Timing of Entry’ (Hill, 2007, p. 483). Hill has provided a good example in his book as “KFC introduced the Chinese to American-style fast food, but a later entrant, McDonald’s, has capitalized on the market in China” (Hill, 2007, p. 483).

Valdani and Arbore (2007) also mentioned that in the case that the imitator has experience and knowledge on manufacturing and sales of the products that are similar to of the
innovator, moreover, the imitator also has the experience in the other markets, then there’s possibility that the imitator would imitate and market the products into the other markets before the innovator (Valdani & Arbore, 2007, p. 6).

Another reason for imitation is that normally, the size and resources of innovator might be limited and forced the innovator to target only certain market segments while there might be further increase in demand in other segments. Because of this reason, the imitators, by entering the market later, might be able to see the opportunities and invest in other market segments. The imitators have more freedom of movement and decision-making by entering the market later (Valdani & Arbore, 2007, p. 6).

5.10 Factors Affecting the Speed of Imitation Process

In order for the followers or imitators to be able to imitate the innovations, processes, or strategies of the leaders or innovators, it also takes time, but how long? Time is a very important thing that would affect the success of both innovators and imitators. In the case that the innovations are successful and receive well responses from the market, the slower the imitators can imitate, the longer range of time the innovators can enjoy the benefits of the new innovations. And the faster the imitators can imitate the innovations, the earlier the imitators can grab the market share from the innovators. However, the speed of imitation process can be varying in different industries due to several factors. The factors that affect the speed of imitation process are as follow:

Valdani and Arbore (2007) have mentioned the first factor as the presence or absence of legislation to protect manufacturing secrets or patents for the innovation. Patents have the range of time specify. Competitors cannot imitate certain innovations for a certain range of time until the end of the protection provided by the patents. By imitate the innovations that the patents are still valid is illegal (Valdani & Arbore, 2007, p. 7).

If there are high enough encouragements or demand from the customers for the other firms to produce the same products and being the new choices, the speed of imitation can also be faster (Valdani & Arbore, 2007, p. 7).

“Suppliers that may provide and spread raw materials and critical technologies for the manufacture of the new product or service” (Valdani & Arbore, 2007, p. 7) are another factor
that affects the speed of imitation.

If the production process is easy to imitate, then the imitation can be faster (Valdani & Arbore, 2007, p. 7).

Another factor that affects the speed of imitation is the degree of how much and how fast the knowledge of the innovation can spread and be obtained (Valdani & Arbore, 2007, p. 7).

Moreover, the speed of imitation is also depends on the innovator’s ability or willingness to build the entrance barriers (Valdani & Arbore, 2007, p. 7).

Furthermore, environmental uncertainty is another factor that affects the speed of imitation, for instance, mimetic isomorphism and information cascades (Valdani & Arbore, 2007, p. 7).

In addition, the level of IRPs protection also has negative relationship with the speed of imitation. “For developing economies, the result of stronger IPR protection is a reduction in knowledge flows from the advanced countries, and a lower rate of innovative activity.” (Kim, 2004, p. 343)

“Studies have shown that 60% of the innovations and patents registered are imitated in a span of four years and the development costs of the imitator are less than 35% of those sustained by the innovator (Mansfield, Schwartz, & Wagner, 1981). Further studies show that for innovations not protected by law, imitation time is reduced to less than a year (Jacobson, 1992)” (Valdani & Arbore, 2007, p. 7).

5.11 Successful Strategies for Product Imitation

Valdani and Arbore (2007) have mentioned three main strategies that would help imitators to be successful in implementing product imitation. These three strategies mainly focused in marketing.

The first strategy they have mentioned is using the market power that the imitators have. They provided a good example of Microsoft’s Internet Explorer and Netscape Navigator. Netscape Navigator provided free web browser before Microsoft. However, because of enormous amount of people using Microsoft Windows as Operating System (OS or O/S), Microsoft has leveraged their market power by providing Microsoft Internet Explorer along with Microsoft Windows for free. Hence people don’t have to acquire and install Netscape
Another strategy is about the positioning of the product. The imitator can offer a similar quality of the product to the innovator’s product but at a slightly lower price. The imitators can also downgrade the product by cut out some unnecessary things or options from the innovator’s product but still maintain the core features of the product, then offer at a lower price to the other market segments. The imitators also can do further research and development of the innovator’s product and modify it such as improve the performance or design of the product or adding more features to the product and offer to the market as a better choice. Valdani and Arbore (2007) have provided a very good example on this strategy as Google overcame Yahoo! on the search engine segment. Another way is to change the intended use and application of the innovator’s product (Valdani & Arbore, 2007, p. 8).

Furthermore, they also mentioned the strategy of lateral entrance. For this strategy, the imitators would imitate the innovator’s product and markets in other markets before the innovator. For instance, if the innovator markets the product in United States, then the imitators might imitate and market the products in Asia before the innovator does (Valdani & Arbore, 2007, p. 8).

5.12 Drawbacks of Imitation

First-mover advantages are the advantages that the innovator or the first-mover into the markets would achieve. The imitators or followers would have to face with these obstacles. “One first-mover advantage is the ability to preempt rivals and capture demand by establishing a strong brand name. A second advantage is the ability to build sales volume in that country and ride down the experience curve ahead of rivals, giving the early entrant a cost advantage over later entrants. This cost advantage may enable the early entrant to cut prices below that of later entrants, thereby driving them out of the market. A third advantage is the ability of early entrants to create switching costs that tie customers into their products or services. Such switching costs make it difficult for later entrants to win business” (Hill, 2007, p. 481).

“GM unduly repeated two once-winning formulas: the continuous enlargement of its product range (76 models in 2005, while Toyota Motor Corp. had only 26) and the focus on ever-bigger SUVs while the market was evolving toward clean vehicles and subcompacts.” (Fréry,
2006, p.74). Regarding to Fréry (2006), we could see that the market trend and environment are important factors that firms should pay attention to before they launch any business strategy. GM implemented self-imitation from their earlier successful strategy while the market trend has changed. This might leads GM to suffer from their investment.

“While Sony was self-imitating its taken-for-granted beliefs about its unparalleled creativity, design and reputation, many competitors were able to catch up with and often overtake it: Samsung (cell phones), Sharp (TV sets), Apple (iPod), HP (personal digital assistants), Canon and Kodak (digital imaging)” (Fréry, 2006, p. 64). According to Fréry (2006), we have found that sometimes imitation can leads to the lost of innovation. Sony strongly believed that their strategy would be successful as previous, but competitors can overtake it. Therefore, we think that imitation would be very useful when applying together with innovation and careful consideration with other factors such as situation, environment, competitors, and etc.

5.13 Results and Analysis of Interview

We have collected primary data by interview method. We interviewed nine persons from different nationality each. The interview consists of thirteen questions and normally takes around thirty to forty minutes. Few interviewees took it for about one hour. The cover letter, interview questions, and interviewees’ answers can be found in the appendix part of this thesis.

Now, we would like to show the data of nine interviewees. The range of the age of the interviewees is from twenty-three years old to thirty-four years old. The average age of the nine interviewees is about twenty-seven years old. There are four male and five female. Each of them is having different nationality as following: Thai, Chinese, Indonesian, Swiss, Taiwanese, Argentine, Indian, American, and Nigerian. They can be distinguished into different continents or regions as following: two from Southeast Asia, two from East Asia, one from South Asia, one from Europe, one from North America, one from Latin America, and one from Africa. Most of the interviewees have graduated Bachelor Degree from different fields such as business, psychology, and language. About half of them are doing Master Degree. Two of them are still doing their Bachelor Degree.
The first question is “Have you ever heard of the name: Samsung, LG, Hyundai, or Daewoo?” The purpose of the question is to know whether the interviewees are aware of the brand. The result is that all the interviewees know the brands.

The second question is “When did you first aware of the brands?” The purpose of this question is to find out how long ago did they first aware of the brands. The result is that the earliest time they know the brand is about fifteen years ago. The latest time known the brand is about four years ago. The average time that they have known the brands is about ten years.

The third question is “When you first know the brands (which is possibly to be around 10-15 years ago), how did you feel with the brands? Did you think they are reliable and have good quality?” And the fourth question is “How do you feel with the brands nowadays? Do you think they are reliable and have good quality?” The purpose of these two questions is to see what their attitudes toward the brands were at that time and at the present time to compare and contrast between them. After the collection of the answers of these two questions, we have analyzed and assessed that the brands have better brand image in the perceptions of the sample group than in the past when they just aware of the brands. Most of the interviewees feel that the brands are reliable and have good quality in the present time while they didn’t really think so in the time that they were just aware of these brands. Minority feel that the brands are the same between the present time and the time they just aware of these brands. However, there’s one interesting point here. We have noticed that the interviewees from United States, Argentina, and Switzerland are not really concern much about brands and quality, instead, the interviewees from Asia and Africa see that there are relationship between brands and quality. Another interesting point for those who didn’t think that the brands are reliable and have good quality at the time they were first aware of the brands is that they think that Japanese brands have better quality and are more reliable. However, they feel that the brands are reliable and have good quality at the present time.

The fifth question is “In the past, when you first aware of those brands, were you interested in buying those brands? Why?” And the sixth question is “Nowadays, are you willing to buy those brands or do you have confidence on those brands, in other words, do you feel hesitate to buy and use those brands? Why?” The purpose of these two questions is to see clearly what their attitudes toward the brands were at that time and the present time to compare and contrast between them. Again, we have analyzed and concluded that the sample group is more willing to buy the brands more at the present time comparing to the time they were just
aware of these brands. However, there are different reasons behind this result. Certainly, one of the reasons is the same as the reason of the third and the fourth question. At the present time, they think that the brands are reliable and have good quality, but they didn’t think so when they were first aware of the brands. Therefore, they are more willing to buy and have less hesitation in buying these brands than before. But another reason is because they have their income and more money to buy on their own at the present time than in the past when they first aware of the brands.

From the comparison of the sample group’s attitude toward the brands in questions number three (when they just aware of the brands) and four (nowadays) together with the comparison of the sample group’s willingness and hesitation in buying these brands in questions number five (when they just aware of the brands) and six (nowadays), we have came to a conclusion. We can see clearly that the brands have better image, better quality, and more reliable in the perceptions of the sample groups in the present time comparing to the past when they were newly aware of the brands. We can concluded that the brands are more successful nowadays than in the past, at least in the sense of consumers’ perception and attitude toward the brands. And these successful brands implemented imitation strategy. We certainly cannot conclude that the brands are successful nowadays purely because of imitation strategy. There might be other factors such as good advertisement and marketing campaign, good finance strategy, and etc. However, at least, we can show that these brands implemented imitation strategy and these brands are successful nowadays.

The seventh question is “Have you ever heard of the word "reengineering" or "reverse-engineering"?" The purpose of this question is to check whether they understand the term "reverse-engineering" in order to approach to the next questions. In case that the interviewee doesn’t understand the meaning, the interviewer would explain to the interviewee. The eighth question is “Do you realize that a significant amount of Korean and Japanese firms implemented reverse-engineering with several kinds of products decades ago during their firms' beginning stage and lead to their position nowadays that they have became leaders and pioneers of innovation on technology of those products?” The purpose of this question is to see whether they are aware of this thing happens. And if they didn’t know, the interviewer must inform them. Actually, the reason for questions number seven and eight is just only to make sure that the interviewees realize this in order for the interviewer to approach to question number nine.
The ninth question is “How do you think with this way of developing themselves?” The purpose of this question is to see their attitudes toward reverse-engineering and imitation. The result that we have found from our analysis from the interviewees’ answers is that most of them agree and support with this method. The sample group thinks that this method can help the firms to save time and cost in developing a product. They also think that this would create more choices for them at lower price. Another interesting reason they support is that this would even create further development because of modification after the imitation. Minority of the sample group disagrees and doesn’t support this method because they think that it’s wrong to copy others’ idea and this would create less variety of products.

The tenth question is “The above is legal imitation, how about illegal imitation, for instance, copy of brand names such as LV, Gucci, Prada, and pirate CDs and DVDs?” The purpose of this question is to see the degree of willingness to accept imitation products. The result is that most of the interviewees are disagree with illegal imitation. However, we could see that East Asian and Southeast Asian are slightly disagree with it or even support it. But for the rest of the world, except the interviewee from Switzerland, they are strongly disagree with illegal imitation. However, this interviewee from Switzerland has spent few years living in China, which has an enormous amount of illegally imitated products.

From the results we have obtained from question number nine and number ten, we could see that there is a big difference on the attitude of the sample group toward imitation on legally imitated product and illegally imitated product. Most of them can accept and even support legally imitation because it creates benefits and save cost. Instead, they cannot accept illegally imitation because it creates confusion and ethically wrong.

The eleventh question is “Do you concern about the product origin when you make purchasing decision? For example, perfume must be made in France, chocolate must be made in Switzerland or Belgium.” The purpose of this question is to know whether product origin could help limits imitation. The result of the interview has shown that most of the sample group concern with the product origin at different degree. Few interviewees don’t concern about the origin of the products, surprisingly, these few persons are all westerners. Asian and African are all concern about the product origin at a significant level but not very strong. Therefore, we can conclude that product origin can help limit imitation at a certain level but not very effective, however, this also depends on the characteristic of the products, industry, and cultures.
The twelfth question is “How much do you concern about the originality of the brand (legally)? For example, Bossini like to copy the design of Levi's Jeans (legally) or Hyundai and Kia cars that like to copy the model from European brands and sell in Korea or you can think of cola brand of Carrefour instead of Coke or Pepsi or toilet paper brand of Coop or Tesco instead of Kleenex.” The purpose of this question is to see how people have attitude toward the brand that implements imperfect imitation, which is legal. The result is that the sample group doesn’t really concern about the originality of the product. However, this depends heavily on product characteristic and industry. For the interviewees who are slightly concern, they mentioned that the reason is because of safety such as for vehicle and food.

The final question of the interview is “Do you think imitation discourages innovation? Why?” The purpose of this question is to see the attitudes and ideas of people regarding the relationship between imitation and innovation and to see their attitudes and ideas toward imitation. Surprisingly, the result turns out that most of the sample group thinks that imitation creates innovation. The main reason they are arguing this is that imitation creates competition and destroy monopolistic power. As a result, firms would try to think of new innovation to differentiate themselves again. At least, firms with new innovation can hold the competitive advantage for a certain period of time, therefore, they’ll try to create new innovation again after they’ve been imitated by imitators. Moreover, another reason they are arguing is that the imitators can save a lot of developing cost, therefore, they can spend this money on the development of products or create new innovation. Minority in the sample group thinks that imitation discourages innovation because they think that the imitators are not creating new innovation and just depend on imitation. However, one interviewee who thinks that imitation discourages innovation also mentioned that if the imitators can modify and develop the imitated product or process, then the imitation is useful and acceptable.

In overall with the result of the interview, we would conclude that most of the interviewees in our sample group accept and support imitation at a certain degree. As long as that imitation is not illegal, they think that it’s good to imitate because it creates competition, which would leads to innovations and new developments. They disagree with illegal imitation with strongly against feeling for the people outside of East and Southeast Asia. We could also see that firms that implemented imitation strategy legally were also successful in business. In addition, we have found that the concern by consumers on product origin can limit imitation at a certain level. The originality of the product is not much concern of the sample group, but it depends on industry and product characteristic.
6. Conclusion and Recommendations

The study shows the benefit of imitation in many aspects. In the organizational management view, firms can gain advantage from making creative imitation (capacity to absorb existing knowledge and generate into new knowledge) as a unique capability of the firm. From the above analysis shows that firms can produce not only the unique offer to their customers but also can reduce the chance of imitation from others. Many firms sign agreement of alliances or chose mergers and acquisitions to gain knowledge from others instead of develop their technology alone. These types of business will share tacit know-how such as joint production and joint R&D to achieve the mutual benefit. Simultaneously, firms have to concern about losing control of their own resources. Firms should select appropriate engagement that is relevant to the type of resources the firms share.

Moreover, in the early stage, firm’s likelihood to imitate the behavior of the successful leader includes imitation on choice of entry-mode, process in acquisitions and strategic plan. The competitor move is one of motivations for imitation. The study found two types of motivation from competitors that are information-based and rivalry-based. However, we found that firms would not try to imitate other’s property-based and knowledge-based resources in long run. The more experience the firms gain (from engage in business), the fewer tendencies the firms imitate because they identify imitation as a temporary substitute for experience.

The government’s policies have significant impact toward firms’ imitation strategy. As we have shown how the Korea’s government supported the electronics industry, we could see that import-substitution policy and subsidies have helped the country’s industry a lot. It might seem unfair for not having free market policy, but protection of infant industry is a good excuse for not having free market since the beginning. However, protection of infant industry should also set the limit of protection time and degree. Korea’s electronics industry chaebols have proved that they can become successful in the world market through imitation strategy and adapted themselves to be innovative and conduct their own research and development.

Limitation and prevention on imitation depend significantly on the industry characteristics. Each industry has different characteristic and has different degree of difficulty in limiting or preventing imitation. We have shown the example of eBay that the industry characteristic has helped them from being imitated. We also have shown the empirical data that legal protection such as patents are not very effective but could help at a certain degree.
We have also shown the reasons to conduct imitation. These reasons are the benefits of conducting imitation and the advantages of imitation. The main reasons are evolving around the costs saving, the learning process, opportunity seeking, and risk and uncertainty avoidance/reduction.

There are several factors that affect the speed of imitation. The speed of imitation can affect greatly on the firms’ revenues. The main factors that affect the speed of imitation are patents and other legal protections, market demand, market supply of raw materials, degree of difficulty of production process, the learning process, environmental uncertainties, and other entrance barriers.

There are few successful product imitation strategies we have mentioned. First is exercising market power by leveraging the existing power. Next is the product positioning by searching for market opportunity and target the segment full of opportunity. The last one is lateral entrance by entering other markets before the innovators.

There are some drawbacks of implementing imitation strategies. The main drawback we have mentioned is the first-mover advantage. First-mover advantage is the advantage of the innovator or the first one who enter the market. First-mover advantage consists of creating strong brand name first, ride down experience curve before rivals, and create switching costs.

We have conducted interviews as our primary data collection to search for people’s ideas and attitudes toward imitation and the recognition of firms that have been successful from imitation strategy. We have found that most of the interviewees accept and support imitation at a certain degree. The interviewees think that imitation creates competition, which leads to innovations and new developments. However, they do not support illegal imitation. The result also has shown that firms that implemented imitation were successful by recognition and being accepted by the interviewees. Furthermore, we also found that the concern by consumers on product origin can limit imitation at a certain degree. The result also shown that the ability of the originality of the product can help limit imitation at different degrees depends on the different characteristics of industries and products.

From our data collection and analysis, we would like to distinguish imitation into two main streams, product imitation and process imitation. We could also distinguish imitation into legal imitation and illegal imitation. For product imitation, there are different types such as counterfeits, knockoff, design copies, creative adaptation, technological leapfrogging and
adaptation to other industry. For process imitation, there are significant amount of examples as well. In retail industry, we could see that if one shopping mall or hypermarket, for instance, Carrefour, announces a big sales promotion, Tesco might also announces a big sales promotion as well to prevent from losing market share. There is another classical example of process imitation that we didn’t mention about, but we think that it’d be useful for anyone who would like to continue for further research in this area. It is about Game Theory and the classical example of Boeing and Airbus.

Moreover, we’d like to recommend further study that is related to imitation on the topic of benchmarking such as ISO or other standards. In one perspective, this could be seen as an entry barrier from imitation. In another perspective, the imitators would try to implement the imitation according to the standard. For instance, Chinese manufacturer of toy products implemented imitation on toys from European and American markets with their own brands, however, the safety standard of the Chinese product is too low to achieve the European and American standards.

In addition, we think that the study on resource based advantage would be fruitful on further study of limitation and prevention of imitation.

Furthermore, environments such as economic situation are another interesting field to study on how does it related to imitation. For instance, what is the economic situation that supports imitation? Is it true that rich economic country has less imitation? Which type of imitation is suitable with which economic? Another interesting field is culture. For instance, under what kind of culture would support imitation? Another example, is it true that western culture is more against on imitation than Asian culture?

Imitation has been occurred for a very long time back in the history until nowadays in various industries and in different forms and degrees. Our purpose is neither to say whether imitation is good nor bad. We are also not saying that people should imitate or not. We just would like to show dimensions of imitation. We have shown the advantages and disadvantages and benefits and losses of implementing imitation. We have shown how imitation could leads to innovation and success in business. We also have shown the ideas and attitudes of the people toward imitation by conducted interviews with the sample group. We think that as long as people know how to implement imitation innovatively and ethically, imitation would be fruitful to the majority part of the society.
Finally, the last thing we would like to mention here on how to be successful in doing business is “Do the right thing at the right time at the right place at the right quality and quantity.”
7. References


8. Appendix

8.1 Cover Letter of Interview

Dear Sir/Madam,

We are Master Degree students of Mälardalens University and doing a research on the topic of “Does Imitation Really Benefit Organization?” for our Master thesis. We would like to request for your kind support on the information by allowing us to interview you. The result of the research and the Master thesis can be submitted to you after the completion if you request for.

There are altogether thirteen questions and suppose to take approximately thirty to forty minutes. If you have any question or if you are not clear of anything, please kindly feel free to inquire us.

“We would like to inform you that your personal information and your discussion during the interview would be publicly published.”

Best Regards,

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8.2 Interview Questions:

1. Have you ever heard of the name: Samsung, LG, Hyundai, or Daewoo?
   (Purpose: to know whether the interviewees are aware of the brand)

2. When did you first aware of the brands?
   (Purpose: to know how long ago did they first aware of the brands)

3. When you first know the brands (which is possibly to be around 10-15 years ago), how did you feel with the brands? Did you think they are reliable and have good quality?
   (Purpose: to see what were their attitudes toward the brands at that time to compare and contrast with nowadays)

4. How do you feel with the brands nowadays? Do you think they are reliable and have good quality?
   (Purpose: to see what are their attitudes toward the brands at the present time to compare and contrast with their attitudes when they were first aware of the brands)

5. In the past, when you first aware of those brands, were you interested in buying those brands? Why?
   (Purpose: to see clearly what were their attitudes toward the brands at that time to compare and contrast with nowadays)

6. Nowadays, are you willing to buy those brands or do you have confidence on those brands, in other words, do you feel hesitate to buy and use those brands? Why?
   (Purpose: to see clearly what are their attitudes toward the brands at the present time to compare and contrast with their attitudes when they were first aware of the brands)

7. Have you ever heard of the word "reengineering" or "reverse-engineering"?
   (Purpose: to check whether they understand the term "reverse-engineering" in order to approach to the next questions, if not, then the interviewer must explain to the interviewee)
8. Do you realize that a significant amount of Korean and Japanese firms implemented reverse-engineering with several kinds of products decades ago during their firms' beginning stage and lead to their position nowadays that they have became leaders and pioneers of innovation on technology of those products? (Purpose: to see whether they are aware of this thing happens, if not, inform them)

9. How do you think with this way of developing themselves? (Purpose: to see their attitudes toward reverse-engineering and imitation)

10. The above is legal imitation, how about illegal imitation, for instance, copy of brandnames such as LV, Gucci, Prada, and pirate CDs and DVDs? (Purpose: to see the degree of willingness to accept imitation products)

11. Do you concern about the product origin when you make purchasing decision? For example, perfume must be made in France, chocolate must be made in Switzerland or Belgium. (Purpose: to know whether product origin could help limits imitation)

12. How much do you concern about the originality of the brand (legally)? For example, Bossini like to copy the design of Levi's Jeans (legally) or Hyundai and Kia cars that like to copy the model from European brands and sell in Korea or you can think of cola brand of Carrefour instead of Coke or Pepsi or toilet paper brand of Coop or Tesco instead of Kleenex. (Please inform in scale if it seems the interviewee has difficulty in answering the question eg. from 1 to 5, 1 is least concern, 5 is most concern.) (Purpose: to see how people have attitude toward the brand that implements imperfect imitation (legally))

13. Do you think imitation discourages innovation? Why? (Purpose: to see the attitudes and ideas of people regarding the relationship between imitation and innovation and to see their attitudes and ideas toward imitation)

This is the end of the interview. We would like to thank you for your cooperation and support for our Master thesis.
8.3 Interview Answers:

First interviewee:
Name: Pimmanee Pongpatranon
Age: 27 years old
Sex: Female
Nationality: Thai
Education level: Bachelor Degree (about to graduate Master Degree)
Date: 2 May, 2009
Time: 11.00 PM

1. Yes.

2. Approximately 15 years ago.

3. I feel that it is so Korean. I feel that it's surely has worse quality than Japanese brands such as Sony.

4. I feel that it's okay.

5. No, because I think Japanese products have better quality.

6. Nowadays, those brands are in my choices as well. I'm using Samsung mobile phone now.

7. Isn't it like normally, when you just make a product, but this is doing it backward and see how did the producer make it.

8. Yes, I feel so.

9. Nothing special, I feel so so. I feel that it takes long time to produce new thing. But it can save a lot of time to implement those reverse engineering and just develop from that point.

10. It's true that it's not fair to the original producers, but in consumer's point of view, it's good, it's cheap. It's not fair to the original producers because time, resources, and creativity that the original producers have spent.

11. Yes, for example, I avoid Chinese products such as cell phone, let's say Nokia, it can produce in several countries, but if I see that it is made in China, even it's the real one, I still don't really have complete confidence in the products.
12. It depends on industry, for example, in the case of Bossini, I don't mind, but for the car, I do mind. For the daily products such as milk, I do mind as well, I don't want private label brand.

13. If everyone keep imitating, then there would be no innovation, all the things will be the same, but if they imitate and develop from that point or modify it, then it's ok.
Second interviewee:

Name: Jieyu Chen  
Age: 23 years old  
Sex: Female  
Nationality: Chinese  
Education level: Bachelor Degree (about to graduate Master Degree)  
Date: 3 May, 2009  
Time: 05.00 PM

1. Yes.

2. Perhaps 8-9 years ago for Samsung and LG, for the cars, perhaps 5-6 years ago.

3. When I know these brands, I think they are already world famous brands, so they are likely to have better quality than the local brands, but if you ask my preference, I prefer Japanese electronic products and European cars.

4. I think they are reliable, since I know a lot of people using their products, but there are also a lot of other choices, their products are not the best in the market. No strong feelings...

5. No, I'm not particularly fond of Korean brands

6. I'm not willing to buy these brands since I have my own brand loyalty, but if their products have the approximately same function at more attractive prices, I will consider buying them. And they have to have good appearance, they have to be good looking.

7. No, I haven't. (then we explained)

8. No, but it's possible, since lot of Chinese firms do the same.

9. It's very smart for the beginners to learn the technology, but seems unfair for those who innovate by themselves.

10. Well, I will not refuse to buy them actually thought I know it's illegal to copy in that way, but they are cheap, and brands such as LV and Prada are ridiculously expensive.

11. Yeah sure, chocolate must be Belgium...

12. Degree of 3.5

13. No, on the contrary, imitation encourages the innovation because when certain design are imitated on a large scale, then the same company and also some other companies will begin
to innovate to make their products more attractive, at least I think so, I don't know whether it's true or not.
Third Interviewee:

Name: Jane Pantouw  
Age: 23 years old  
Sex: Female  
Nationality: Indonesian  
Education level: High School (about to graduate Bachelor Degree; major: Chinese language)  
Date: 3 May, 2009  
Time: 07.00 PM

1. Yes, I have.
2. About 10 years ago.
3. No, because never heard of them, and nobody using that brand plus no recommendation from other people.
4. It's good and I trust those brands because they're reliable and have good quality of course and I've been using one of the brand until now.
5. No, because they were not famous.
6. No hesitation when I want to buy those brands because they're famous now, and also lots of recommendation from other people.
7. No. (then we explained)
8. No, I didn't realize it.
9. Well...it's a good way, I think, when they're imitating something, take China as an example, we can buy almost the similar thing with cheap price.
10. Same reason, but sometimes feel irritated because of the low class imitation and it's too much.
11. Sometimes I do, depend on the situation.
12. I don't concern that much as long it looks the same and not too bad.
13. No, it's not, when somebody imitate their stuff, they might try to think another thing that different from before.
Fourth Interviewee:

Name: Daniel Bolter
Age: 26 years old
Sex: Male
Nationality: Swiss
Education level: High School (doing Bachelor Degree; major Business Administration)
Date: 3 May, 2009
Time: 08.00 PM

1. Yes.

2. Approximately 12 years ago for Samsung, Hyundai is around 6 years ago, the rest was 4 years ago.

3. I didn't know, I just know the name but that's about it, didn't know about their reputation. Hyundai does have good reputation. For Samsung, I just know about mobile phone, but no idea about the quality.

4. For Samsung, I think they are high technologies gadgets but don't know about their quality and reliability. Haven't heard bad things about it but not a lot of people use Samsung stuff here.

5. Nope, first of all, I was too young and second I had no money for that kind of stuff.

6. I used to use a Samsung mobile but was not satisfied with the quality of the speakers, however I was really satisfied with the rest of the cell so I actually don't know but probably if they have a great product which meets my needs then I will buy it.

7. Nope. (then we explained)

8. Yes, they did what Chinese did and also what the Americans did and the rest of the world as well...actually they did what the Chinese do not "did".

9. It is awesome, Japan is/was the second biggest economy, America is the biggest. How did they get there? It's also a way to progress faster. Imagine everybody needs to start from scratch... The patent rights are nice for developers and inventers but in fact they slow down the technological progress of human kind. If you want to see what happens without patent protection then look at the open source movement that progresses fast and has no owners of any technologies that is created. What surprises most is that it actually works.
10. That is a question of ethics. But even here, people and circumstances change and surviving will the companies adapting the fastest. We always argue about if it is right and wrong but fact is that we have this fakes and they are not going away. Either you incorporate a probability to make your things a 100% copy protected or you find a way to get your money somewhat different. It's like with mp3. We still argue if it is right or wrong to download music from the internet instead of accepting the fact that we can't stop it anyway and find a way to make a profit out of it or better around it (like put advertisings on the homepage where you can download the music....)...I personally accepted it....I think it doesn't matter whether it's right or wrong because it's not gonna go away from us.....there's opportunity in it....I'd choose to make money out of it.....

11. Well, generally not but it's the first time that I heard that somebody else but Switzerland makes chocolate... I believe that is a myth and not true!

12. Not at all. Dude, I don't care except cola and chocolate. But other than that I normally just grab the most appealing to my in a store and if I am satisfied I keep buying it. Most of the time the color is more important than the brand because when I want to buy the product again I am looking for the same package again.

13. At first glance you might say so. On the other hand, when you think about it, it might be different. Look at Japan for instance. They were famous for visiting factories in the west with their cameras and then copying everything once landed on their soil. The same thing is happening with China nowadays. If you look at it with a wider perspective though you realize that today Japan was once what is China today. Today, however, Japan is one of the leading countries in concern of technologies. Most high-end technologies are now coming from that island. They had to copy those technologies to close the gap that otherwise would have held for years. They would never been able to catch up the western technologies which on their part would have had a monopoly position able to impose pretty much everything they want. Furthermore, I would even argue that this circumstances would have lead to a "laziness" for innovations in the western world since they wouldn't have been any competition at all. Now, due to the Japanese, there is pressure which forces everybody to get further, developing the newest technologies first, finding the newest trends before the others too. Innovation at its peek, if there wouldn't been competition there wouldn't be any innovation. Imitation might hurts on the short run but on the long run everybody benefits (except the proprietaries and
conservatives). Also imitation makes things cheaper which gives an edge to the poorer people among us to close the gap and finally using their own innovative force (creativity).

China tries to close that gap now imitating all kind of stuff. Once they are on a global playing level they will also become lazy and want to protect their innovations. Which is funny because there will always be places that will copy their innovations as well to catch up.
Fifth Interviewee:
Name: Yu Chi Lee
Age: 27 years old
Sex: Female
Nationality: Taiwanese
Education level: Bachelor Degree (major: Psychology)
Date: 4 May, 2009
Time: 05.00 PM

1. Yes.


3. Neutral feeling, not too bad/good but people always said those brand had good design.

4. I never tried these brands yet, because it never come to me to choose these brands, for quality, I'll put Sony as first priority, for price concern, Korean products are not that cheap, I can't accept these brands, but I think they have good quality and might be reliable.

5. No, I was too young to have money, they're pretty expensive for a student and I don't prefer appearance or design, I'm function orientation.

6. I'm still hesitates to buy these brand, because... I don't like Korean.

7. No. (then we explained)

8. I don't.

9. I think it's the easiest and economic way to learn how to, if I'm the decision maker, I'll have same choice.

10. I think it's different, to copy DVD/CD/Books... it's to steal producer's idea, and steal their money, unless the producer agreed to make it without any charges, reverse engineering in this case, supposed to buy the DVD, and write down the story, and hire my own actor/actress to imitate that story, re-make, not just copy the disk.

Interviewer: so can I say that you are quite against or disagree w/ illegal imitation?

Interviewee: A little, not very, because I still download mp3 without paying sometimes.

11. I'll check origin before billing, but if I decide to buy, it doesn't matter.
12. It depends, for car, I'll consider the shape, and safety, so I'll choose reliable one, like Toyota, it's legally copy, but I believe it's quality and for cloths, I don't care, food, it's not that expensive, so I'll choose well-known brand to buy.

13. No, sometimes imitation make you catch up others easily and save a lot of time to find same way people already know and the resources/money you've saved will help you to develop new idea or model.
Sixth Interviewee:
Name: Victoria Traverso
Age:
Sex: Female
Nationality: Argentine
Education level: Bachelor Degree (about to graduate Master Degree)
Date: 5 May, 2009
Time: 04.00 PM

1. Yes.
2. 10 years ago.
3. Reliable and good quality.
4. Still the same.
5. At that moment, not ready to buy for myself (too young).
6. During this year, my family bought TV monitor, Laptop, and mobile phone from those brands.

The condition that makes me feel hesitate is the price of that product (a little bit too high).

7. Know in others means, in term of organization management, however, after discussion, the interviewee has clear understanding in reengineering.
8. Know, and the interviewee not sure the original innovator of that product as well.
9. Equally feeling, more design of product is more useful.
10. Not agree, if want to use the brand product it is proper to buy form original. However, interviewee, personally, not stick to the brand product, interviewee preferred to buy cheaper product with same function and design, in other brand.
12. Interviewee feels positive toward this product as long as it is legal. Since more products available on market, it provides more option for customer. Brand name product is not my concern, due to my personal background.
13. Creative imitation is nice. In the other hand, counterfeit is not good. As long as it legally imitates and put something new in it is better.

**Seventh Interviewee:**

Name: Nirmal Solanki  
Age: 25 years old  
Sex: Male  
Nationality: Indian  
Education level: Bachelor Degree (about to graduate Master Degree)  
Date: 5 May, 2009  
Time: 06.00 PM

1. Yes.


3. No, at the first sight we can't think but with passing of time and experience of others (mouth publicity) increase our confidence in the product. We have one of the products of this brand.

4. Yes. Nowadays we have confidence after getting the personal experience and getting more knowledge about the company.

5. No, at the first time we did not trust on these brands.

6. Yes I am willing to buy their product because our personal experience of their product is good. And their quality and commitments are good since we bought their products. So we can recommend to other people also on the basis of our personal experience.

7. No. (then we explained)

8. No.

9. Yes it is quite good. It will decrease the monopoly of the one leader. Competition increases the quality for serving the customer.

10. It is not good. Because sometimes it will make you fool and also gives the bad quality services to you and last moment you cannot do any thing against them without any proof. It is totally worst thing.

11. Yes. During purchasing, we see the product origin and other details.
12. No, I do not go with the other brand unless the difference in the price is too huge, otherwise I stick to only concern brand.

13. No, in my point of view, it increases the innovation in company. Because of the imitation of old product company loss its market share so new innovation increase the sell percentage in market as well as make the monopoly for specific time.
Eighth Interviewee:

Name: Adam Jones
Age: 34 years old
Sex: Male
Nationality: American
Education level: Bachelor Degree (major: Global Studies)
Date: 6 May, 2009
Time: 09.00 AM

1. Yes, all of them.

2. Different times for each I guess. Maybe 10 years ago for first.

3. They are just brands. I do not really feel one-way or the other about quality.

4. Honestly I really do not care much. I guess ok quality if you insist on an answer. I am not very materialistic so brands and products are not much of a concern.

5. No, not really want to waste my money on stuff I really did not need. I had a different car, different TV, etc.

6. I would not buy any. I certainly would not buy Daewoo because it went out of business. Maybe their marketing is not good enough for me to be interested.

7. Yes.

8. Yes for Japan, but not for Korea.

9. I think it is brilliant to be honest. Capitalistic development is based on refining and further improving products.

10. An eye for an eye. I think people/companies/ countries do not enforce the laws are complete thieves. So the companies that have this problem need to fight fire with fire in my opinion. I am very strongly against this.

11. Not really unless it is specific marketed as such and in fact it is not made where the packaging claims it is from.

12. Not too concerned unless it is a flagrant copy, similar is ok.

13. Yes, it most certainly does because it is copying and not being original. Originality needs to go beyond what is made previously.
Ninth Interviewee
Name: Ikechukwu Samuel Okonkwo
Age: 33
Sex: Male
Nationality: Nigerian
Education level: Bachelor Degree (major: Accounting)
Date: 10 May, 2009
Time: 012.00 AM

1. Yes.

2. Approximately 8 years ago.

3. No, I used to feel that they are cheap and of low quality.

4. Yes.

5. No, I was not interested because I felt they were of low quality.

6. Yes, because I feel they have improved on their quality.

7. Yes.

8. Yes, I do understand their use of reverse engineering.

9. Well, I think it’s wrong especially when they did not get permission to copy. You should be able to develop your own product from the beginning.

10. This is completely wrong and it should not be encouraged because it brings confusion.

11. Yes, absolutely.

12. If it is legally done then I don’t really care much because I believe the quality standard will be the same or almost the same.

13. Yes, absolutely imitation is the easy way out. It completely discourages innovation.