

Imitation Strategies For SME's Learning Process Towards Innovation Strategies

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Abstract

Imitation as a powerful tool for learning strategies to enter the market and it is important in the innovation processes. Imitation can be a stepping stone for SMEs in underdeveloped countries to innovate and to create a knowledge base to lower the innovation cost. The purpose of this study is to reveal and analyze the innovation strategy learning process by owners of small leather processing industries through experience when running the imitation strategy. This research uses interpretive paradigm with phenomenological design involving 5 key informants in the leather processing industry in Indonesia. The research indicates that the experience of learning to use an imitation strategy covers of stages imitation, research, development and a creation phase. This learning process results in the interaction between personal and behavior factors, as well as the enabler and and creator of barriers. The owners of small leather processing industries who leave the imitation strategy and switch to innovation strategy are craftsmen who have an entrepreneurial spirit. This showed that they are able to balance between entrepreneurial and business aspects.

Keywords :

Imitation strategy, Small Medium Enterprise, Innovation, Business

Received: 15 November 2012; Accepted: 21 December 2012; Published Online: 24 December 2014

Introduction

Imitation has been widespread, both as a concept in academic literature and in practice. Lieberman and Asaba (2006) noted that the imitation of superior products, processes and managerial systems widely recognized as a fundamental part of the competitive process. The goal of imitation is to utilize the success innovator, be able to give a

quick profit, and increase competence (Sidik, 2010). Other empirical results showed that the importation of knowledge from other companies is one of the most common tactics used to solve the problem (Ceccagnoli, 2005). Imitation is the second best strategy for companies that want to catch up with market leaders (Semadeni and Anderson, 2010; Delios, Gaur, and Makino, 2008). De-Almeida and Zemsky,

2008; and Cavusoglu, et al., 2010) stressed that imitation is a medium for innovation diffusion. In fact, some consumers have their own preference of brand, and some do not (Na, Son, and Marshall, 2007). Even economic history has recorded that Asian based countries, such as Japan, South Korea, China, and Taiwan, have to learn quickly through imitation (Dodgson, et al.2010, Chao, Cheo, and Wu, 2006). Imitation requires a way of thinking, learning, behavior, and organizational capabilities (Schlaepfer, 2008; Moatti, 2009; Kopp and Graeser, 2006). Clever imitators will find aspects that can be replicated and can do the impersonation increasingly well and cheaply.

Associated with learning, any person, firm, or even state have their own way, as Hobday (Hazimahdi, 2008) defines, of learning the process; whereby an organization has to get something from the "black box", ie knowledge and skills that are transformed into valuable resources and are economically competitive. In the Small and Medium Enterprises (SMEs), where business owners have a central role, the learning process is often attached to the owners (Balestrin, et al.2008). Learning takes place in connection with the routine activities in the production, distribution, and consumption. In this context, learning is the process of detecting and correcting errors, the process in which the entrepreneurs themselves have skills, knowledge, habits and attitudes learned and changed in such a way as to modify behavior. Therefore the fact that SMEs are able to survive a dozen years, even decades is not due to them being able to make business management experiences as a never-ending learning process.

In Indonesia, imitation is one of the strengths of the underlying growth of the Indonesian economy. SWA Magazine 2010 vol.26 (a leading business magazine

in Indonesia) also mentioned that most of the 250 original brands of Indonesia that survived did so because of imitation of categories and forms of existing products, both in domestic and international markets. Moreover, SMEs are often identified with imitation, including the leather processing industry center located in the district of Sidoarjo regency Tanggulangin East Java province which became the location of this study. The center is renowned for its skilled owners in imitation models of famous brands of handbags. In other words, the strategy of imitation has long been run by SMEs in the region. Research that has been the object of research often notes the theme of innovation and the fact that the learning process by SME owners is to abandon the strategy of imitation to an innovation strategy through experience. Studies that reveal the learning process of imitation-innovation is often done at the unit of analysis companies (Huang, et al., 2010; Zhou, 2006; Kim, et al., 2004), even for a country (Dodgson, et al., 2006; Chao, et al., 2006; Yamamura, et al., 2005; Delios, et al., 2008; Dobson and Safarian, 2008; Xie and White, 2006), and has always done the same for big companies and even multinational corporations that are identical with the support of resource ownership and capabilities, such as Japan, China, Taiwan, and South Korea.

With a focus on learning through experience the innovation strategy of this qualitative study is to explore the learning process of the innovation strategy through the experiences gained during the running of the imitation strategy.

Literature Review

Innovation Strategies

Innovation has always been the focus of attention of all circles in various occasions. That's because innovation is

an invention intended to create something that is relatively new with a higher added value. The results provide direct benefits and innovations are designed to be quickly commercialized in order to be profitable. Unlike imitation, innovation concepts incorporate elements of substantial original contribution. There are two levels of innovation; incremental innovation and radical innovation. Incremental means something that increases or increases due to innovation activities, but basically not too far from the idea of a pre-existing product. In this type of innovation there was no difference between the results of innovation with the underlying product.

However, incremental innovation often generates significant added value for its users. Thus, the value added can be high but the difference in products is relatively large. Incremental innovation is often difficult to distinguish superior imitation. In contrast to incremental

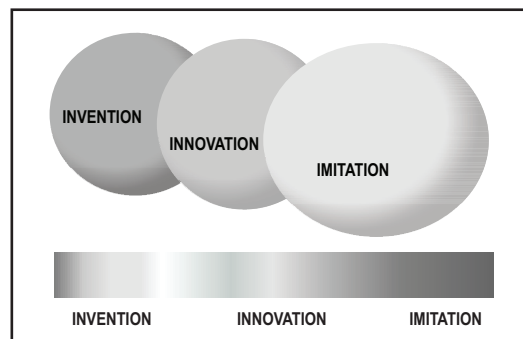
innovation, radical innovation provides a significant surge in profits or value offered, as well as the authenticity of the underlying ideas. The difference in the value of the innovation can be quite large for the wearer.

Imitation Strategies

The term imitation was introduced by Joseph Schumpeter (1961) in the theory of economic development in his book *The Theory of Economic Development*, published in German for the first time in 1911, and in English in 1934 (Boediono, 1985).

The imitation strategy not only imitates in the making of the product, but also imitates the promotion strategy and distribution strategy. However, this imitation strategy is used only at the beginning of it; if it wants to succeed in the long run it should end with innovation, because imitation and innovation are part of the same spectrum.

Figure 1 The spectrum of Invention-Innovation-Imitation



Source : Sidik, G.Ignas.2010. Imitation First, and then Innovation Prasetya Mulya Management Forum , Vol.24.page:21

It can be learned that : (1) Invention, innovation, and imitation are a continuous spectrum, (2) Imitation is making something out of something that already exists, which can be done in imitation inferior, similar, and superior, (3) Innovation is the discovery of something

new to create something that is relatively new with high added value, (4) Invention is the discovery of something completely new, never before, and (5) a clever imitation of imitating and immediately start growing into innovations that provide higher added value.

Competitive Advantage

For the purpose of this study, we looked at the competitive advantage as the term is interchangeable with a distinctive competence which means superior skills and resources. In terms of superior skills and superior resources functional areas of the company, marketing competence, innovation, and production (manufacturing) are treated as a resource and an essential skill for the company or as a source of competitive advantage for firms. In order to achieve a sustainable competitive advantage there should be barriers created making it difficult for competitors to do the imitation (Coates & McDermott, 2002; Hitt, et al.2001). Barriers to imitation will gradually be eroded by increasing competition and increased competition means that the company is required to continually improve their competence in order to maintain its competitive advantage (Grunert & Hildebrandt, 2004).

Hornby (1989) defines competence as knowledge, skill, and quality of a manager or a leader. Woodruffe (1993) in Arwani (2006) defines competence as a group habit that must be owned by a person that can perform the functions and duties properly. Barney (1991) expressed the four indicators that competency of the company can have as a source of sustainable competitive advantage, namely: value, a rare competence among existing firms and potential competitors, it is not easy to imitate, and not easily replaced.

SMEs and Entrepreneurship

According to McClelland (1961) in Winardi (2005), entrepreneurship is determined by the achievement motive, optimism, values, attitudes and entrepreneurial status or success. Entrepreneurial behavior is influenced

by internal and external factors. Internal factors consist of proprietary rights, ability / competence and are intensive, while the external factor is the environment. Affective ability includes attitudes, values, aspirations, feelings, and emotions which are highly dependent on the environmental conditions that exist. Thus, the ability of entrepreneurship is a function of entrepreneurial behavior in combining creativity with innovativeness, hard work, and courage and this risks the opportunity.

Through the results of empirical studies on individual companies or countries, it can be concluded that the strategy of imitation is a stepping stone towards an innovation strategy, so that a company or country can compete, align them, even beating companies / countries innovators / pioneers. Studies of imitation strategies can be grouped into five groups. The positions currency among the five study groups have been looked at for this study.

Themes of the relationship of contextual factors on strategy imitation: Dewett and Williams (2007), Delios, et al (2008), Semadeni and Anderson (2010), Masanell, et al (2010), Lee, et al (2010), Hodgson and Knudsen (2006). The theme of the relationship between strategy imitation and manufacturing performance aspects that accompany it: De-Almeida and Zemsky (2008); Zhou (2006); Ceccagnoli (2005); Thompson (2009); Ofek and Turut (2008); Ethiraj and Zhu (2007); Geisendorf (2005), LeBaron and Yamamoto (2008). The theme of the transition from the strategy of imitation to innovation strategy: Dobson and Safarian, 2008); Xie and White (2006); Kim, et.al.(2004). The theme perspectives corporate behavior, learning, networking, and intellectual property: Xu and Zhang (2010), Minagawa, et al (2007), Zahra, et al (2006); Csaszar, et al (2007), Lieberman and Asaba (2006). And studies with a

theme that focuses on antecedents of imitation strategies Canfei and Shengjun (2007); Kale and Little (2007); Lu (2002); Orandini, et al (2008), Shenkar (2010), Xie and White (2004).

Thus there is a gap between the research groups that study the process of learning innovation strategies from the perspective of small business owners experiences. Yamamura, et al. (2005) and Delios et al. (2008), highlight stages of imitation-innovation-invention that include: reverse engineering, modifications typical, innovation, typical, which leads to the creation of the product . Dogson, et al. (2006) and Chao, et al. (2006) indicate that transition imitation-innovation in Taiwan in line with the strategy of industrialization being operated, namely: substitution import strategy, export strategy, structural transformation, and driven by the market liberalization . Kim et al. (2004) determines that there are five categories that determined the transition of Samsung as a strategy, R & D activities, organizational structure, the process of new product development, and manufacturing processes. Xie and White (2006), indicated that the 4 phases of industrialization in China is shifting to the localization strategy of modernization value-added activities as a means of modernizing itself. More recently Zhou (2006) highlighted the positive effect of foreign ownership on the performance of new products firm age is more influential on the performance of new products on strategy imitation. Dobson and Safarian (2008) highlighted that learning can also be obtained internally, through technology, or organizational progress in finance, management, outsourcing, production, and marketing, as well as through improvements in product quality and establishing the role of the companies conducting R & D activities will enable the discovery of new products and modify

existing designs. Huang et al. (2010) also highlighted that Imitative innovation in the reconstruction process in four stages includes the identification and confirmation of the position of strategy innovations, examines core competencies and explores gaps in imitating innovation, mobilizes resources and specialized complementary assets, and the restructuring of the industrial ecological environment.

Methodology

The methodology of research work laid the basic framework of the study. It includes basic concepts of research, the philosophical foundation, the type of data used in this study, the types of questions asked to the informants, the method of determining informants, and data analysis techniques. Thus, the methodology gives shape and direction of the research process. Selection of research methodology through the stages: defining the paradigm of research, research methods, data collection, data analysis, and presentation.

We believe that through a Phenomenology method we will be able to understand in-depth (verstehen) by learning from experience-his experience as a craftsman. Through the method of phenomenological nature / essence the experience of the owners of the leather processing units can be obtained by bracketing or epoche techniques namely delay or put in brackets all the assumptions and presumptions of the researcher of the object studied.

Result and Discussion

Table 3 shows the experiences of small leather processing industry owners that revealed from in depth interviews, grouped into 26 (twenty six) themes. The premises are based on the theme, either related directly or not directly related to the learning process. Premises that directly related to the learning process

will determine the relationships pattern among themes, as shown in Figure 2.

All 26 themes were grouped again to express the essence or main point of a phenomenon that emerged from all informants to personal factors, behavioral factors, the drivers and barriers, as well

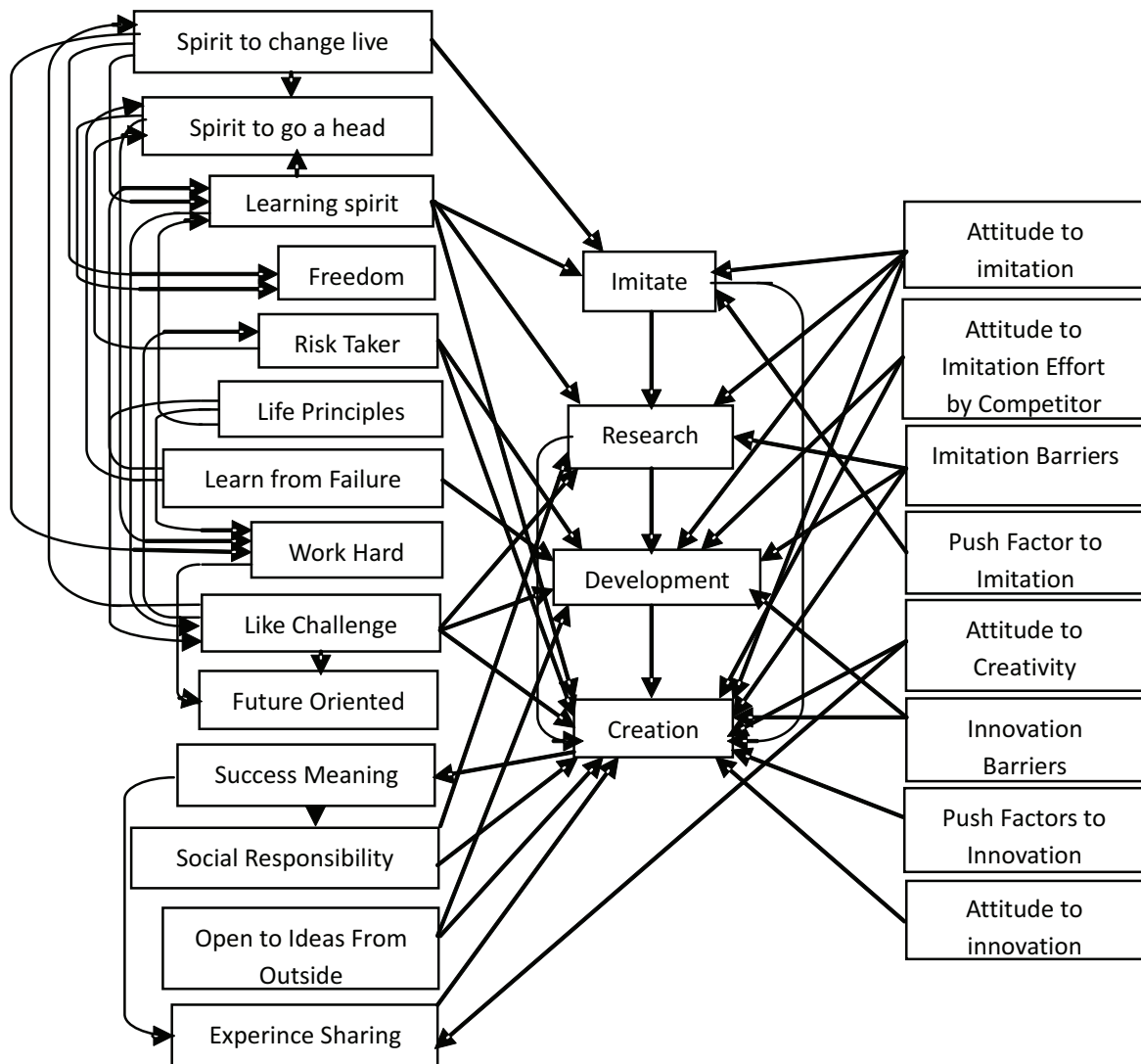
as the learning factors, as shown in tabel 3. Learning factors through experiences during the running of imitation strategies, demonstrated by the phenomenon imitative, research, development, and creation. The fourth theme is derived from the common words identified across informants.

Table 3 Themes and Grouping themes

No	Theme	Group theme
1	Spirit to transform lives	Personal Factor
2	spirit to go ahead	
3	Learning spirit	
4	Freedom	
5	Courage to take risks	
6	Life principles	
7	Learning from failure	
8	Work hard	
9	Like to challenge	
10	Future orientation future	
11	Success meaning	
12	Social responsibility	
13	Open to ideas from outside	
14	Sharing the experience	
15	Attitudes to imitation	Attitude Factor
16	The attitude towards the imitation efforts by competitors	
17	Attitudes to creativity	
18	Attitudes to innovation	Push and Barriers Factor
19	Imitation barriers	
20	Push factors to imitation	
21	Innovation Barriers	
22	Push factors to innovation	Learning Factors
23	Imitate	
24	Research	
25	Development	
26	Creation	

Source: Research result, processed.2012

Figure 2 The Relationship Between Themes



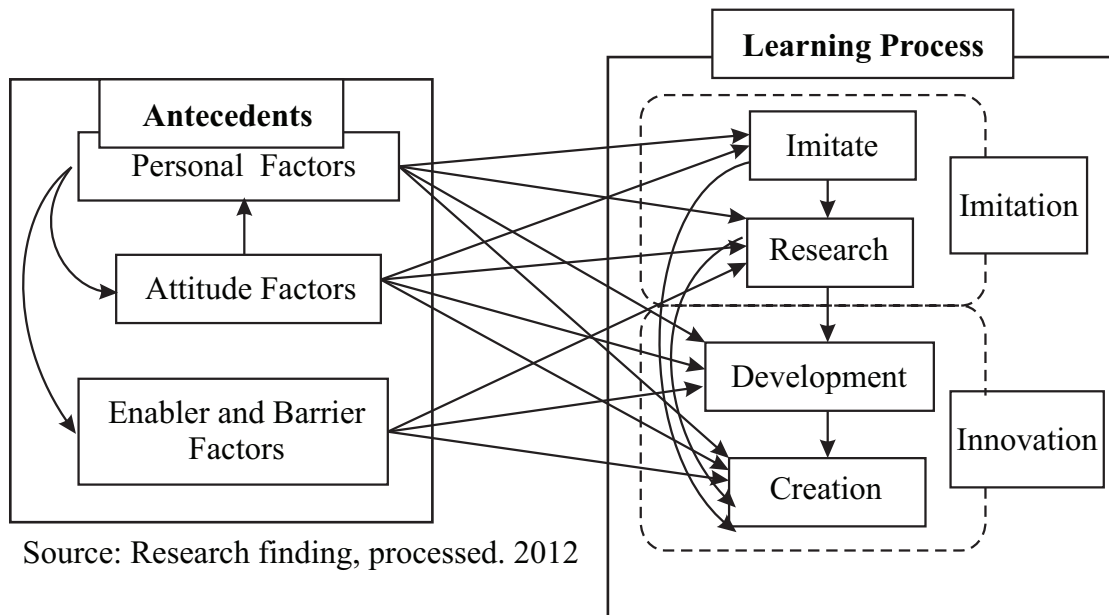
Source: Research finding, processed. 2012

After 26 themes were grouped into 4 groups, details of the relationship patterns among themes in Figure 2 were simplified, as shown in Figure 3. Figure 3 shows the learning process of innovation strategies through the owners' experience when running the imitation strategy. The interaction result is between attitudes, personal factors, as well as the push factors and barriers in both the imitation and innovation strategies. Personal factors, behavioral factors, as well as the push and barrier factors, then referred to as antecedent of the learning process. In the right column are the elements of

the learning process including imitate, research, development, and creation.

Living conditions of a deprived childhood are , strong motivators to change the fate and life to better than before, which is defined as prosperity, wealth, or higher incomes than before. The spirit to advance was driven by the dissatisfaction with working conditions in others as a handyman, as an educational background is not related to the business owner, exclusion from society because of childhood poverty, role models or examples of success, the difficulties found

Figure 3
Model Design of Imitation Strategy Learning Process Toward
Innovation Strategy



in our products, and failure to conquer the difficulties encountered.

The spirit of learning can be found in the owners of the small leather processing industries. They understand that a person's progress can only be achieved if the person has the spirit of learning. Learning in question is learning the things related to the business that they do. Average learning started from a young age. The spirit of freedom comes as job dissatisfaction in others, such as attachment at work, bound fate, lack of freedom to think, the workload, fixed wage rates, as well as a change of fortune is unlikely.

In this study we found that the risk taker which is interpreted as being having dual risk: first, the risk is considered synonymous with loss: the second, the risk as an opportunity. The imitation bag model is seen as a competitor who always has inherent business risk (risk of first level) within the business unit owners themselves. This risk was addressed

positively, that is regarded as the driving force to remain brave to develop the business, as the driving force to promote creativity and innovation. A principle of life that has always been held strong is "always remember God, remember those less fortunate around it", and "always work hard to achieve the desired goal." Hard work alone is not enough, but must be accompanied by introspection that can accept shortcomings and weaknesses themselves. Weaknesses and shortcomings can only be eliminated by learning. Failing that is a lesson of how to be able to advance. This mindset is motivating to keep daring to do something, to test orders with a high degree of difficulty.

For owners of small leather processing industries the message is that "hard work is the energy". That is, to achieve or obtain something some hard work is needed, which is an attempt to realize this goal. Because of the hard work there is energy. Energy is required to always

try and to never give up the job. SMEs owners fight against any difficulty that arises in the course of its business. These difficulties include the model complexity, lack of materials, lack of technology owned and these are indicators of the spirit of conquering challenges. Future orientation is simply interpreted as a "target, wishful thinking, and the ideals of life" influenced by childhood experiences are less fortunate than others. The key achievement of wishful thinking is the ability to create something new and different to that which exists or already made by others.

Success is interpreted as being: I can remember and thank God, have inner happiness, where honest and thanks always, be moral in the way to achievement, identical to the increase in creativity, providing something useful to others by sharing experiences, and providing opportunities of work.

Social responsibility manifests in a sense of concern for the fate and welfare of its employees and the surrounding community. Among other things, employment and participation in the construction of places of worship, development of public education and public facilities are important.

From outside it is recognized that any notion / idea of the pure bag model comes from him (do not look at samples or drawings) is never complete without a process of improvement. What you do is to firstly think positively about any ideas that come, and not directly criticize and demonstrate the weaknesses of the idea. When the weakness of the idea is found, do not immediately think to eliminate it, but the reverse will be to seek and excellent model of the bag idea.

Usually people who are successful are not willing to or find it difficult to share

knowledge or experience with others because of the fear that its success will be rivaled by others. The reverse is true for owners of small leather processing industries, good social relations underly their sense of sharing experiences among themselves. Good relationships are triggered by a strong sense of tolerance and the idea that sharing with others, even if it's just experiences, is a form of practice and each practice will be doubly rewarded.

Imitation is rampant among the owners of the business unit and is considered as a matter of course. This happens because of the system sales order. But they often make modifications, which reduces or increases, producing "similar but different". If the imitation is an exact same model of the handbag the resulting proceeds will compete with the original bag. All informants revealed that imitation bag model is not as easy as it seems to the general public. Although it is an imitation, there is still difficulty in it, so it takes skill. Effort by competitor attitudes towards imitation attempts made by the competitor is "no objection", sincere, permissive, and can not be prevented. Sincerity is based on the inability to prevent imitation attempts, because the nature of the production process is very simple where all people are able to do it. Sometimes the nature of surrender against impersonation attempt by passing is only manifested in a sense of pride that the bag is his creation that becomes a reference model for competitors.

Creativity identified by informants through pure ideas, imagination, and the price is expensive. Creativity requires a lot of sacrifice, from the mind, energy, time, and money do not be surprised if the artisans appreciate his creation, the bag. Innovation is understood as "the work of not being there, selling creativity,

creating the newest bag earlier than competitors, becoming a trend center, simplicity prosuksi processes, and improving quality amid high competition and uncertain.

Barriers to imitating handbags include not having sufficient skills, difficulties in obtaining raw materials (leather or non leather / imitation) and accessories, bag model complexity, detailed complexity bag size, complexity stitching techniques, restrictions of bag production, marketing areas, and the difficulty of obtaining reference models. The main factor driving the imitation is the opportunity to share in the profits of the innovators. But for a craftsman who is creative, diligent, and enjoys challenges the opportunities for imitation of handbags with hassle detail size. That way, there will be a lot of competitors in order to obtain large profits, as well as the pioneer of the imitation of the bag model. Some constraints apply to innovation strategies, among others: market uncertainty, the cost of the experiments, the availability of raw materials and accessories, and the difficulty in determining the compatibility of materials with accessories.

Factors of age, wages, consumer tastes, the system of wholesale sales, wholesale sales system are motivating factors for owners of small leather processing industries to be innovators, no longer as an imitator. Imitation is associated with the motivation to change for better living conditions, permissiveness of the owners of small leather processing industries on imitation by competitors against his creation, and the sense of sincerity among craftsmen to lend its handbag models, have prompted rampant impersonation. Permissiveness and sincere simplicity of the process is triggered by the production of a bag, and the mindset that every person has determined the fortune of God. However,

imitation strategies require the spirit of learning to overcome its own difficulties in making patterns, sewing processes, raw material incompatibility, and limited technology.

A positive attitude that imitation is not easy and constraints in imitation motivate to improve higher learning stages that research. Research is done by finding out / examining the advantages and weaknesses of bags to be imitated, and are tested many times, both related to the model and the type of material. Research activities are only capable and successful if personal pleasure is in the challenge. Ambition to conquer the challenge is solely owned by the owner of the business unit that has a high learning spirit. This phase includes activities to increase the value-added products imitated, by adding variety, eliminating those attributes deemed to give a bad impression of the style of the bags, and the activity to update older models. Development activities are the result of interaction between research, personal factors, attitudinal factors, factor constraints, and constraints in both imitation and innovation. Permissive attitude toward imitation and a positive attitude to creativity motivate owners of small leather processing industries to do the development activity. Development can only be done by owners who are personally willing to take risks, to learn from failure, enjoy challenges, have a sense of social responsibility, and who are open to ideas from outside. Barriers to imitation and barriers to innovation trigger development activities, and do not back the imitation stage.

The highest level of innovation strategies in the learning process is the stage "creation". The creation stage challenges craftsmen with the ability to make products different and even better, create a model based on imagination,

and to have creative freedom. Negative attitudes towards imitation and or positive attitudes toward imitation, positive attitude towards creativity, sincere attitude and someone who is proud of the efforts of imitation by competitors of his work are great motivators to be more creative. It is believed that *invoasi* can only be achieved through creativity, so that success can definitely be achieved. A positive attitude toward innovation sparked by creative freedom and simplicity, increased competition and technological progress, strengthen the motivation to achieve the creation stage.

For owners who have a strong motivation they will still try hard to realize a dream of innovation despite the obstacles. The ability to overcome the constraints specified include learning the spirit of innovation, risk-taking, enjoying challenges, having a sense of social responsibility, being open to ideas from outside and sharing experiences. The success of a craftsman is the person who has reached the creation stage through learning stages of imitation, research, and development. But it is not impossible for craftsmen who have a strong motivation to "jump" from imitation to creation, from research to creation.

Conclusion

The study revealed the learning process of the innovation strategy through experiences gained during the running of the imitation strategy. This is expected as a self-evaluation as well as a guide to improve learning ability and willingness of the owners of SMEs in an attempt to abandon the strategy of imitation and switched to a strategy of innovation.

The results showed the learning process towards the innovation strategy by the owners of small leather processing industries through his experiences of

running the imitation strategy, through the stages of: (1) imitate, (2) research, (3) development, and (4) creation. This process is the result of the interaction of personal factors, factors of attitude, as well as the drivers and constraints of either driving or the obstacles and constraints of impersonation and driving innovation. The research stage this is a critical point.

The owners of small leather processing industries that have the spirit of learning will try to learn from imitation and trying to research, namely figuring out / examine the weaknesses and advantages of the products to be imitated. Research success is a powerful motivator to reach the next levels.

Creative and innovative process can only be done by the owners of a small leather processing industries that have an entrepreneurial spirit and attitude. Only those who are able to balance between the entrepreneurial and business aspects, will be successful with strategies of imitation and turn left to run innovation strategies. Aspects of entrepreneurial that include honesty, motivation, positive attitude towards challenges and failures, should be aligned with those of risk taking, being open to the outside, hard work, and the ability to overcome obstacles that arise.

The Research findings of this study have important implications. the Mutual learning program was developed based on that condition. This shared learning program is an interactive program between the government, universities, and the owners of small leather processing industries. The government is required to give support in the form of availability of information, technical personnel, be associated with the center and all its supporting pillars. Universities can contribute in the form of applied research and product design training. While

the owners of small leather processing industries are required to create a team building culture.

This interaction form is interaction of technical, commercial, legal, social and financial. The goal is to develop, protect, finance, and manage new science and technology on a regional scale. With the onset of interaction between institutions/elements in the Collective Learning Center is expected to be able to mobilize and allocate resources, and manage the risks required to achieve technological advancement.

This research in practice, however, encountered some limitations. Firstly, only a few owners of small leather processing industries began the shift to the innovation strategy, so this affects the informant selection process. The researchers had trouble in finding informants who were suitable and who suited this study criteria, the craftsmen who followed an imitation strategy and also an innovation strategy. The cause of these difficulties is related to parties that do not have a data base.

Further research should be grouped by level of education informants to obtain in-depth analysis. The study produced some propositions that can be tested further in the same or different settings to support proposed learning designs toward innovation strategies as an imitation learning strategy model toward an innovation strategy. Finally, the

proposed design of innovation learning strategies through experience during the running of imitation strategies, provides opportunities for future research in the positivist approach.

Notes on Contributors

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