

# Innovation and Imitation: Corporate Strategies for Global Competition

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## *Abstract*

*In open markets where competition is strong, innovation loses its role of 'ideological hierarchy' over imitation; both have the common goal of maximising company profitability, with the constraint of optimising performance results in the very short term. With these objectives and result constraints, the success of research and development activities is measured by the real improvement in the competitive supply potential, expressed by indicators such as time-to-market or patent use rate.*

*The capacity to exploit the competition acquires prime importance, while the capacity to accumulate know-how becomes less important (for example with the traditional indicators of the number of patents per year).*

**Keywords:** Product Innovation; Product Imitation; Process Innovation; Process Imitation; R&D Policies; Global Competition

## **1. Global Markets and Open Innovation**

On global markets where competition is particularly fierce, the leading companies reveal the crucial importance of open innovation policies.

Open innovation targets R&D at innovation and imitation processes simultaneously (Kim 1997; Helpman 1993; Cohen, Levinthal 1989; Link, Neufeld 1986; Levitt 1966), because companies tend to refer primarily to their competitors when they define their policies and when they organise research and development resources, highlighting an outside-in strategic approach, oriented to combine internal skills and knowledge coming from network relations with co-makers, partners and even competitors (Arora et al. 2001; Brondoni 2009).

Companies therefore acquire ideas, guidelines, resources, processes, etc. from outside, developing them internally to implement innovations and imitations that are competitive. These innovations and imitations are thus the result of corporate policies focused on competition (market-driven management) (Lambin, Brondoni 2000), and bound by the objectives of short-term profitability and minimum market risk (Brondoni 2008; Weerawardena, O'Cass 2004; Vorhies, Harcher 2000).

On the other hand, global companies adopt closed innovation policies when they operate in sectors that are protected from competition (Utterback, Kim 1985;

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Mansfield et al. 1981; Abernathy, Utterback 1978). With closed innovation policies, the leading companies concentrate their expertise in governing innovation processes in internal structures, and intellectual property is defended against potential ‘copying’ and external appropriation. Even closed innovation policies tend in reality to generate numerous imitations, above all with so-called ‘me-too’ products, but in this case they are imitative products that do nothing to develop market potential (Kane 1989; Grabowski, Vernon 1987).

With closed innovation policies, leading companies tend to consolidate their leading position in R&D by sustaining the crucial role of Resource-Based Theory (RBT), based on the principle of the maximisation of resources existing inside the company. RBT underlines the importance of making the most of available resources, proposing an inside-out strategy that defines the optimal conditions in contrast with competitors, on the basis of the potential to use the resources existing in the organisation.

In conditions of global competition, closed innovation policies can develop in local or protected markets and they are distinguished by performance indices that refer to the generation of a ‘theoretical’ innovation potential (a theoretical potential which, in the long term and with regard to static and closed markets, tends to coincide with the real potential of the innovation processes), and typically regard: the costs met for R&D activities; the number of patents developed and owned; the number of new products and modified products. Briefly, closed innovation policies have R&D budgets, in which a large share of the costs is dedicated to the development of basic technologies and less on the development of applied technologies.

□ *“During the early 1980s, the absence of important innovations caused the stagnation of Western economies and especially of European industries. Industries in basic needs reached saturation and their growth slowed down. New industries emerged and high-technology sectors have also developed, driving a global economic expansion. At the eve of third millennium, these corporations engaged a worldwide market-pull innovation, that directly meets observed needs, with a traditional or company-push innovation, that results from technological research” (Little 1998, passim).*

Open innovation stands out for the presence of distributed know-how (in network relations, and therefore within dedicated structures but also outside, with competitors, consultants, suppliers, customers, etc.). The intellectual property, rather than being concentrated primarily on defending acquired positions, as it is seen in markets that are closed to global competition, tends to target the dissemination of innovation, according to the competition paradigm that stimulates companies to act ‘before and better than competitors’.

In open markets where competition is strong, innovation therefore loses its role of ‘ideological hierarchy’ over imitation; both have the common goal of maximising company profitability, with the constraint of optimising performance results in the very short term. With these objectives and result constraints, the success of research and development activities is measured by the real improvement in the competitive supply potential, expressed by indicators such as time-to-market or patent use rate. In other words, the capacity to exploit the competition acquires prime importance,

while the capacity to accumulate know-how becomes less important (for example with the traditional indicators of the number of patents per year).

## 2. Global Management of Innovation and Imitation

In the global world, corporations copy and succeed. The pace and intensity of legal imitation has quickened in the last twenty years. Global competition shows that imitators end up winners and global copying is now not only far commoner than innovation in business, but a surer route to growth and profits.

□ *“The iPod was not the first digital-music player; nor was the iPhone the first smartphone or the iPad the first tablet. Apple imitated other’s products but made them more appealing. The pharmaceutical industry is split between inventors and imitators. Some inventors, such as Pfizer, have joined the copycats, starting generic drugs businesses themselves. The multi-billion-dollar category of supermarket own-label products is based on copying well-known brands...Ray Kroc, who built McDonald’s, copied White Castle, inventor of fast-food burger joint” (The Economist, May 12<sup>th</sup> 2012).*

Imitation does not necessarily imply clones of goods, or illegal counterfeits. In fact, the imitation can also be legal and very positive for the firm development.

On global markets consumers identify different categories of imitations: product pirates, or counterfeits; clones, or knockoffs; design copies; creative adaptations; technological leapfrogging; and adaptation to other industry (Schnaars 1994).

Counterfeits and knockoffs are duplicative imitations, but just the first is illegal. Counterfeits are copies that resemble an original brand name but of low quality. In contrast, knockoffs are legal products, closely copying the original products in the absence of copyrights, trademarks and patents but sold with their own brand names at far lower prices. Knockoffs often present a better quality than original products. So, when it is legal, duplicative imitations are a bright strategy for the firms with low wages and mature technology (Schnaars 1994, passim).

On the creative side, design copies, market adaptations, technological leapfrogging, and adaptation to another industry are creative imitations.

Design copies follow the market leader but live on the market with their own brand name and specific engineering features. Product adaptations are innovative, with improvements inspired by existing products. Technological leapfrogging gets advantage with newer technology and enables the imitator to leapfrog the innovator. And finally, adaptations to another industry takes on the application of innovations in a certain industry for use in another. In general, creative imitations are focused on generating imitative products, but with new features. These imitative products involve benchmarking and strategic alliances, but also substantial investments in R&D (Bolton 1993).

The development of global policies of innovation and imitation can be divided into four strategic patterns.

A first strategy stresses the strong correlation between R&D intensity and multinational performance of corporation (Caves 1996). The international strategy of innovation (1970-1990) performs abroad increasing percentages of R&D, while

the prevailing tendency is still for research to remain based at the headquarters of MNCs.

□ *In the years 1970 - 1990, companies devote little attention to the policy of copying. None of them had either a formal or informal policy on how to fight to other firm's innovations. So corporations were often far too slow to imitate rival's successes and lost sales (Dunning 1988).*

A second strategy began in the 1990s, when the corporations dealt with the decentralization of R&D, together with a rapid globalisation of networks (OECD 1998; *Cambridge Journal of Economics*, February 1995). Networks would engage in foreign-based R&D to obtain: product or process improvements; research advances into basic materials or products; efficiency-seeking research to acquire foreign technological assets (Dunning 1993).

□ *In these years, global copying is fairly common, and lots of big corporations do it effectively. Asian companies, in particular (such as Panasonic, whose former parent was Matsushita) have excelled at legal imitation.*

The third strategy is related to the globalisation of R&D and the concept of global innovation networks (Ernst 2006). The process of R&D globalisation had highlighted the emergence of developing economies as locations for R&D. It described the early stages of the rise of China as a location for foreign R&D, several examples of R&D global networks, such as Motorola or Toyota, and examples of R&D undertaken by subsidiaries in South Korea (Byun, Ahn 1989), Brazil, Morocco, Kenya and Czech Republic.

□ *“As strip costs from their products, they will have to rethink the processes they use to design and deliver their offerings. Many will discover that their home –market organizations are no longer the primary locus of innovation. Big global companies, after specifying the performance parameters they expect, may outsource the innovation process entirely” (Seely Brown, Hagel III 2005, p. 39).*

The fourth, on going, strategy of global management of innovation emphasizes the importance of imitation in competitive global networking. This strategy coincide with the accelerated crisis of older forms of industrial organization in many global industries (Dunning 2008). The management of global innovation and imitation is driven by competition, increases in technological advances and accelerating cycles of customer preferences.

### **3. Global Corporate Policies of Innovation**

Corporate global innovation policies can be defined as:

- Product innovation. The creative development of radically new products, grounded on new technology and linked to unmet customer needs;

- Process innovation. The development of new ways of producing products that leads to advantages on costs, time or quality;
- Competitive innovation. The development of new forms of realising business that provide valuable competitive advantage.

### 3.1 Global Product Innovation

A corporate policy of global product innovation is implemented by companies that spend heavily on research and development. Research costs take precedence, sustained without interruption and with high priority investment. R&D is conducted in a small number of centres in the network, which are highly specialised in specific research areas. With product innovation, research and development are targeted to create products destined to break the existing continuity in the link between supply and demand (breakthrough).

Breakthrough innovation has three distinctive characteristics: the presence of an invention, i.e. an R&D result that generates a product with absolutely new characteristics; the possibility of manufacture, i.e. the concrete possibility of developing the new product, progressing from the theoretical project to the prototype and then to mass production; and finally, a customer segment that is sufficient to guarantee profitable sales.

□ *“Many people, especially scientist, confuse invention with innovation. An invention is a new product; an innovation is a new consumer benefit...To be a successful innovation, a new product or service must be tested against the five following criteria. Benefit: customers must value the new features...; Unique: the new product benefits must be seen as unique...; Timely: speed in developing and launching new products is increasingly critical...; Sustainable: a new product must develop barriers to entry...; Marketable: the company must have the capability to market the product” (Doyle 2000, p. 118).*

Numerous firms have created a breakthrough innovation that has revolutionised lifestyles all over the world. A few well-known examples: Frigidaire, with the introduction of refrigeration systems; Carrier, with air conditioning; Otis, with lifts and elevators; Nestlé, with powdered milk. An innovation can generate first-mover advantage, being the first to arrive on the market and investing to maintain the leading position. First-mover advantage can be defended temporarily with a strategy of high prices to generate profits, or with a low price strategy to rapidly acquire a high market share, raising barriers to the entrance of competitive followers (Aaker 2005).

Global breakthrough product innovation generates new, formerly non-existent product classes, with innovative products and price levels that have no comparison among alternative products.

What is more, global product innovation defines new relations with demand, but above all it determines new competitive relations.

Competitive product innovation policies that focus corporate growth and shareholder value on the success of basic product innovation often expose the company to a ‘drop’ in competitiveness and profitability.

□ *A recent case of the 'success trap' of basic product innovation regarded Lexmark. This global corporation, which was the leader of the high quality inkjet printer market (its 'basic product innovation'), made the unexpected announcement in August 2012 that it was ceasing the manufacture and development of inkjet printers, because of limited profit margins and fierce global competition from the other major manufacturers.*

On the other hand, high-growth global corporations (like Nokia, GE or Sharp), with competitive product innovation policies, fuel their corporate success with research into new breakthroughs, identifying emerging global opportunities that can enable firms to rapidly achieve critical sales, and building positive relationships with customers.

□ *Sharp's founder Tokuji Hayakawa came up with the idea for a buckle for Western style pant belts (1912). This buckle allowed the user to adjust the belt length, even without holes. In 1915, Tokuji Hayakawa invented a mechanical pencil with replaceable lead cores to stay sharp all the time. At the time there was another mechanical pencil available, but it was made of celluloid and was too fragile for everyday use. The ever-sharp pencil was a monster hit in the US and Europe.*

### **3.2 Global Process Innovation**

A corporate policy of global process innovation is implemented by a company that invests heavily in research and development, where costs earmarked for product development take priority. Product development activities are conducted in numerous centres in its network, located in different geographical areas, often close to manufacturing plants and diversified by area of research and manufacturing activity. With global process innovation, development and research are targeted to create products that are destined to maintain the existing relationship between supply and demand, improving the competitive advantage provided by the product's distinctive features.

Global process innovation is achieved specifically through product value analysis and outsourcing, because global competition brings constant pressure to bear on the need to reduce product costs.

Product value analysis entails a critical study of the value of a company's products and processes.

Value analysis breaks a product down into its elementary components, and verifies the utility of each component in relation to the function that the product has to perform. Value analysis also envisages an assessment, in terms of costs and benefits, of replacing each component with possible alternatives, calculating both the potential of the replacement products, and the possibility of developing individual components with different materials, forms and procedures. Value analysis therefore constitutes the basis for the development of innovation processes and of imitation processes, because it presupposes specific critical analyses that are performed on company products and processes, striving constantly to lower costs and improve functions.

Value analysis oriented to internal development focuses specifically on the company's processes and products to maintain their competitiveness, in other words to decrease manufacturing costs and to maintain demand satisfaction levels in line with market expectations.

With a corporate global process innovation policy, the advantages to be obtained by product value analysis are added to those of outsourcing, i.e. external supply agreements. These agreements have increased significantly in recent years, and whereas they were originally designed simply to lower manufacturing costs, recently they have also become a factor of competition, involving suppliers' R&D capacities and broadening the operating horizon throughout the network (Brondoni 2005a).

□ *Outsourcing was introduced in Japanese companies and in 'keiretsu' alliances in particular, with the creation of very close relationships between companies and suppliers. Outsourcing spread after the Second World War, becoming a key global policy in all industrialised countries in the 1990s.*

The outsourcing of R&D activities can pose several problems such as: a loss of centralised control over the development of research processes, due to certain activities being decentralised outside the company; the transfer of internal skills to external structures, with the possible dispersion of knowledge and the spread of confidential information about the company; the product tending to become a "commodity"; phenomena of dependence on key suppliers, who can take responsibility for the development processes of important technologies regarding company products and processes; the definition of property value boundaries, deriving from research activities and even more so from development activities; the activation and maintenance of complex systems of relations and controls, consistent with the crucial nature of the R&D activities to be decentralised (Salvioni 2010).

However, outsourcing has numerous advantages: the achievement of greater economies of scale; the transformation of overheads common to manufacturing and R&D into variable costs; greater adaptability of development activities to technological and organisational changes in the fields in which the operations are conducted; the possibility of 'external access' to operations that demand a larger company size; the focus of R&D activities on 'core competencies', encouraging the flexibility and decentralisation of the research structures, in order to respond more rapidly to changes in the external environment.

Competition between global companies has drastically modified the industrial manufacturing, which is now characterized by: 'lean' organisational structures; numerous manufacturing sites, with extensive automation of operating processes; the production of a wide variety of products; smaller stocks of raw, semi-finished and finished products.

Competition on open markets (market-space competition) therefore underlines the importance of global economies of scale, the value of which does not depend on the degree of exploitation of elementary manufacturing factors, but on the 'intensity of sharing' of specific resources in a networking system, in other words on the sophistication of the collaboration between internal, external and co-makership structures.

The pressure brought to bear on costs by market-space competition forces companies to entrust the production of numerous components and a large part of assembly operations to external structures, adopting corporate global process innovation policies (in which outsourcing is combined with continuous product value analysis), that are characterised by: design, development and manufacturing teams separated by high geographical barriers, which have to operate as a single, integrated and efficient working group; huge difficulties related to comprehensive knowledge of information regarding costs, quality and distribution; the risk of losing intellectual property; the difficulty of obtaining feedback and suitable documentation from the various organisations involved in the various stages of the process of global innovation.

### 3.3 Global Competitive Innovation

Corporate global competitive innovation policies are implemented primarily in large corporations that spend heavily on D&R, focusing in particular on the research and development of products that are designed and developed jointly with competitor companies. D&R activities are conducted in the network's centres located in manufacturing facilities that turn out specific products whose basic characteristics are entirely similar, but with different product brands and corporate brands.

□ *“For example, Toyota and PSA have decided to manufacture three versions of the same model together (Toyota Aygo, Citroen C1, Peugeot 107), to meet demand ‘bubbles’ for safe, low cost cars with personality. Market orientation therefore starts from the bottom up, to ‘force’ the meeting of supply and demand, developing trade and communication flows (push/pull communication)” (Brondoni 2005b, p.10).*

With global competitive innovation, development and research focus on creating products destined both to reduce over-supply costs for particular segments of demand, and to maintain existing relations between corporate brands and global demand, concentrating the competitive advantage on distinctive corporate characteristics.

Global process innovation is implemented specifically by competitive alliances (equity and non-equity).

With these alliances, companies develop specific collaboration relations and combine different resources and skills (outside-in), to reach a common target in a short space of time, with low costs and a high probability of success.

Global over-supplied markets have introduced the system of a collaborative network between companies with similar profiles and sizes, to strategic alliances. In fact, in fiercely competitive global markets, cooperation makes it possible to limit over-supply, with a global market perspective. To this end, companies often create strategic alliances even with direct competitors (competitive strategic alliances) with a vast range of solutions, differentiated primarily on the basis of whether there is joint participation in the stock capital (equity alliances), or whether the common competitive advantage is the outcome of forms of long-term collaboration with no joint ownership of the stock capital (non-equity alliances) (Brondoni 2003).

R&D partnerships play a leading role in competitive strategic alliances. An R&D partnership enables companies to put together particular resources and distinctive skills, in order to share the cost of implementing a specific or particularly expensive research project, or to combine human resources and technological capacities to introduce or develop definite innovations. Sharing the experiences of different partners makes it possible on one hand to cut technological development times, with lower costs for individual companies, while on the other hand it highlights the fact that today's manufacturing technologies constitute a complex, sophisticated system that involves different industrial companies, with the result that companies can rarely draw on the entire gamut of technical skills necessary to generate new products and services (Brondoni 2002).

#### **4. Global Corporate Policies of Imitation**

Incremental innovations that spread on the global markets derive from imitation processes that are the result of corporate strategies created specifically to compete and to grow on global markets (Nonaka, Takeuchi 1995; Sinclair 1990). In fact, competitive actions and reactions and leader-follower dynamics underpin the imitation processes, for which the most competitive firms invest explicitly in actions that target the competition directly (market-driven management), activating corporate functions to monitor competitive actions (competitive intelligence).

Global companies can therefore compete with D&R investments targeted primarily at imitation tasks for the innovative improvement of particular products.

Corporate global imitation policies can be broken down into:

- Product imitation. Products that differ from competitive products, in the perception of definite segments of demand, but which in reality are entirely similar in their tangible characteristics;
- Process imitation. Mass design and manufacture of products that imitate the characteristics of demand and supply, i.e. with identical primary and accessory characteristics, similar price levels and an identical perception of demand;
- Competitive imitation. Products designed and assembled in close collaboration with competitive companies, thanks to huge investments in D&R, aimed at creating products with strong similarities but high commercial margins (marketing coherence) and with high short-term returns on the capital invested.

##### **4.1 Global Product Imitation**

The corporate policy of global product imitation is expressed in particular by the firms that invest in research and development to design imitative products (recognised as different by the customers).

R&D activities to develop global product imitation are conducted in research centres, with departments that specialise in competitive value analysis and others equipped to conduct highly sophisticated marketing research into the choice motivation of global demand segments.

The marketing departments can work separately from the operations departments; in this case, global product imitation is based on short term creative know-how, which usually takes the forms of the management of 'demand bubbles'. In other

cases, the marketing departments collaborate with the operations departments to produce imitative products with a medium-long economic life-cycle. In this case, global product imitation is based on medium-long term creative know-how, accumulating manufacturing and marketing knowledge.

On the basis of the guidelines provided by the marketing departments, the growth of companies that adopt global product imitation depends on the effectiveness of value analysis, systematically targeted on competitive objectives.

Competitive value analysis focuses on a critical examination of particular proposals from the competition, looking for improvements, respecting regulations to protect intellectual property. Competitors' products are thus examined in every detail in order to exploit the knowledge they contain and to incorporate it into new and improved products. It means 'imitating and improving' the competitors products, creating incremental innovations. In concrete terms, global product imitation tends to characterise the competitive comparison with continuous 'innovative/imitative' action and reaction processes on a global scale. Competitive value analysis presupposes complex imitation and innovation processes, because it aims to improve the output of competitors' processes.

With the global product imitation, companies pursue a competitive policy as followers, to reduce R&D costs, to verify the market's acceptance of a product (minimising the risk of entering different markets), to understand the purchasing behaviour of the trade and of final demand, and finally to choose the 'right moment' to enter a market (time-based competition).

With the adoption of corporate global product imitation policies, spending on R&D tends to outline a performance indicator of the structures dedicated to competitive development and to the incremental imitation of products. As a result, from the perspective of global product imitation, corporate R&D performance is measured in terms of network relations, searching for new and continuous generations of competitive advantages on global markets.

With global product imitation, development and research activities are targeted to increase the quantities of specific products offered, pursuing global competitive policies based on over-supply.

□ *“Despite skepticism that Korean automakers would survive the global shakeout of the 1990's, Hyundai (and the parent company Kia) illustrated how Korean carmaker expedited technological learning in a short time, becoming the fifth largest producer in the world” (Kim 1997, p. 127). Hyundai and Kia are producing very similar cars (i.e. the opposite of differentiation), succeeding in the over-supplied cars market and maintaining the Korean Group in a position to generate new knowledge in order to survive in the global market and in the domestic market.*

## 4.2 Global Process Imitation

With a corporate global process imitation policy, large corporations target their research and development spending to design activities and mass production of very similar products which address identical segments of demand (therefore with identical primary and accessory characteristics, identical price levels and identical

perceptions of demand, in other words, imitative products in terms of their demand and supply characteristics). D&R activities are developed in particular research centres in the network, which specialise in product development and operation planning.

□ *The Swatch Group Ltd is a corporation with 24,000 employees, sales of SF 8,143 million (+14% in 2012) and with some fifty production centres (in Switzerland, France, Germany, Italy, Thailand, Virgin Islands, Malaysia and China). Swatch is headquartered in Biel (Switzerland) and markets its products in various countries in the Asia-Pacific region, the Americas, Africa, Europe and the Middle East. The company operates its business through over 440 reporting units across the world. With its own worldwide network, Swatch offers its products through three reportable segments, namely: Watches & Jewellery (with the brands Swatch, Breguet, Blancpain, Hatot, Glashütte, Jaquet-Droz, Léon-Hatot, Longines, Omega, Tissot, Rado, Calvin Klein, Hamilton, Mido, Certina, Pierre Balmain, Flik Flak and Endura); Production (the Swatch network produces practically all the movements and components – e.g. ETA, Renata, etc. necessary to its fourteen watch companies); Electronic Systems. The electronic components and systems companies of the Swatch Group (EM Microelectronic, Micro Crystal and Oscilloquartz) are key players in the manufacture and sale of electronic systems used in watch-making and other industries. Electronic Systems take full advantage of their technical and cultural proximity. The aggregated power of their individual areas of expertise gives these companies a significant advantage to gain supplementary market shares, especially when they address common markets such as automotive, consumer or industrial electronics.*

With global process imitation, development and research are oriented to create specific corporate intangible assets of production know-how. Global networks use production know-how to develop products that increase output already in over-supply, with alternative products (traceable back to manufacturers of a single group of companies, or part of competitive alliances) that are only marginally differentiated in terms of price and supply characteristics, but with manufacturing costs that decrease in time. One result of the competitive transparency of global markets is that lower manufacturing costs can be transferred rapidly to the final selling price, each time that there is an improvement in manufacturing knowledge, with the development of new imitative processes.

Global process imitation pursues a policy of corporate growth, in markets that are in recession and over-supplied, with a competitive advantage based on products obtained with highly imitative manufacturing processes, and which envisages steadily decreasing selling prices. Briefly, it is a policy that opposes the strategy of differentiation, which in effect demands: very heterogeneous demand preferences, strong brand loyalty; a readiness even to pay prices that are much higher than the average market price; and finally, highly customised products, with solutions that can be defended in space and time from imitation by the competition.

Global process imitation actually expresses a very aggressive competitive policy, directed at implementing a range of highly profitable products, made up of products that are poorly differentiated and designed to satisfy very similar needs and preferences. This supply range presents very similar price levels that are decidedly lower than the average price for the sector.

### **4.3 Global Competitive Imitation**

A corporate policy of global competitive imitation is implemented in networks of companies that invest heavily in R&D, but with the emphasis on costs earmarked to the research and development of products designed and developed in close collaboration with competitors (global cooperative alliances). Research activities are conducted in the network's research centres dedicated to basic and applied research in specific products, while development activities are usually located in the manufacturing units. These products share entirely similar basic characteristics, but have different product brands and corporate brands.

Global competitive imitation policies based on global cooperative alliances allow global players to share the risks of launching and handling imitative products designed and developed on a vast scale. Moreover, cooperative alliances make it possible: to achieve important economies in spending on design and in marketing costs; to manage high spending on R&D and marketing; to operate with a high common base of know-how and R&D; and to adopt competitive pricing policies based on the exchange of information between the competitors of the global cooperative alliance.

With competitive imitation policies, development and research are oriented to create products with a high commercial margin (marketing coherence) and with high short-term returns on the invested capital. Very briefly, these are products with strong imitative characteristics, developed by competitive alliances, and able to exploit the marketing know-how and financial resources of global networks, with organisations lean and oriented to open innovation. With global competitive imitation policies, business networks pursue corporate growth by striving for lower over-supply costs, which can be achieved with products that are launched on particular markets with specific product brands, and able to guarantee a competitive advantage to the network corporate brand for a limited period of time.

## **5. Global Competition, Imitation and Innovation. Emerging Issues**

Market globalisation and the growth objectives of large corporations accelerate competitive dynamics and step up the complexity of managing them, determining new problems in corporate strategies of imitation and innovation.

In the current state of play of market globalisation (competitive globalisation), a company's profit and development objectives are increasingly at odds with the objectives and growth constraints of the global financial market system. To overcome this dualism, firms are induced to target R&D spending on open innovation policies in which: the boundaries between imitation and innovation are fluid and less marked; the profit level of the innovation/imitation initiatives is an

absolute priority and conditions the implementation of individual projects; and finally, a return on investment can be achieved in the very short term.

In fiercely competitive global markets, the R&D activities therefore become a key-intangible asset, whose role is to develop the innovation and imitation policies of the large corporations, to anticipate demand trends and the initiatives of the competition, even collaborating with key competitors on particular projects.

What is more, growth objectives and short-term profitability constraints prompt large corporations to favour multipolar development of R&D activities that focus on global imitation and innovation policies. This multipolar development encourages the creation of decentralised technological development structures (Cappellin 2003), which operate with multi-ethnic personnel and are located in the most important world cities, a centre of gravity that is shifting from Europe to the global cities of Southeast Asia and North and South America (Brondoni 2011).

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