

# Barriers to Imitation

# Introduction



“Imitation is multi-stage process that unfolds over time. At each stage of the process there are conditions that must be met in order for an imitation to be successful”

# Stages For Imitation

## Condition for imitation

*Recognition*

*Incentives*

*Diagnosis*

*Resource acquisition*

*Deployment*

Competitors must recognize  
you have something worth  
imitating!

Competitors must have  
incentive to imitate!

Competitors must be able to  
diagnose what you do  
differently!

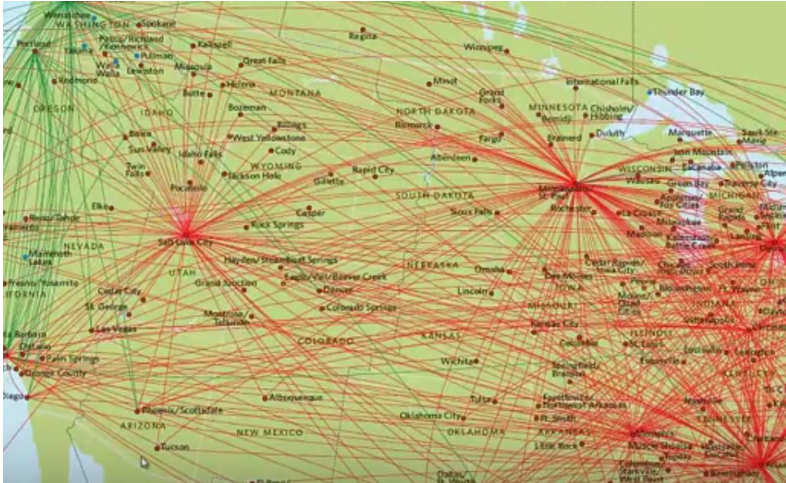
Competitors must be able to  
acquire the resources!

Competitors must be able to  
deploy the resources!

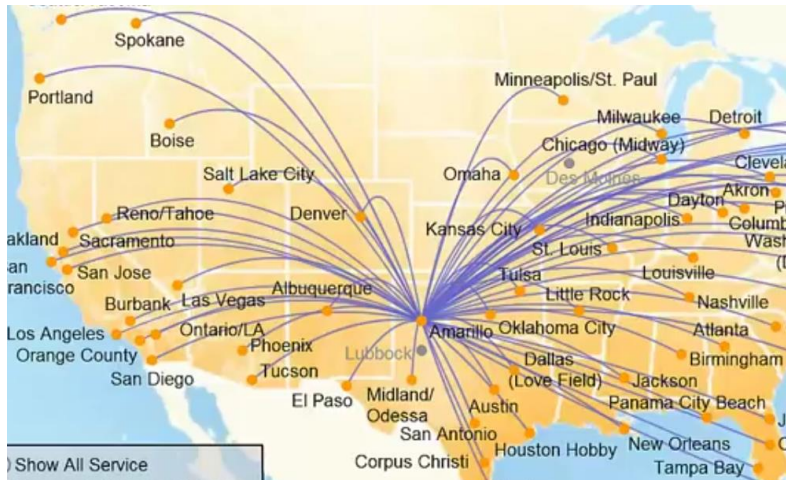
# Barriers to Imitation-Preview

<u>Condition for imitation</u>	<u>Barrier to imitation</u>
<i>Recognition</i> <i>Incentives</i>	<ul style="list-style-type: none"><li>• Hide superior performance.</li><li>• Deterrence: Threaten to punish imitators.</li><li>• Preemption: Lock up all profitable uses.</li></ul>
<i>Diagnosis</i>	<ul style="list-style-type: none"><li>• Causal ambiguity: Multiple resources to disguise source(s) of advantage.</li></ul>
<i>Resource acquisition</i>	<ul style="list-style-type: none"><li>• Immobility: Capability embedded in firm's culture &amp; processes.</li></ul>
<i>Deployment</i>	<ul style="list-style-type: none"><li>• Complex combinations of resources &amp; activities that work best together &amp; contradict rivals' prior commitments.</li></ul>

# Recognition Barrier-Hide Superior Performance



“all major airlines at the time were competing aggressively through hub and spoke distribution systems”



“when Southwest started their business model was just so different that the major players didn’t really see them as a threat”

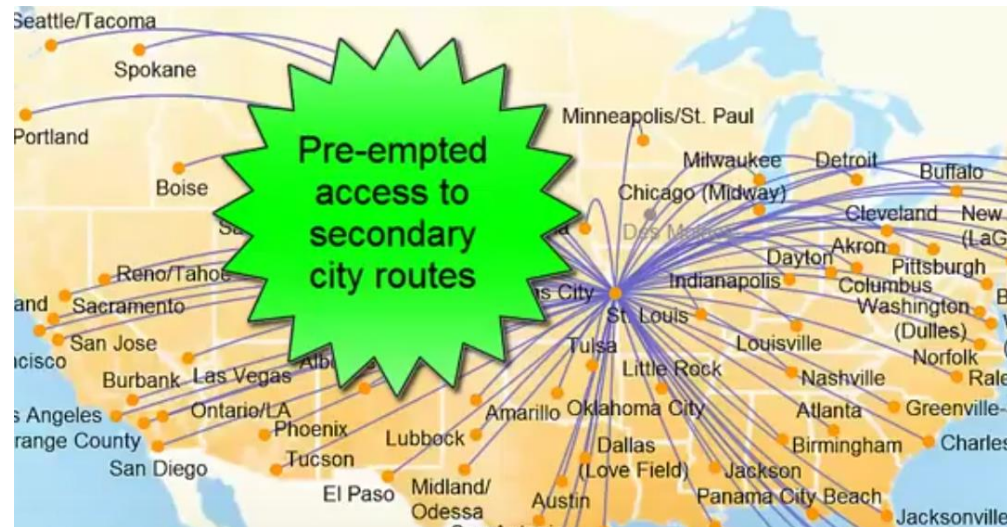
“Enter a market in a way that the main competitors don’t notice you”

# Incentives Barriers-Deterrence and Preemption



“Southwest uses a form of deterrence by keeping prices very low for these routes. Nobody is going to follow Southwest into these markets because the margins are already so slim.”

“Southwest has locked up service at secondary cities. These are small markets with just enough business to support only one non-stop flight service between cities.



# Diagnosis Barrier-Causal Ambiguity

*Diagnosis*

*Resource acquisition*

- Causal ambiguity: Multiple resources to disguise source(s) of advantage.

**Underlying source of  
advantage is unclear.**

“What differences are really driving superior performance [at Southwest]? Is it the direct route model, the organizational culture, the quick turnaround time or all of the above?”

# Resource Acquisition Barrier-Causal Ambiguity

## *Resource acquisition*

- Immobility: Capability embedded in firm's culture & processes.

“Firms can make their resources less mobile by embedding them into the firm's culture and processes. [Southwest's] competitive advantage is not just due to a few people, it is due to the company's culture, systems and processes that are deeply engrained in how they do what they do.”



# Deployment Barrier-Complex Combinations



- Secondary airports/cities
  - Fast turnaround
- No travel agents
  - Cut agent fees
- No frequent flier miles
  - Eliminate program costs
- Major airports
  - Congested and slow
- Needed travel agents
  - Higher costs
- Needed frequent flier miles
  - Extant customer base

“firms can make their resources difficult to imitate by making sure that they are only valuable in combination with other resources and activities, especially when these other resources and activities run counter to competitors’ prior commitments.”

# Barriers to Imitation-Summary

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