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Creating Barriers to Imitation

7.1 The principles of defensive strategies

Competitive confrontations in dynamic markets consist of a succession of innovation and imitation maneuvers. Knowledge of the logic behind such maneuvers is useful for both the innovator and the imitator. While the imitator seeks out the weak points of the first mover’s strategy in order to identify strategic windows that allow successful entry into the market, the pioneer must develop defensive and preventive maneuvers to reduce such threats.

Defensive strategies in the Imitation Game are based on a thorough understanding of how a rival could undermine a firm’s positions, and how productive various available options may be. An effective defense strategy must always contain an offensive component. A company that continuously invests in gaining and maintaining its advantage is already in the best position to effectively defend itself. Unfortunately, established firms have a tendency to respond passively, thus allowing challengers to assert themselves with little difficulty. Therefore, we need to keep certain imperatives in mind in order to prepare to best defend our position:

1. Courage to attack ourselves. The best defensive strategy is to constantly question and attack our own position, even destructively, pre-empting the obsolescence of existing products by introducing new ones and redefining the rules of the competitive game. Such behavior may also involve a profit sacrifice in the short term, but it can be useful for defending positions in the long term, rendering imitation or pursuit more difficult for rivals. This is called the
moving target strategy, which runs counter to the soccer maxim, “Don’t mess with a winning team.”

2. Principle of force. A defensive strategy necessitates a significant initial investment. In fact, victory favors the contender that is able to qualitatively and quantitatively deploy the greatest possible resources and capabilities.

3. Concentration. This consists in amassing the greatest strengths and superior skills with respect to a specific point, typically the attacker's strength or weakness.

4. Speed of execution. A firm can often manage to foil an offensive action because of the difficulty an aggressor has in launching a surprise attack. The element of surprise, closely related to the speed of execution, wears off quickly if the tactic is not followed up with further timely action. Those defending themselves through competitive intelligence try to penetrate the secrecy of their rival's intentions, so they can determine the direction and the actual danger posed by the threat. In other words, the two factors that may hinder effective defense are:
   a) a delay in understanding the magnitude of the threat;
   b) a delay in executing a response.

5. Degree of determination. This refers to how committed the defending firm is to a given reaction. Commitment is a form of explicit communication that unequivocally makes the firm’s resources and intentions known. This enables the firm to base its own defense strategy on rational, credible foundations. Si vis pacem, para bellum: if you wish for peace, prepare for war. The deterrent effect of the degree of determination therefore depends on:
   a) The irreversibility of the commitment. This effect grows with the increasing certainty of the behavior that ensues from the commitment. Think of sunk investments, that is non-recoverable outlay in large production infrastructures.
   b) The credibility of the threat of retaliation. An example is that of an army burning its bridges after crossing them. This forces the enemy to realize that the army it's facing does not have any means to retreat (from a particular market, in our case), making the threat of a fierce battle before any kind of surrender highly likely.

6. Customer value generation. A defensive maneuver can only be effective if it creates perceived value for the buyers, strengthening their confidence and loyalty.