INNOVATE OR COPY: A QUALITATIVE DOCUMENT ANALYSIS TO ENTREPRENEURSHIP IN DEVELOPING COUNTRIES

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Abstract

There is a consensus that entrepreneurs need to come up with new ideas, new products and services and organizing methods to be successful in their new ventures. However, entrepreneurship doesn’t necessarily need to invent, but take an existing idea and make it better. The advent of digital technologies has provided entrepreneurs with myriad opportunities to be creative and create new ventures. The rise and growth of born digital organizations such as Uber, Airbnb and Alibaba.com are strongly attributed to the advancements in technologies. In this research, by conducting a qualitative document analysis for twenty-five South Asian start-ups, we explore how idea generation occurs in entrepreneurs in developing countries. The study contributes to the academia and practice by introducing four idea generation strategies executed by entrepreneurs in developing countries.

Keywords: Entrepreneurship, Digital Technologies, Idea generation, Qualitative Document Analysis.
1 Introduction

In the past decade, the advent and the massive proliferation of social media, mobile, analytics and cloud computing – collectively referred to as digital technologies – (Nambisan 2013; Yoo et al. 2012) have presented myriad opportunities for firms to innovate (Nylén and Holmström 2015). Unlike traditional information technology (IT) solutions, these digital technologies epitomize flexible, easy-to-deploy and cost-effective IT solutions (Cea et al. 2014; Mallat et al. 2009; Nambisan 2013). The innate characteristics of the digital technologies have supported entrepreneurs to come up with new business ideas and models (Sedera and Lokuge 2017), create new ventures and sustain the businesses with a profit (Huang et al. 2017; Tumbas et al. 2015). Nambisan (2017, p. 1029) rightfully asserts that the “digital technologies have transformed the nature of uncertainty inherent in entrepreneurial processes and outcomes as well as the ways of dealing with such uncertainty.” As such, digital technologies are changing the way entrepreneurs initiate their new business ideas.

The traditional IT solutions are largely hosted in-house and considered as highly resource intensive (Nylén 2015). However, digital technologies are relatively inexpensive, available on-demand, functionally oriented, flexible and has the potential to connect with both external stakeholders and customers (Lokuge and Sedera 2016; Nylén and Holmström 2015; Zittrain 2006). Further, the layered architecture enable decoupling data and devices and provide entrepreneurs with more opportunities to innovate (Yoo et al. 2010). Such features of digital technologies minimize the traditional barriers for entrepreneurship (Lokuge et al. 2016b; Nambisan 2017). As such, start-up firms with low capital intensities are provided with an opportunity to innovate in a similar fashion as their resourceful counterparts (Tan et al. 2016), challenging the traditional equation of IT sophistication and resource availability (Dobbs et al. 2015; Nylén and Holmström 2015). This is not only applicable to the start-up firms in the resourceful countries, the entrepreneurial potential of firms in developing nations such as South Asian regional countries is said to have been augmented by the substantial growth in consumerization of IT (Harris et al. 2012; Weiß and Leimeister 2012). Prior research on IT use in developing countries have investigated specifically on the IT investment and management issues (Leong et al. 2017; Leong et al. 2016). Further, entrepreneurship literature has focused on antecedents, enablers, and outcomes related to entrepreneurs, especially in the growth stage of the entrepreneurial lifecycle (Tumbas et al. 2017; Wright and Stigliani 2013). However, to date there are less number of research on the study of the entrepreneurial process in developing countries, especially with the advent of digital technologies. It is a known factor that the advent and the proliferation of social media within a relatively short period has revolutionized the way individuals socialize with one another (Miranda et al. 2016; Sedera et al. 2017a). As such, social media is considered as one of the greatest influencers in the modern history (Palekar et al. 2015; Sedera et al. 2017b). For entrepreneurs, social media is a platform to identify new opportunities (Fischer and Reuber 2014). As such, use of digital technologies in entrepreneurship is an important yet, less studied topic in the information systems discipline.

According to Richter et al. (2015) with the advent of born digital firms such as Airbnb and Uber, opportunists in developing countries see the potential to open similar start-ups in their local economies (Leong et al. 2016; Lokuge et al. 2016a). According to World Bank, in 2016, around the world 3492 new start-ups were initiated and in Europe and Central Asia there were 2679 start-ups established. It is evident that entrepreneurs in this region see the potential of starting new ventures. The developing countries are inherently challenged with heterogeneous economic structures, weak and unstable economic institutions, government instability and limited domestic knowledge (Ernst 2002; Gupta 2013; Sedera et al. 2014; Tate et al. 2013). As such, developing countries should use and access external knowledge for conducting successful economic developments (Leong et al. 2016). Especially, in developing countries, entrepreneurial activities play an important role in sustaining the socio-economic growth (Xiao et al. 2013). It is also interesting to see how digital entrepreneurship occurs in developing countries. Given the importance of entrepreneurship in developing countries, it is important to understand the nature and the status of how people in developing regions conduct their entrepreneurial efforts. As such, the objective of this research is to investigate the phenomenon of how idea generation
occurs in entrepreneurs in developing countries. To explore this phenomenon, as the preliminary stage, we conducted a qualitative document analysis. We collected documents related to twenty-five South Asian entrepreneurial organizations and studied how they have initiated their new ventures.

The paper proceeds in the following manner. First, we provide the background of the study. Next, the paper describes the research methodology and the data analysis process. The findings section includes a discussion on the preliminary findings of how entrepreneurship occurs in the South Asian region. Subsequently, the conclusion of the study is presented, drawing contributions for research and practice. In addition, the concluding section summarizes the limitations of the study and the future research areas.

2 Background

Entrepreneurship is a complex process that involves several cognitive and behavioural steps to lead new ventures into a success (Nambisan 2017). The creation of a new venture is influenced by external factors such as new technologies, industrial impact, environmental impact and intensive human effort to make it a success (Brush et al. 2008). For a new venture to be successful, it is important to assess the viability of the business idea (Moenen and Agarwal 2017; Reynolds and Miller 1992). As such, entrepreneurs usually carry out gestation activities which involves, identification of new ideas, obtaining inputs, seeking funds and reviewing the idea with the customers (Delmar and Shane 2004). However, researchers highlight that a higher number of entrepreneurs fail to continue their business ventures (Hsu et al. 2017). Therefore, assessing the viability of the venture idea plays a key role. However, entrepreneurs do not necessarily need to come up with a new venture idea. Recombining existing ideas and transforming it to something new has been a common research topic (Allen and Henn 2007; Flath et al. 2017). With the advent of digital technologies, there is a trend among entrepreneurs to copy innovative ideas and launch new business ventures in their countries (Thaker et al. 2017). This is especially true in developing countries where entrepreneurs copy innovative ideas and transform it to cater the local communities (Flath et al. 2017).

Prior research on entrepreneurial process entrepreneurial processes (Krueger et al. 2000; Shapero and Sokol 1982). With the advent of digital technologies, the entrepreneurial process too has changed. For example, technologies such as social media, opens up immense pathways for entrepreneurs to gain new business ideas (Fischer and Reuber 2014). As such, Bakker and Shepherd (2017) propose a process model (three stages are: prospecting, developing, exploiting) to position digital technologies and their role in the venture creation process. In analysing the prospecting stage, there is a consensus that entrepreneurs should come up with ‘new to the world’ business ideas for the survival (e.g., Garcia and Calantone 2002; Lokuge 2015). However, entrepreneurial activities not necessarily focus on innovation but also imitation. For most of the common firms dealing with common products or services, the term new-to-the-world does not resonate well (Lokuge and Sedere 2014b). Similarly, in South Asian region too it is evident that entrepreneurs such as Flipkart launching new ventures copying the business idea from global giants like Amazon (Khanna and Sampat 2015). The online platforms make it increasingly easy to access new ideas (Leonardi 2014; Sedere et al. 2016b). Through such platforms entrepreneurs are able to apply existing ideas to novel settings such as local markets. The local entrepreneurs are able to apply these existing ideas in new ways, or make changes to the adopted idea (Dodgson et al. 2013; Flath et al. 2017). The process of adopting ideas can be considered as a knowledge reuse and has been discussed in contexts such as crowdsourcing (Yates and Paquette 2011) and open source (Sowe et al. 2008). Even though these studies have provided insights into knowledge reuse, limited studies investigate the reuse of ideas in entrepreneurship context, specially by the developing countries. Therefore, in this research, we specifically focus on how entrepreneurs in developing countries come up with business venture ideas and we investigate particularly on their nature and the success of the product/service offering. As such, considering the reuse of an existing ideas, in this paper we take into account the novelty of the idea and the level of localization of the idea as key factors in investigating the phenomenon. Innovativeness plays a critical role in determining the success of a firm. According to Covin and Miles (1999) firms that lack innovativeness is considered as non-
entrepreneurial firms. Innovativeness is defined as the degree to which a firm involves in developing new ideas and processes for creating new products or services. The definition was adapted from Garcia and Calantone (2002). Reusing the ideas in developing countries setting assumes imitation strategy. As such, localization is defined as the extent to which a product/service offered by a firm has considered the local market needs. By applying these lenses, the study attempts to investigate how entrepreneurship occurs in developing countries, specifically in the idea generation (prospecting) phase.

3 Research Methodology

The objective of this research is to understand the how entrepreneurship occurs in developing countries, especially in the idea generation phase. To investigate this, a qualitative document analysis method was conducted. In this method, we analysed documents to obtain voice and meaning around the topic of entrepreneurship and how it occurs in developing countries (Bowen 2009). We selected twenty-five South-Asian entrepreneurial firms that were implemented after the advent of digital technologies. When selecting the case organizations, we particularly focused on firms in India, Sri Lanka, Pakistan and Nepal that have used digital technologies. Following the guidelines of O’Leary (2014), three types of documents were analysed in this study. They are: (i) publicly available organizational records such mission statements, annual reports, policy manuals and strategic plans, (ii) personal documents such as entrepreneurs’ actions, experiences and their opinions which includes blogs, Facebook posts, incident reports, journals and newspapers, and (iii) physical evidences such as flyers, posters, handbooks and online materials. By doing a general search, each case organization was profiled. Due to page limitations, details of 4 of the case organizations, out of the twenty-five organizations are provided in Appendix A.

When conducting qualitative document analysis, as Bowen (2009) suggested, we gathered an array of quality documents for each firm. For example, when analysing the personal documents such as blogs and Facebook posts, we ensured to authenticate all the facts provided in the personal posts. First, following the guidelines of O’Leary (2014), all documents were collected, assessed their authenticity, assessed their biases, investigated the objective of each of the document and explored them. Two researchers independently assessed the documents treating each document as an informant and exploring the texts for the answers (O’Leary 2014). Sample questions include, ‘what the inspiration was to start this business, how did the founder come up with the idea, what are the unique features of the product/service offering, how successful is the business.’

<table>
<thead>
<tr>
<th>Categories</th>
<th>Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product/Service offering of the firm</td>
<td>Open classification depends on the firm [product/service]</td>
</tr>
<tr>
<td>Similar Global product/service offering</td>
<td>Open classification [global start-up name]</td>
</tr>
<tr>
<td>Ownership of the start-up</td>
<td>Owned by global start-up, Owned by local entrepreneur/s</td>
</tr>
<tr>
<td>Technologies used in the start-up</td>
<td>Mobile, cloud, social media, analytics, enterprise systems</td>
</tr>
<tr>
<td>Variations to the original global product/service</td>
<td>Yes, No</td>
</tr>
<tr>
<td>Variations to the original global product/service</td>
<td>[unique product/service offering of the start-up]</td>
</tr>
<tr>
<td>Intensity of the variation</td>
<td>Incremental, radical</td>
</tr>
<tr>
<td>Success of the local start-up</td>
<td>Measured by number of users (as a percentage), rate of adoption, profit, customer feedback taken through web search</td>
</tr>
</tbody>
</table>

Table 1. Categories and codes

After collecting all documents, two researchers categorized all the documents independently. One researcher developed a comprehensive case description detailing each firm (Gersick 1988; Pettigrew
The initial analysis of the documents allowed the identification of type of the business, product/service offering, status of the firm and an overview to the start-up firm. Further, during the analysis extra effort was put into to preserve the existing relationships of the data (e.g., Lapointe and Rivard 2005; Miles and Huberman 1994). Two researchers independently coded each document until mapping reached consensus. Table 1 provides codes and categories that guided the coding process. Further, two researchers compared the results of each of the firm against its original company independently. The results of this comparison were cross-checked by all three researchers until reached consensus. As the second phase of the research, we expect to collect primary data (e.g., interviews, focused groups, interviews) from multiple case organizations. In the next section, the preliminary findings of the qualitative data analysis are provided.

4 Findings

The focus of this qualitative document analysis was on the idea generation phase of the entrepreneurial lifecycle and the research context being the entrepreneurs in developing countries. In the preliminary analysis, the innovativeness of the business idea was measured. Analysing the entrepreneurial firms through the lens of innovativeness, starts a debate that entrepreneurs need to come up with new ideas to be successful in their ventures. However, the findings of the preliminary analysis showed successful entrepreneurial firms in developing countries that followed an imitation strategy. As opposed to the viewpoint of Covin and Miles (1999) on differentiation of products/services leads to competitive advantage, thus, leading to successful ventures, became a void argument through the results of our analysis. Based on our preliminary analysis of the data we identified four types of strategies followed by the entrepreneurial firms in the developing countries to generate business ideas. They are: (i) Auto, (ii) Iso, (iii) Allo and (iv) Xeno. Each of the four types of strategies are described below in detail. The names of each of the strategy are inspired by types of transplantation in the medical field (Waring 1985). Figure 1 depicts classification of all case organizations and some early insights derived through the analysis.

4.1 Auto – imitating the original idea and create a new entity

In this imitation strategy, the global entrepreneurial firm that came up with the original business idea, creates a new entity (or a product/service) in the developing countries. This approach of differentiating the product/service to suit the local market needs is named as ‘Auto’ strategy. Similar to auto graft transplantation type, the original global entrepreneurial firm initiates the local start-up. In our sample, Uber was the example for this category. In this strategy, firms do not differentiate product/service offering and keep the original features. However, fundamental changes such as currency, policies, regulations are changed according to the country. Even though Uber caters to most of the South Asian regional countries, in our sample, we have considered all the entities as one case organization.

4.2 Iso – imitate the original idea without changes

In the ‘Iso’ strategy, the local start-ups copy the original idea of the global entrepreneurial firm and make no changes to the product/service offering. Even though the local start-up launch ‘genetically identical’ business idea, the rate of success is much higher in the local offering. Prior literature on innovation posits that fast imitation (innovation speed-wise) can lead to competitive advantage (Lee et al. 2000). However, Covin and Miles (1999) posit that entrepreneurial firms should introduce new product/services to be successful in their business ventures. However, the results of the preliminary analysis showed that local start-ups continue to do their business successfully. For example, GiftSmart is a Sri Lankan start-up that copied the original idea of Blackhawk Network, Voucher Express, or American Express Gift Card. GiftSmart has personalized the original idea to cater the local market and have collected local vendors to cater the local consumers. GiftSmart is one of the most popular online gift card companies and due to its localized solution, it is successful among the customers in Sri Lanka.
4.3 **Allo – making incremental changes to the original idea**

In the ‘Allo’ strategy, the local start-up copies the original idea of the global entrepreneurial firm. However, when creating a local start-up, they make differences between the original and the new product/service offering. Innovation literature suggests incremental and radical innovation as two main types of organizational innovation (Ettlie et al. 1984; Lokuge and Sedera 2014c). The local start-ups in ‘Allo’ strategy focus on the incremental changes to the global entrepreneurial firms’ product/service offerings. In accordance with the view of Schumpeter (1934), the introduction of incremental changes helps the firms to sustain the rivalries. In here, the local start-ups specifically focus on catering the local demand and on adding new features and functions to the product/service. Further, the local start-ups change the cost of the product/service offerings to suit the local market which provide them with competitive advantage (Porter 2011). Yet, on the other hand, the commonly agreed view is that it is difficult for a firm to survive only by launching incremental innovations (Chang et al. 2014; Lokuge and Sedera 2014a). However, the preliminary analysis revealed that the local start-ups are successfully continuing their businesses. For example, Yoho Bed in Sri Lanka is a local start-up that copied the idea of Airbnb. However, they have made specific changes to their service by providing offline capability to the system, providing management advice to small hotel operators by listing their rooms on its booking system and adding features such as WiFi mandatory offerings in their hotels. According to Kimberly (1981) new features that were not previously available in the original product/service offering create valuable opportunities for market-based differentiation.

4.4 **Xeno – adopting the original idea into a new context**

When the original idea of the global entrepreneurial firm is copied by a local start-up to a completely new context, we call this strategy as ‘Xeno.’ According to Ettlie et al. (1984, p. 683) in the organizational innovation literature the dichotomy of radical versus incremental innovation plays an important role. Zaltman et al. (1977), following Schumpeter (1934), embrace the viewpoint that radicalness is measured by the newness of an innovation. A radical innovation is a costly initiative (Benner and Tushman 2003) which normal firms are reluctant to initiate (Carlo et al. 2014; Lokuge and Sedera 2017). Radical innovation is also considered as disruptive innovation, which interrupts the competitors. As such, in Xeno strategy, the local start-ups hold characteristics of a radical innovation which provide them with competitive advantage over the competitors. Therefore, the rate of success of these local start-ups is high. For example, PayHere is a Sri Lankan Online Payments system, copied the idea from PayPal. They have provided the local market with an online payment system as well as a payment gateway for small business vendors. As Hage (1980) rightfully suggested, the firms that follow
Xeno strategy, identify the need to substitute the global start-up’s product/services to entirely new ones. As such, the local start-ups become the leaders in the local market.

5 Conclusion

The advent of the digital technologies has provided immense opportunities for developing countries (Nuwangi et al. 2014; Sedera et al. 2014; Subasingha et al. 2012). The innate characteristics of digital technologies such as low cost (Walther et al. 2013a), ease of adoption, subscription models (Walther et al. 2013b) have made it easier for an entrepreneur to launch new ventures. Given this background, the objective of this research is to investigate “how idea generation in entrepreneurship occurs in developing countries?” To investigate this phenomenon, we carried out a qualitative document analysis. The analyses performed above (i) provided four types of idea generation strategies followed by the entrepreneurs in developing countries and (ii) validated the proliferation of digital technologies for idea generation in the developing countries. Prior research on entrepreneurship has largely ignored the imitation strategies of the entrepreneurial firms (Lee et al. 2000). With the advent of digital technologies this has become the most feasible strategy for the start-ups. Our research advances the knowledge on imitative idea generation strategies for entrepreneurs. As such, the study specifically debates the orthodox view on innovation and entrepreneurship, where scholars hold the view of entrepreneurs coming up with new-to-the-world idea. In addition, the preliminary analysis data highlighted some of the key characteristics of each of the four types of strategies identified in the preliminary analysis. Firms that follow the Auto strategy, are challenged by the cost leadership in the market, it is important for them to localize their solution for the survival. These firms can easily follow Iso strategy. However, firms that follow Iso strategy find it difficult to survive in the market, due to less innovativeness. However, the risk of competition is low for these firms due to high innovation cost. These firms can follow Allo strategy for their survival. In Allo strategy firms make incremental changes to the product/service. The firms that follow Allo strategy are challenged with imitators, due to innate characteristics of digital technologies, the competitors can easily gain competitive advantage (Sedera et al. 2016a). In Xeno strategy, firms adopt the idea to a completely new context. As such, these firms’ survival rate is high relative to firms that follow Iso and Auto strategies. Even though the preliminary findings are heartening, much work are under way to establish these findings. The preliminary findings contribute to the academia by providing four types of idea generation strategies followed by the entrepreneurs, establishing the use of digital technologies for innovation and imitations, and finally contributing to identifying different types of imitation strategies followed by entrepreneurs. As such, the study not only adds value to the entrepreneurship literature but also adding value to innovation and imitation literature.

The study may be of interest to practitioners in three ways. First, the types of idea generation strategies derived through the study will assist future entrepreneurs to mitigate their risks through carefully evaluating the entrepreneurial options. Second, by embedding our strategy types in contexts such as the region (e.g., Asia, Europe), type of business (e.g., transportation, hospitality), budget (e.g., high vs. low) and regulations (e.g., highly regulated vs. low) would allow entrepreneurs to guide their innovations. Third, for the already established entrepreneurs, our classification will provide alternative paths to face competition in dynamic markets. There are several limitations and extensions to the study. First, although we analysed documents related to the establishment of the cases, more evidences require to establish these findings. Second, analysing the documents available through a general search, as we did in this study, can introduce biasness (Nuwangi et al. 2013; Rosemann et al. 2000). Future research can administer this issue. Although there are several limitations, they also raise numerous future research opportunities. First, the results of the qualitative document analysis can be further investigated to identify new insights. As such, interviews, observations and focused groups can be conducted to gain insights to the study of the phenomenon. Second, the findings can be generalized by conducting a survey. Two studies (a qualitative and a quantitative) are underway to investigate the research phenomenon. Further, future research could also examine whether these findings can be generalized to other developing countries – more specifically to Africa and Indonesia.
## Appendix A

<table>
<thead>
<tr>
<th>Start-up</th>
<th>Started Year</th>
<th>Country</th>
<th>Product/Service offering of the start-up</th>
<th>Description of the start-up</th>
<th>Similar Global Company/Product</th>
<th>Unique Offering of the start-up</th>
<th>Documents Analysed</th>
<th>Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>GiftSmart</td>
<td>2015</td>
<td>Sri Lanka</td>
<td>e-Gift Vouchers system</td>
<td>GiftSmart Card is a unique gift card that can be redeemed against gift vouchers of multiple shops in Sri Lanka.</td>
<td>Blackhawk Network, Voucher Express, American Express Gift Card</td>
<td>Allow gift card receiver to customize and redeem gift voucher with various vendors</td>
<td>Company website, personal blogs, customer comments, Newspaper and online articles</td>
<td>Iso</td>
</tr>
<tr>
<td>Uber Sri Lanka</td>
<td>2014</td>
<td>Sri Lanka</td>
<td>transportation solution</td>
<td>Uber is a ride sharing mobile solution.</td>
<td>Uber</td>
<td>Uber uses the same product all over the world</td>
<td>Company website, personal blogs, Facebook page, Newspaper and online articles, product release notes</td>
<td>Auto</td>
</tr>
<tr>
<td>PayHere</td>
<td>2016</td>
<td>Sri Lanka</td>
<td>Online Payments system</td>
<td>PayHere is a Sri Lankan Digital Payments Platform that offers third-party Payment Processing Services for Sri Lankan Businesses to accept online payments over several payment methods.</td>
<td>PayPal</td>
<td>Online Payments system and Payment gateway for small vendors</td>
<td>Company website, personal blogs, customer comments, Newspaper and online articles, product release notes</td>
<td>Xeno</td>
</tr>
<tr>
<td>Yoho Bed</td>
<td>2016</td>
<td>Sri Lanka</td>
<td>Online Market Place for Hospitality Services</td>
<td>Sri Lankan hospitality solution to build a branded network of premium budget hotels.</td>
<td>Airbnb</td>
<td>Provide hassle-free room booking for budget hotels. Online Services, Consultation for small hotels, mandatory service requirements</td>
<td>Company website, personal blogs, customer comments on Facebook page, Newspaper and online articles, product release notes</td>
<td>Allo</td>
</tr>
</tbody>
</table>
References


