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## WHEN COPYCATS CAN SUCCEED? BUSINESS MODEL IMITATION AND THE LEGITIMACY OF NEW VENTURES IN EMERGING ECONOMIES (SUMMARY)

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≈ SUMMARY ≈

## WHEN COPYCATS CAN SUCCEED? BUSINESS MODEL IMITATION AND THE LEGITIMACY OF NEW VENTURES IN EMERGING ECONOMIES

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### Principal Topic

Research in institutional theory generally suggests that imitating a successful business model can provide initial legitimacy for new ventures (Aldrich & Fiol, 1994; DiMaggio & Powell, 1983). However, researchers of “institutional distance” suggest that institutional requirements differ between countries (Kostova, 1999; Kostova & Zaheer, 1999; Xu & Shenkar, 2002). The fundamental assumption that the successful business is highly legitimated and presents an appropriate way of doing business remains questionable when considering the difference in market contexts.

In this paper, we aim to further explore the factors which influence the dynamics between imitation and initial legitimacy generation. We explore the business model copycats (BMCs) — firms that try to establish their market place in emerging economies by imitating leading business models from advanced economies — from the institutional perspective. We investigate a question that: what influences BMCs’ initial legitimacy?

Our goal is to contribute to theory by investigating the contingencies and boundary conditions at play in the relationship between imitation and the initial legitimacy generation of BMC ventures in emerging economy.

### Method

We investigate 736 assessments, nested within 46 venture investors using a conjoint experiment analyzed with hierarchical regression and hierarchical linear modeling (HLM).

### Results and Implications

Our findings suggest that domestic regulatory support, domestic normative support, and the match of the teams (copied and copying team) influence the attribution of initial legitimacy for the BMC venture by investors. Our empirical results also show that the investors’ knowledge of the copied firm strengthens all three tested main effect relationships.

We make our first contribution to the literature of legitimacy building in early entrepreneurship ventures by expanding the theoretical argument that suggests imitation as an important mechanism to achieve initial legitimacy (Aldrich & Fiol, 1994; Lieberman & Asaba, 2006), and provide first evidence of factors which play a role in this relationship. We make our second contribution to advance the understanding of institutional theory and entrepreneurship in the specific context of emerging economies. Our empirical analysis provides support for the argument that contextual difference in emerging economies shape the appropriateness of entrepreneurial goals and behaviors, as well as the effectiveness of actions (Bruton et al., 2008).

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