

Entrepreneurship

Why Highly Innovative Startups Often Present Themselves in the Most Generic Ways

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Not all startups benefit from emphasizing their distinctiveness - different contexts, different incentives.

Every startup is told to clearly emphasize its distinctiveness from existing competitors. But when we studied over 31,000 UK startups, we found that many of the most innovative and well-resourced ones describe themselves in strikingly generic terms. Rather than being a failure of communication, this can be a viable strategy for certain startups. In industries awash with investor attention, resource-rich startups gain little from emphasizing their distinctiveness and doing so may even backfire. Symbolic differentiation becomes most important when startups cannot rely on industry buzz and quality signals alone to attract attention.

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When startups seek investment, one piece of advice is near-universal: make clear what differentiates you from everyone else in the market. Entrepreneurs are therefore often coached to strategically emphasize their startup’s distinctiveness when communicating to

potential stakeholders.

But when we systematically studied how startups actually describe themselves, a puzzling pattern emerged. In a recent study, published in the *Academy of Management Journal*, we analyzed how over 31,000 startups described themselves on their websites to understand how much they emphasized their distinctiveness from competitors — what we call *symbolic differentiation*. All of these startups were founded between 2010 and 2021 in the UK and signaled a clear ambition for growth. What we found challenges the standard advice given to startups: many of the most resource-rich startups — for instance, those with large patent portfolios — did not engage in symbolic differentiation and rather made relatively generic claims about themselves. This is surprising because those startups would be precisely the ones best positioned to convey their distinctiveness.

Take DeepMind — one of the most innovative AI ventures of the past decade, backed by over 300 patents and billions in funding. Before being acquired by Google in 2014, DeepMind described itself in relatively generic language that was largely indistinguishable from that of many of its competitors in the AI space, such as being on “a scientific mission to push the boundaries of AI”. In fact, our analysis based on sophisticated computational text analysis methods suggests that DeepMind engaged in less symbolic differentiation than around 84% of all startups in our sample. And DeepMind is not an outlier; it is emblematic of a broader pattern we uncovered across thousands of startups in industries ranging from fintech to renewable energies.

What explains this? Not a failure of communication, and not excessive modesty. The answer, our study suggests, lies in the distinction between the *ability* to claim distinctiveness and the *incentive* to do so — and in recognizing that for many startups, those two things point in very different directions.

Ability Isn't Everything

The standard advice given to startups rests on an assumption so widely shared it rarely gets examined: that startups always have clear incentives to emphasize distinctiveness from their competitors. Hence, researchers and startup advisors alike tend to interpret a

lack of differentiation as a failure on the part of the entrepreneur. As Seth Godin famously put it, “in a crowded marketplace, fitting in is failing” — a maxim that startup advisors have repeated so often it has become the default framing for any conversation about positioning.

Academic research on how entrepreneurs effectively communicate their startup ideas when talking to potential stakeholders largely reinforced this assumption. The prevailing view holds that founders need to convey their startup’s distinctiveness to stand out and convey competitiveness. From this perspective, startups’ existing resources are seen as the ingredients that allow startups to make convincing claims about their distinctiveness. Startups that hold unique resources, the logic goes, are best positioned to convincingly communicate their distinctiveness. This logic is intuitive. It is also incomplete.

What the perspective misses is the distinction between startups’ ability for symbolic differentiation and their incentives to do so. A startup may be perfectly positioned to symbolically differentiate itself — e.g., by simply communicating the distinctive aspects of their technological invention — and yet face an environment in which symbolic differentiation would provide limited benefits. When the external conditions already ensure that the startup will attract favorable attention from investors and other stakeholders, it no longer needs to fight for attention.

In fact, startups with highly distinctive resources can even have incentives to actively downplay their distinctiveness. When newly entering an industry, highly innovative startups sometimes rather face the challenge to be recognized as a legitimate player in their industry — and efforts to emphasize their uniqueness may therefore be counterproductive. This reveals a fundamental tension at the heart of startup positioning: the unique resources that enable symbolic differentiation are often the same resources that make it unnecessary — or even counterproductive.

This insight shifts attention from startups’ abilities to their incentives for symbolic differentiation. And once you look for the incentive structure, two factors dominate the picture: how much attention investors are paying to the startup’s industry and how its

existing resources already signal the startup's competitiveness. Together, these two factors shape whether a startup has much to gain from symbolic differentiation — or whether doing so would be redundant, and perhaps even backfire.

Different Contexts, Different Incentives

Our study identifies two distinct scenarios in which startups have clear incentives to emphasize their distinctiveness:

1) Signaling competitiveness in a hot industry. In industries flooded with investor attention — what we call *hot industries* — startups with fewer resources face a specific challenge: they must prove they can compete with better-resourced players. Think of industries like AI, fintech, biotech, or renewable energy. Symbolic differentiation helps these startups to position themselves as a serious contender in their industry. By communicating a unique competitive positioning, they also signal a plausible pathway toward a competitive advantage. The goal is not to stand apart from the industry but to be seen as a competitive player within it.

Consider, for instance, GenomeKey — a biotech startup that lacked the patent portfolios of its better-resourced competitors. Rather than merely positioning itself as a proper biotech company, GenomeKey presented a punchy self-description that explicitly emphasized how its product differs from that of its competitors. For instance, GenomeKey emphasizes that its DNA sequencing technology “diagnoses in hours, not days.” In a hot industry where attention is abundant but competition fierce, symbolic differentiation often serves as a primary tool for signaling competitiveness against better-resourced rivals.

2) Signaling disruption. In industries that startup investors tend to ignore, startups need to fight for any attention at all. When competing in an industry like waste management, construction, or food & beverage manufacturing, merely being recognized as a competitive player rarely makes a startup an attractive investment target. Here, symbolic differentiation serves as a signal of disruption — a declaration that the startup departs from conventional approaches of its industry. The goal is not just to differentiate from

competitors but to clearly emphasize how the startup departs from the industry's conventional approaches. The goal is to appear fundable to investors despite competing in an industry that is seen as relatively unattractive.

A case in point is Brightwater, a Scottish water services company. In its self-description, Brightwater declared itself as “an ambitious challenger” that explicitly rejects the industry's prevailing business model (“We don't believe in the current ‘switch and forget’ approach to the industry”), while emphasizing its unique approach to water services as “its key differentiator”. Lacking the gravitational pull of a hot industry, startups like Brightwater have to clearly communicate why investors should take notice and take a chance on them. For such startups, symbolic differentiation becomes one of the few tools available to attract the attention of investors who might otherwise overlook the sector entirely.

In both cases, startups have a clear incentive to strategically emphasize their distinctiveness even as they do so to address different challenges. But these two scenarios cover only the startups that need to actively fight for attention – what about those startups whose resources already allow them to stand out in in hot industry?

When Startups Lack Incentives for Symbolic Differentiation

One of the study's central findings is that resource-rich startups in hot industries are systematically less likely to symbolically differentiate themselves than other startups. In fact, our study shows that startups emphasize the least distinctiveness when they hold a lot of quality-signaling resources that are rare in their industry. Their unique resources already position them as a very competitive contender in an industry poised for growth, already attracting a lot of attention from investors.

As they lack strong incentives for symbolic differentiation, resource-rich startups in hot industries don't ask “how can we differentiate ourselves as much as possible from our competitors?” but often rather seek to ensure that investors recognize them as a proper

member of their industry. At the same time, these startups can let their unique resources speak for themselves.

Consider MiroBio – a biotech startup that was spun out of the University of Oxford, raised over £50 million in its first years and was later acquired by Gilead Sciences for \$405 million. The startup described itself in relatively generic terms that do not indicate any differentiated positioning and may equally apply to dozens of its competitors in the biotech industry (“Our mission at MiroBio is to deliver transformational immunotherapies for people suffering from autoimmune disease”). In a hot industry awash with investor capital, the startup’s ties with a prestigious university and existing patents were sufficient signals to attract interest from investors and corporate partners alike – symbolic differentiation would have added little value.

Differentiation Incentives Shift Over Time

These incentives are not static. When a once-hyped industry cools down – as investor enthusiasm wanes or media attention shifts elsewhere – startups that previously relied on industry buzz to attract attention may find themselves suddenly fighting for attention. For instance, in another study, we found that startups in the market for online learning platforms did not benefit at all from emphasizing their innovativeness as long as the market was hyped. Yet, once the excitement around the market had cooled off, startups in that space attracted substantially more customers if they made explicit claims about their uniqueness and innovativeness.

Similarly, once a previously resource-poor startup has developed a unique resource portfolio, it no longer faces the same incentives for symbolic differentiation. For instance, a startup like GenomeKey started to describe itself in more generic terms after it had raised millions in funding and innovation grants.

The optimal positioning strategy is therefore a moving target. Founders need to continuously reassess their evolving incentives for symbolic differentiation.

Takeaways for Entrepreneurs and their Advisors

Our study suggests that the conventional startup advice to emphasize distinctiveness may be counterproductive for those startups that already stand out due to their resources. When working on their website's About Us page, social media presence, or pitch deck, founders need to strategically consider the specific benefits they seek from symbolic differentiation. When reflecting on how to publicly present their startup, founders should start by asking themselves two related questions:

- Is our industry hot right now?
- Do we have the necessary resources to stand out as a high-quality player in our industry?

A startup that answers 'Yes' to both questions does not need to lead with how different it is – investors in that context aren't struggling to take notice of viable new competitors in the space. Looking and sounding like a credible industry insider may thus be more beneficial than forceful efforts to claim a unique positioning within that industry. When publicly describing themselves, these startups can use vocabulary that aligns with industry conventions, while refraining from specific differentiation claims. Counter to common advice, a lack of strategic differentiation may thus be a viable strategic choice for these startups. Getting this calibration wrong carries real costs: a resource-rich startup in a hot industry that aggressively differentiates may signal to investors that it doesn't understand its own market, while a startup in a cold industry that blends in risks being overlooked entirely.

Conversely, startups answering 'Yes' to the first but 'No' to the second question should strategically think about how they can communicate their distinctiveness and convey a unique positioning within their industry. For founders of such startups, it pays off to invest effort in crafting a compelling narrative that helps stakeholders easily recognize how the startup's value proposition differs from those of its more endowed competitors. Founders lacking unique resources need to recognize the need to differentiate – and the central role that public communications play in their differentiation efforts.

Startups who answer ‘No’ to the first question should reflect about how their self-description can convey their intention to shake up their industry to convey their fundability. In such industries, emphasizing how their approach departs from the conventional industry model can help investors understand why they should even consider investing in an otherwise stagnant industry. The incentives to craft a compelling differentiation narrative are particularly strong for startups that also answer ‘No’ to the second. For these startups, a well-crafted narrative that plausibly positions them as an ambitious disrupter can often become the only chance to attract investors’ attention.

For accelerators and other entrepreneurial support organisations, the findings challenge one of the most common elements of startup coaching: when it comes to differentiation and positioning, startups need more tailored advice than a blanket encouragement to emphasize distinctiveness. Startups systematically differ in their differentiation incentives and positioning challenges, and startup advisors can provide a lot of value by helping entrepreneurs to understand and address their startup’s unique positioning challenge. Applying the same positioning playbook across cohorts with radically different contexts risks pushing many startups in the wrong direction.

In a world where startup advice often defaults to “differentiate or die,” the truth is that *not* emphasizing their distinctiveness can be a smart positioning move for some startups. Before seeking to differentiate their startup, entrepreneurs should first reflect on whether doing so is in their best interest.

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