

## When to Innovate and When to Imitate

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July 31, 2025

*Forthcoming in Harvard Business Review online.*

## **When to Innovate and When to Imitate**

### **Abstract**

While innovation is widely celebrated as a path to competitive advantage, many firms fail because they pursue innovation when imitation would be more effective. This article presents a framework for determining whether companies should innovate or imitate based on two dimensions: industry maturity and competitive position. In nascent industries with unexplored opportunities, innovation typically succeeds by discovering new market spaces. However, in mature industries where most territory has been mapped, firms often benefit more from imitating nearby, better-performing competitors within their “imitation radius”—the zone of feasible catch-up. Companies at the industry frontier should innovate, while those behind should strategically imitate. The framework guides organizational implementation through structure, talent, processes, and timing adjustments tailored to each strategy. By recognizing that imitation can be a legitimate strategic choice rather than a failure, managers can make more informed decisions about resource allocation and competitive positioning.

# 1 When imitation beats innovation

We often valorize companies that attempt to innovate in their industries because they push the boundaries of what is possible and, in doing so, achieve extraordinary returns for their endeavors. Not surprisingly, the vast majority of top-performing companies [rank innovation among their top three priorities](#). But not all firms benefit from their investment in innovation.

Frequently, scholars and practitioners attribute innovation failures to the ways companies go about developing and commercializing innovations. But our research suggests an alternative reason—many innovation attempts fail because companies do not fully understand their positioning in the market.

In this article, we take a step back. Before deciding how to innovate, we suggest companies ask when they should innovate—and whether it might make more sense to imitate instead. While less glamorous, for some companies, [imitating](#) the right rivals at the right time can be more effective and lucrative than attempting to chart an entirely new course.

## 2 When to innovate and when to imitate

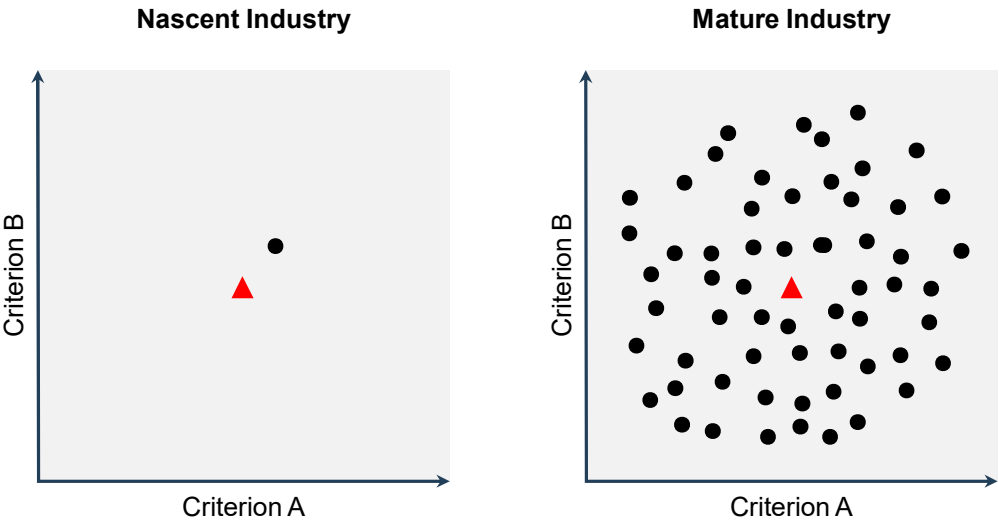
We've developed a framework, based on decades of research, to help determine whether a company is better off pursuing an imitation or innovation strategy. The framework is built on two critical dimensions: (1) industry maturity; and (2) a company's position within an industry.

By “position within an industry,” we mean how a company performs (based on given performance criteria) relative to other players in the industry. These criteria can vary. For instance, airlines generally compete on quality and cost, smartphone manufacturers on processing power and design, and software firms on product reliability and user accessibility. As part of the process of understanding when to innovate or imitate, you should determine which criteria matter the most in your industry or market. Though it might seem like an onerous task on the surface, do not despair. You can use data that you have gleaned through

market and customer research to determine the attributes or features customers care about in your industry. You then can assess how your company measures up against these criteria and where your company **stands** compared to competitors. The figures below help visualize these comparisons through what we call an “industry cloud diagram.”

### 3 Assess the maturity of your industry

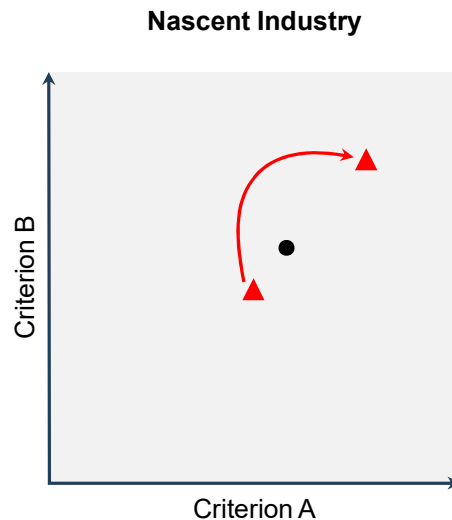
Let’s start by considering the first dimension in our framework—industry maturity—and comparing a nascent or young industry to a mature industry. In nascent industries, few players exist; as an industry matures, more players enter, occupying different positions in the market. Whether you should imitate or innovate critically depends on the maturity of the industry.



For instance, in the early 1920s when the automobile industry was nascent, Ford produced more than **50 percent of all motor vehicles in the world**. By the 1990s, the automotive industry had matured into a global industry with a plethora of manufacturers. These included American giants (Ford, GM, Chrysler); German luxury and performance brands (VW, BMW, Daimler-Benz, Porsche); French automakers (Peugeot, Renault); Italian manufacturers (Fiat); Japanese companies (Toyota, Nissan, Honda, Mitsubishi, Subaru); South Korean entrants

(Hyundai, Kia, Daewoo); alongside emerging players from India, China, Russia, and Eastern Europe.

When an industry is nascent, innovating tends to win because many valuable, unexplored opportunities await discovery. For example, following the introduction of Ford’s Model T in 1908, GM entered the market by imitating the Model T’s affordability and reliable quality. But after unsuccessful imitation attempts, GM decided to innovate and move into completely different territory: by segmenting the market and introducing colorful cars with neatly designed closed bodies. The industry was simply too young to standardize around the Model T; superior designs remained undiscovered, and companies that pioneered these alternatives achieved remarkable success.



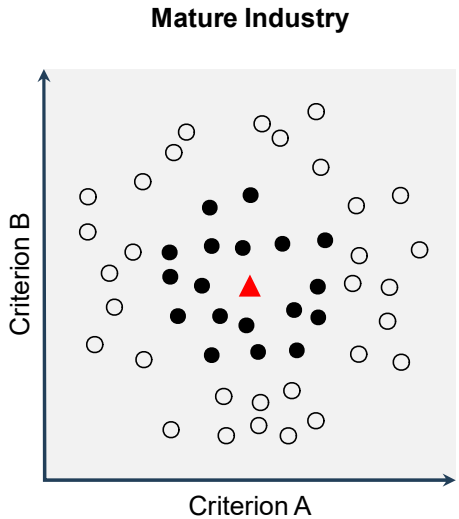
Instead of just imitating Ford, GM was better off by leapfrogging it—finding a new position in the uncharted territory. A similar pattern played out in the early days of the modern electric vehicle industry. When Tesla entered the market, most automakers were focused on building small, practical electric cars that closely resembled existing gasoline vehicles—essentially imitating the conventional car template. Instead, Tesla innovated by launching the high-performance Roadster and, later, the luxury Model S, proving that electric vehicles could be desirable, fast, and aspirational. By targeting an unexplored segment—premium, long-range EVs—Tesla leapfrogged traditional automakers and established itself as

a leader, while others were still experimenting with incremental improvements.

In contrast, in a mature industry, many firms have already explored the landscape and discovered most of the possible products and spaces. Most of the territory has been charted. Thus, to improve, companies can imitate those that are in a comparatively better position.

## 4 Identify your imitation radius

In a mature industry, it is best to imitate the nearby, better-performing competitors that sit just ahead of you on the competitive landscape—that is, rivals within your imitation radius, rather than distant industry leaders.



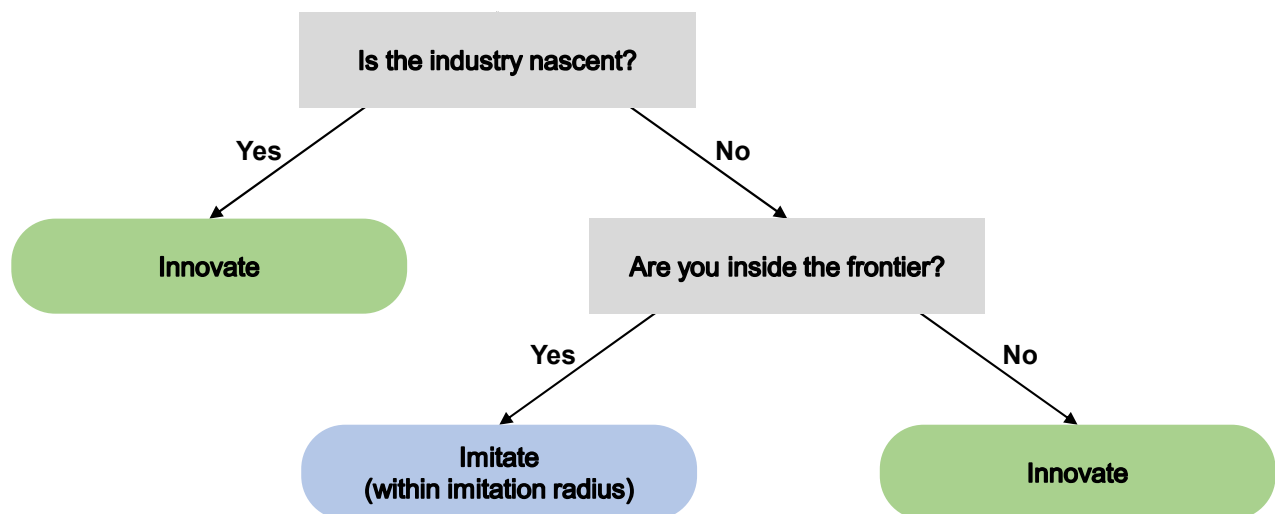
For example, in the 1980s, South Korean car manufacturers imitated the Japanese. This imitation allowed Korean car companies to improve their performance and move to an equivalent position in the cloud. At the same time, Lada, a Russian car company, tried to imitate U.S. and German cars to improve their performance and achieve the success of these industry leaders. But Lada was too far away from the U.S. and German companies to succeed. Imitation is a successful strategy when firms target competitors that are not too distant and live within their imitation radius. Lada would have been better off engaging in a series of jumps, imitating near competitors in a sequence and then ultimately reaching the

industry leaders. The South Korean car industry thrived in the 1990s, while the Russian car industry did not.

A similar pattern can be seen today in the gaming industry. Tencent Games, for example, has strategically invested in or imitated games developed by close competitors to build its own capabilities. When Tencent developed Arena of Valor, a mobile game closely modeled after League of Legends, it targeted a competitor within its imitation radius. This approach allowed Tencent to quickly gain expertise in the multiplayer online battle arena (MOBA) genre and achieve rapid success in the mobile gaming market.

## 5 Answer these questions to guide your strategy

So how should you decide which strategy to pursue? We created this diagram to help you visualize your decision making. In summary: if a firm operates in a nascent industry, the answer is straightforward: innovate. Conversely, if a firm operates in a mature industry, its strategy should be guided by its competitive position. Firms should focus on proven models within their “imitation radius,” or the zone of feasible catch-up.



It may help to visualize an actual company as you look through this diagram. ZEISS SMT provides a clear example. ZEISS operates in the semiconductor manufacturing industry, which is mature. However, ZEISS is at the very forefront of this industry, especially in

extreme ultraviolet optics. For ZEISS, simply imitating competitors would not help it stay ahead; there are no better models to copy. For ZEISS, the best decision would be to innovate and push the boundary further ahead.

## 6 Organizational strategies for innovation or imitation

Once an organization has decided whether to compete through innovation or imitation, how can they enact their new strategic focus? While countless mechanisms are available, we concentrate on the most common and consequential: shaping organizational structure, recruiting or upskilling talent, codifying routines, and calibrating the timing of investment behind the chosen approach. The guidance distills lessons from decades of research—including our own—and patterns we see repeatedly in practice. Although every firm operates in a unique context, we offer a pragmatic starting point for leaders looking to translate strategic intent into action.

### 6.1 To encourage innovation

If firms are looking to leapfrog over competitors or push out the frontier, there are many strategic changes they can make, including to their company's:

- **Structure:** Firms should work to flatten their hierarchy to empower cross-functional teams, [encouraging autonomy](#), open communication, and rapid [experimentation](#).
- **People:** Concentrate on [hiring](#) to enhance creativity and idea generation.
- **Routines and Processes:** Consider developing new routines that help establish [flexibility](#) and [cooperation](#).
- **Time:** Focus on a long-term orientation, as innovation can take [time](#).

## 6.2 To imitate successfully

If a company is looking to narrow their imitation radius, they should make somewhat different changes to their organization, including to their:

- **Structure:** Adopt clear roles and standardized workflows that accelerate the [imitation](#) and adaptation of [proven practices](#).
- **People:** Hire from target firms or competitors to access insider knowledge and practices.
- **Routines and Processes:** Consider [developing](#) new routines that allow for enhanced market [search](#) and research.
- **Time:** Focus on a shorter-term orientation to efficiently catch up to competitors.

Innovation is often seen as a badge of honor—bold, visionary, and transformational. But the reality is more complex: many firms invest heavily in innovation only to produce meager results. Our research and framework suggest that, before asking how to innovate, managers should first ask whether innovation is the right strategic move at all. By understanding your firm's relative position in the industry, you can make more informed choices.

If you're in a nascent industry or near the performance frontier, innovation may be necessary to break new ground. But if you're in a mature industry, imitation may be the faster path to performance gains. Imitation is not failure. It is strategic adaptation. Knowing when to imitate can save resources, reduce risk, and accelerate impact. The challenge for managers is to diagnose where they are and then configure the organization accordingly. Whether the answer is innovation or imitation, success depends on aligning structure, talent, routines, and timing to the task at hand.

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